

**HYDROBUDOWA POLSKA
SPÓŁKA AKCYJNA**

**FINANCIAL STATEMENTS
FOR 2008**

**PREPARED PURSUANT TO THE INTERNATIONAL
FINANCIAL REPORTING STANDARDS**

WYSOGOTOWO, THIS 27TH APRIL 2009

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Company name:	HYDROBUDOWA POLSKA SPÓŁKA AKCYJNA		
Period included in financial statements:	01.01.2008 – 31.12.2008.	Reporting currency:	PLN
Rounding level:	All amounts are expressed in thousand PLN (unless indicated otherwise)		

GENERAL INFORMATION

1. INFORMATION ABOUT THE COMPANY AND THE FINANCIAL STATEMENTS

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

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

The Extraordinary General Shareholders Meeting changed on this 9th October 2006 the Company seat for Wysogotowo near Poznań, ul. Skórzewska 35, with Resolution 1. On this 20th November 2006 District Court in Toruń made the entry of the change of the seat and the address of the entity and made the transfer of Company Registration Act pursuant to jurisdiction for District Court in Poznań, 21st Economic Division of the National Court Register. On this 27th August 2007 District Court in Poznań registered the merger of the Company with the "Hydrobudowa Śląsk" S.A. Company and on this 7th January 2008 the change of the Company name from HYDROBUDOWA Włocławek S.A. for HYDROBUDOWA POLSKA S.A. was registered.

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

The Company was given statistical number REGON 910097080.

The basic subject of the Company activity is, according to Polish Classification of Activities 4524B, "Construction of other water engineering facilities".

These financial statements were signed by the Management Board of the Company on this 27th April 2009. The Management Board is authorized to change the financial statements by the time of its approval by the General Shareholders Meeting.

The financial statements include 2008 i.e. the period from 1st January 2008 to 31st December 2008 and it includes comparative data for 2007 i.e. the period from 1st January 2007 to 31st December 2007.

Duration of the Company is unlimited.

1.1. THE INFORMATION ON THE SUBSIDIARIES

HYDROBUDOWA POLSKA S.A., in connection with the establishment and the acquisition of the whole capital of the Spółki HYDROBUDOWA POLSKA KONSTRUKCJE Sp. z o.o. company and the acquisition of the shares in PRG Metro Sp. z o.o. as well as the acquisition of the shares of Hydrobudowa 9 P.I.B. S.A., acts as the leader of the dominating entity on the HBP Capital Group.

The entities subject to consolidation.

As for this 31st December 2008 the following Companies were subject to consolidation:

Entity name	Registered office	Share in capital as for this 31 st December 2008	Consolidation method
HYDROBUDOWA POLSKA KONSTRUKCJE Sp. z o.o.	Mikołów	100%	Complete
Przedsiębiorstwo Robót Górniczych „METRO” Sp. z o.o.	Warszawa	84,55 %	Complete
Hydrobudowa 9 P.I.B. S.A.	Poznań	100%	Complete
Gdyńska Projekt Sp. z o.o. (HB9 subsidiary)	Poznań	100 %	Complete
Górecka Projekt Sp. z o.o. (HB9 subsidiary)	Poznań	100 %	Complete

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1.2. INFORMATION ON THE DOMINATING ENTITY AND THE RELATED ENTITIES.

The dominating entity towards Hydrobudowa Polska S.A. is PBG S.A. with its seat in Wysogotowo near Poznań.

These financial statements are subject to consolidation by the dominating entity PBG S.A. with complete consolidation method.

The following are related entities

Entity name	Registered office	Scope of activity
Apartamenty Poznańskie Sp. z o.o.	ul. Pamiątkowa 3/46, 61-512 Poznań POLSKA	Performance of general construction works connected with the elevation of buildings 45 21 A
APRIVIA S.A.	Ul. Skórzewska 35, Wysogotowo 62 – 081 Przeźmierowo POLSKA	Road construction area, including gaining and realization of contracts. Performance of tasks in industrial area.
AVATIA S.A.	Ul. Skórzewska 35, Wysogotowo 62 – 081 Przeźmierowo POLSKA	IT support for all Companies from the Group.
Bathinex Sp. z o.o.	ul. Skórzewska 35, Wysogotowo 62 – 081 Przeźmierowo POLSKA	Excavation of decorative stone and stone for the needs of construction industry 1411 Z
BETPOL S.A.	Ul. Fordońska 168a, Wysogotowo 61 – 081, Przeźmierowo POLSKA	Road construction. Realization of services connected with reinforced concrete works, demolition, recycling.
Brokam Sp. z o.o.	ul. Skórzewska 35, Wysogotowo 62 – 081 Przeźmierowo POLSKA	Excavation of decorative stone and stone for the needs of construction industry 1411 Z
Budwil Sp.zo.o.	Ul. Mazowiecka 42, 60-623 Poznań POLSKA	General construction works connected with the elevation of buildings
Dromost Sp. z o.o.	Żabno 4A, 63-112 Brodnica POLSKA	Production, commercial and service activity in the scope of technical road and bridge works 45 23 A
Excan Oil and Gas Engineering Ltd	#201,9637-45 Avenue Edmonton AB T6E 5Z8 CANADA	Intermediary at concluding contracts, coordination of design-engineering works, commercial activity
GAS & OIL Engineering s.r.o.	Karpatska, 3256/15 Poprad 05801 SŁOWACJA	Design services, investor supervision
Gdyńska Projekt sp. Zo.o.	Ul. Sienkiewicza 22, 60-900 Poznań POLSKA	Purchase and sale of real estates for the own account, real estate management
Górecka Projekt Sp. Zo.o	Ul. Sienkiewicza 22, 60-900 Poznań POLSKA	The realization of construction projects connected with the elevation of apartment buildings and non-residential buildings
Hydrobudowa 9 S.A.	ul. Skórzewska 35, Wysogotowo k/Poznania 62-081 Przeźmierowo POLSKA	The performance of general construction works in the scope of engineering facilities, not classified elsewhere
Hydrobudowa Polska Konstrukcje Sp. Zo.o.	Ul. Żwirki i Wigury 58, 43-190 Mikołów POLSKA	The production and assembly of steel structures and machines, steel tank installation, the realization of complex installation projects for industry, and in particular for petrochemical industry.
Infra SA	ul. Skórzewska 35 Wysogotowo 62-081 Przeźmierowo POLSKA	Renovation of water pipe and sewage systems
KWG SA (dawniej KB GAZ SA)	ul. Krasickiego 4, 71-333 Szczecin POLSKA	Performance of general construction works in the scope of line facilities: pipelines, electrical supply lines, civil engineering not classified elsewhere Polish Classification of Activities (PKD) 45 21 C

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Metorex Sp. z o.o.	ul. Żwirki i Wigury 17A, 87-100 Toruń POLSKA	General construction European Classification of Activities EKD 4521
PBG Dom Sp. z o.o.	ul. Skórzewska 35, Wysogotowo k/Poznania 62-081 Przeźmierowo POLSKA	Performance of general construction works connected with the elevation of buildings 45 21 A
PBG DOM Invest	Ul. Skórzewska 35, Wysogotowo 62 – 081 Przeźmierowo POLSKA	The realization of construction projects connected with the elevation of apartment buildings and non-residential buildings
PRG METRO Sp. zo.o.	Ul. Wólczyńska 163, 01-919 Warszawa POLSKA	Performance of works connected with the construction of bridges, tunnels, roads and motorways, railways, underground lines.
Pris Sp. z o.o.	ul. Popielskiego 14, 52-019 Wrocław POLSKA	Renovation of water pipe and sewage systems
Przedsiębiorstwo Robót Inżynieryjno Drogowych SA	ul. Poznańska 42, 64-300 Nowy Tomyśl POLSKA	The construction of roads and railways Polish Classification of Activities (PKD) 4523A and the construction of motorways, roads, airports and sports facilities European Classification of Activities EKD 4523
Wiertmar Sp. zo.o.	Ul. Kopanka 13/15, 92-901 Łódź POLSKA	Activity in the scope of construction, urban and technological design, construction industry

1.3. THE COMPOSITION OF MANAGEMENT BOARD AND SUPERVISORY BOARD OF THE COMPANY

As for this 1st January 2008 the following persons formed the Management Board of the Company:

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

On this 30th June 2008 Mr. Krzysztof Diduch resigned from acting as the Member of the Management Board of the Company.

On this 30th October 2008 the President of the Management Board, Mr. Tomasz Woroch and the Vice President of the Management Board, Mr. Tomasz Starzak submitted their resignations from their functions in the Management Board of the Company.

On this 30th October 2008 the Supervisory Board nominated Mr. Jerzy Ciechanowski for the position on the President of the Management Board, and Mr. Jarosław Dusiło, the previous Member of the Management Board was nominated for the position of the Vice President of the Management Board.

As for the day of preparation of the financial statements, the following persons constituted the Management Board:

- Jerzy Ciechanowski – the President of the Management Board,
- Jarosław Dusiło – the 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

As for this 1st January 2008 the following persons formed the Supervisory Board of the Company:

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

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From this 1st January 2008 to the day of preparing these statements, the composition of the Supervisory Board of the Company did not change.

1.4. THE REMAINING INFORMATION CONCERNING FINANCIAL STATEMENTS

In the presented financial statements and comparative financial data no adjustments resulting from the reservations in the opinions of the entities authorized to conduct audits of financial statements for the years for which the financial statements and comparative financial data are presented.

2. INFORMATION ON THE BASIS FOR THE PREPARATION OF FINANCIAL STATEMENTS, IN THE REPORTING CURRENCY AND THE APPLIED ROUNDING LEVEL

2.1. THE BASIS FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

Financial statements of Hydrobudowa Polska were prepared pursuant to the International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) introduced for application pursuant to the Commission Regulation (European Communities) no. 1725/2003 accepting defined international accounting standards pursuant to the Regulation (European Communities) no. 1606/2002 of the European Parliament and the Council (Dz. U. L 261) and the amending regulations.

With matters not regulated by International Accounting Standards/International Financial Reporting Standards, the Company applies the regulations:

1. Of the act dated 29th September 1994 on accounting (single text - Dz. U. of 2002, No. 76, item 694 with subsequent amendments),
2. Regulation of the Minister of Finance of 12th December 2001 on detailed principles of recognition, valuation methods, scope of revealing and the method of financial instruments presentation (Dz. U. of 2001, No. 149, item 1674),
3. Commission Regulation (European Community) no. 809/2004 of 29th April 2004 executing the directive 2003/71/EC of the European Parliament and of the Council on the information included in the issuance prospectuses and the forms of inclusion, by the reference to and the publication of such issuance prospectuses and dissemination of advertisements,
4. The Regulation the Minister of Finance of 19th February 2009 on current and periodical information transferred by issuers of securities and finding the information required by legal regulations of the country not being a member state, equally important (Dz. U. of 2009 no. 33, item 259).

2.2. REPORTING CURRENCY AND THE APPLIED ROUNDING LEVEL

The reporting currency of these financial statements is PLN and all the amounts are expressed in PLN x thousand (unless indicated otherwise).

2.3. THE ASSUMPTION OF THE CONTINUATION OF BUSINESS

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

2.4. AVERAGE EURO CURRENCY EXCHANGE RATES

In the period included in the financial statements and comparative financial data, the average exchange rates of PLN in relation to EUR determined by the National Bank of Poland, in particular:

- the exchange rate valid on the last day of each balance sheet period:
 - exchange rate for this 31st December 2008 **4.1724**
 - exchange rate for this 31st December 2007 **3.5820**
- the average exchange rate in the period, calculated as the simple average of the rates valid for the last day of each month in a given period,
 - the average rate in the period 1st January - 31st December 2008 **3.5321**
 - the average rate in the period 1st January - 31st December 2007 **3.7768**

Basic items of the balance sheet, profit and loss account and cash flow account, from the financial statements and comparative financial data, converted into EUR:

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2.5. SELECTED FINANCIAL DATA FOR THIS 31ST DECEMBER 2008

Specification	For the period	For the period	For the period	For the period
	from 01.01 to 31.12.2008 PLN	from 01.01 to 31.12.2007 PLN	from 01.01 to 31.12.2008 EUR	from 01.01 to 31.12.2007 EUR
Cash revenue on sales	793 951	582 300	224 782	154 178
Profit (loss) from operational activity	58 294	46 561	16 504	12 328
Profit (loss) before tax	67 735	50 391	19 177	13 342
Profit (loss) net from continued activity	53 371	40 232	15 110	10 652
Net profit (loss)	53 371	40 232	15 110	10 652
Net monetary resources from operational activity	(100 244)	(55 478)	(28 381)	(14 689)
Net monetary resources used in investment activity	(101 187)	25 952	(28 648)	6 871
Net monetary resources from financial activity	201 252	54 710	56 978	14 486
Net change of the balance of monetary resources and their equivalents	(179)	25 184	(51)	6 668
Weighted average number of ordinary shares in thousand of items	169 562	138 673	169 562	138 673
Weighted average number of watered shares in thousand of items	169 562	138 673	169 562	138 673
Profit (loss) for one ordinary share (in PLN/EUR)	0,31	0,29	0,09	0,08
Watered profit (loss) for one ordinary share (in PLN/EUR)	0,31	0,29	0,09	0,08
Average exchange rate in the period PLN / EUR			3,5321	3,7768

Specification	for the day	for the day	for the day	for the day
	31.12.2008 PLN	31.12.2007. PLN	31.12.2008 EUR	31.12.2007. EUR
Assets	1 170 061	569 670	280 429	159 037
Long-term receivables	45 541	76 598	10 915	21 384
Short-term receivables	368 028	353 719	88 205	98 749
Equity	756 492	139 353	181 309	38 904
Initial capital	210 558	138 673	50 464	38 714
Number of shares in thousand x item	210 558	138 673	210 558	138 673
Book value for one share in (PLN/EUR)	3,59	1,00	0,86	0,28
Declared or paid-out dividend for one share (in PLN/EUR)	-	-	-	-
Exchange rate PLN/EUR at the end of the period			4,1724	3,5820

3. ACCOUNTING PRINCIPLES

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

3.1. THE CHANGES OF THE APPLIED ACCOUNTING PRINCIPLES

Accounting principles accepted to prepare these financial statements are in compliance with the ones applied in the previous years, with the exception of new/amended standards, which are valid in the reporting years, beginning on this 1st January 2008.

The company introduced the presentation change in comparison to the principles presented in the report for 2007. Derivatives hedging cash flow are demonstrated in the fair value with the consideration of the changes of this value:

- in the part considered effective hedge – directly in equity,
- in the part considered ineffective – in profit and loss account.

In the financial statements for 2007, revenue and costs connected with ineffective hedge were demonstrated in profit and loss account in financial revenue or costs.

Taking care of reliable and clear way of presenting economic events in financial statements, it was decided to change the principles of presentation.

Specific operation for purchase/sale of the financial instrument should be "associated" with a business event (project, construction), for the need of which it was concluded.

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All the records concerning financial instruments referred to profit and loss account are presented in the operational part - respectively in the item: Revenue on sales or cost of sales
Pursuant to the accepted above-mentioned principle, the adjustment of comparable data was made.

3.2. THE APPLICATION OF THE STANDARD OR INTERPRETATION, BEFORE THE DATE OF COMING INTO FORCE

The Company did not take advantage of the possibility of earlier application of the new standards and interpretations which were already published and approved by the European Union, but will come into force after the balance sheet date.

3.3. THE INFLUENCE OF NEW STANDARDS AND INTERPRETATIONS ON THE FINANCIAL STATEMENTS OF THE COMPANY

As for this 31st December 2008 new standards and interpretations to International Financial Reporting Standards, concerning:

- The change of International Financial Reporting Standard 2 "Payments in the form of shares" – effective date 1st January 2009. The Management Board of the Company analysis the influence of the change of the standard on the change of the financial statements in connection with the incentive programme;
- Updated International Financial Reporting Standard 3 "Mergers of business entities" and International Accounting Standard 27 "Consolidated unitary financial statements" – effective date 1st July 2009. The change of the standards consist in the new approach to:
 - the company goodwill and the valuation of capital of the minority – the company goodwill is the difference between the sum of the paid price and the fair value of the capital of the minority and the net assets of the acquired company, next acquisitions of shares after the acquisition of control (they do not cause the creation of goodwill). The change of the standard shall not influence the financial statements of the Company;
- International Financial Reporting Standard 8 "Operational segments" - effective date 1st January 2009. The Company expects that the new standard will have a significant effect on the presentation and disclosure of information on operational segments in financial statements for subsequent periods;
- The changes to International Accounting Standard 14 "Reporting concerning activity segments" - valid with the prior application of the changes to International Accounting Standard 1; The change of the standard will not influence the financial statements of the Company;
- The updated International Accounting Standard 1 "Presentation of financial statements" - effective date 1st January 2009. The updated standard contains a few significant changes:
 - new names of particular statements,
 - complete statement on the result, apart from the previous profit and loss account, it also includes the statement on the result which was booked directly in the capital, Financial statements included the statement on the financial standing (the balance sheet) also at the beginning of the first comparative period (so there are three balance sheets) if the change of accounting policy or the classification of assets and liabilities was booked retrospectively, The company expects that the change of the standard shall not influence the values presented in the financial statements;
- The updated International Accounting Standard 23 "Costs of external financing" - effective date 1st January 2009. The company expects that the change will have an influence on accounting principles, however this influence will be restricted as the Company has applied the alternative approach so far consisting in booking costs of external financing in fixed assets. The Company will apply the new wording of International Accounting Standard 23 in the scope of activating external financing costs to the new contracts, operations concluded after 1st January 2009. The Company expects that the change of International Accounting Standard 23 will have the biggest influence on the presentation of financing costs in the profit and loss account, as a part of the costs previously booked in financial activity will be shifted to operational activity.
- Changes to International Accounting Standard 32 "Financial Instruments – Presentation" and International Accounting Standard 1 "Presentation of Financial Statements" – financial instruments with the option of sales and the obligations arising at the liquidation – effective date 1st January 2009. The change of the standard will not influence the financial statements of the Company.
- Changes in the International Financial Reporting Standard 1 "The application of the International Financial Reporting Standards for the first time" and the International Accounting Standard 27 "Consolidated and unitary financial statements". The change is valid for the periods starting on this 1st January 2009 or later. The change of the standard will not influence the financial statements of the Company;
- The changes in International Financial Reporting Standards 5, 7 International Accounting Standards 1, 8, 10, 16, 18, 19, 20, 23, 27, 28, 29, 31, 36, 38, 40, 41 introduced by the IASB within the framework of the „Annual improvements project“. The changes are valid from 1st January 2009.
- The changes in International Accounting Standard 39 "Financial instruments: booking and valuation". The change is valid from 1st January 2009.

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- The changes in International Financial Reporting Standard 7 "Financial instruments: disclosure of information". The change is valid from 1st January 2009.
- The changes in International Financial Reporting Standard 1 "The application of the International Financial Reporting Standards for the first time". The change is valid from 1st July 2009. The changes in the organization of the standard text.
- The new International Financial Reporting Interpretation 13 "Loyalty programmes". Valid from 1st January 2009.
- The new International Financial Reporting Interpretation 15 "Contracts for the construction of real estates". Valid from 1st January 2009.
- The new International Financial Reporting Interpretation 16 "Hedging the share in net assets of foreign entities". Valid from 1st October 2009.
- The new International Financial Reporting Interpretation 17 "Transferring assets other than monetary resources to the holders". Valid from 1st July 2009.

The Management Board of the Company monitors the new standards and interpretations on regular basis and regularly analyses their influence on the financial statements.

3.4. GENERAL PRINCIPLES

3.4.1. THE PRIMACY OF CONTENTS OVER FORM PRINCIPLE

The primacy of contents over form principle means that financial statements should present the information reflecting the economic contents of events and operations and not only their legal form.

3.5. DETAILED APPLIED ASSETS AND LIABILITIES VALUATION METHODS

3.5.1. INTANGIBLE ASSETS

The assets meeting the following criteria are included in the intangible assets:

- they can be excluded or separated from the economic unit and sold, transferred, licensed or given for paid usage to the third parties, both individually and jointly with contracts, asset or liability components linked with them or
- result from contractual titles or other legal titles, irrespective of the fact if they are transferable or possible to be separated from the economic unit or other titles or liabilities.

The initial booking of intangible assets component takes place according to the purchase price or the cost of manufacture. Purchase price includes the purchase price of assets component (i.e. the amount due to the seller decreased by taxes subject to deduction: on goods and services and excise duty), public-law charges (in case of import) and outlays connected with the purchase and adjustment of assets component to be used pursuant to its intended use. Rebates and discounts granted by the Seller or any other similar deductions and recoveries decrease the purchase price paid for an asset component.

If intangible assets component is purchased in exchange for capital instruments of the Company preparing financial statements, the purchase price of the assets component corresponds with fair value of the issued capital instruments which is equal to the fair value of a given assets component.

Cost of manufacture of intangible assets includes the total of costs incurred by the company in the period of its manufacture or adjustment to use by the date of acceptance of such an assets component for use (or by balance sheet date if the component was not yet given for use), including also the tax on goods and services and excise duty not subject to deduction.

The company selected alternative solution admitted by International Accounting Standard 23. Pursuant to the alternative approach, external financing costs - interest which can be directly assigned to purchase, construction or the manufacture of assets component are included in the purchase price or cost of manufacture of this assets component.

Not more seldom than for a balance sheet date, the intangible assets components are valued according to purchase price or costs of manufacture, decreased by depreciation charges as well as write offs on account of permanent impairment.

The write off revaluing permanent impairment is determined analogically as in case of fixed assets.

Intangible assets revaluation write offs are made by spreading initial value for the period of predicted economic utility. Depreciation is made starting on the first day of the month in which intangible assets were accepted for use. Depreciation is ceased at the end of the month in which equation of the depreciation accumulated value with the initial value takes place or in which the intangible or legal assets component was liquidated, sold or the shortage of which was found.

Depreciation charges on intangible assets components are made with straight line method with the application of the following periods:

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

The correctness of depreciation rates used with reference to particular intangible assets components is verified not more seldom than once a year. Any changes resulting from the verification of depreciation rates influence (as the change of estimate values) adequate adjustment of the depreciation charges made in this accounting year and in the next accounting years.

Intangible assets of indefinite period of use and these which are not used yet (in construction) are subject to verification with respect to possible impairment, with reference to particular assets or on the level of the cash generating units. In case of other intangible assets annual assessment is made as to whether there occurred any circumstances which may speak of their impairment. Possible revaluation write off is booked in profit and loss account.

Intangible assets of the value not exceeding PLN are not considered fixed assets and they are referred in the costs of materials use in the month of their use started.

With the exception of development works, intangible assets manufactured by the company in its own scope are not booked in assets and the outlays incurred for their manufacture are booked in the costs of the period in which they were incurred.

A given item of intangible assets may be removed from the balance sheet after selling it or in the event if no economic benefits resulting from further use of such an asset component can be expected. Profit or loss resulting from sale/liquidation or the cessation of the use of fixed assets are defined as the difference between the cash revenue on sales and net value of these fixed assets and they are booked in profit and loss account.

Advanced payments transferred for the purchase of Intangible Assets are presented in the balance sheet item – intangible assets.

3.5.1.1. COSTS OF RESEARCH AND DEVELOPEMNT WORKS

The costs of research works are booked in profit and loss account at the moment of incurring them. The outlays for development works within the framework of a given enterprise are transferred to the next period if it is found that they will be recovered in the future. After initial booking of outlays on development works, the model of historical cost is used, according to which assets components are booked according to purchase prices decreased by accumulated depreciation and accumulated revaluation write offs on account of impairment. Any outlays incurred for the next period are depreciated by the predicted time of drawing income on the sale of a given enterprise.

Costs of development works are subject to assessment with respect to possible impairment every year - if the assets component was not given for use, or more often - if during the accounting period a circumstance of the impairment indicating to the fact that their balance sheet value may be not possible to be recovered, occurs.

3.5.2. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are booked according to the purchase price or the cost of manufacture. Purchase price is increased by the costs connected directly with the purchase and adjustment of assets component to the condition fit to use. The costs incurred after giving the fixed asset to use, such as costs of maintenance and repairs, are booked in the profit and loss account at the moment of incurring them.

Fixed assets at the moment of purchasing them are divided into component parts being the items of significant value, for which a separate period of economic utility can be assigned. Also overhaul costs and the cost of significant spare parts and equipment, if they are used for a period longer than one year, are the component part.

After initial booking property plant and equipment are demonstrated according to purchase price or the cost of manufacture decreased by depreciation and all revaluation write offs on account of the impairment.

Depreciation is calculated with straight line method for the estimated period of the use of a given assets component, which for particular groups of property, plant and equipment amounts to:

Type	Depreciation rate
Plots of land (perpetual usufructuary rights)	not depreciated
Buildings and structures	1,5%– 2,5%
Machines and technical devices	5%-46%
Office devices	10%–20%
Means of transport	10%- 46%
Computers	10%–40%
Investments in outside fixed assets.	10%

Beginning of depreciation takes place in the month in which the use of the fixed asset started.

The correctness of depreciation rates is periodically verified (once a year) causing the adjustment of depreciation charges in the next years.

If at the preparation of financial statements the circumstances which indicate to the fact that the balance sheet value of property, plant and equipment may be impossible to be recovered, occur, the review of these assets with

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respect to the possible impairment is made. If there are circumstances indicating to the fact that the impairment could take place, and balance sheet value exceeds the estimated recoverable value, then the value of these assets of cash generating units, where these assets belong, is decreased to the level of recoverable value. Recoverable value corresponds with the higher of the two values: fair value decreased by costs of sales or utility value. At the determination of the utility value, the estimated future cash flows are discounted to the current value with the adjustment of gross discount rate reflecting current market assessments of money value in time and the risk connected with a given assets component. In case of assets component which does not generate proceeds in a significantly independent way, the recoverable value is determined for the cash generating unit to which this component belongs. Revaluation write offs on account of the impairment are booked in the profit and loss account in the item "other operational costs".

A given item of property, plant and equipment may be removed from the balance sheet after selling it or in the event if no economic benefits resulting from further use of such an asset component. Profit or loss resulting from sale/liquidation or the cessation of the use of fixed assets are defined as the difference between the cash revenue on sales and net value of these fixed assets and they are booked in profit and loss account.

Started investments concern fixed assets in construction or assembly and are demonstrated according to the purchase price or the cost of manufacture. Construction-in process are not subject to depreciation by the time of completion of construction and transferring the fixed asset for use.

In the event of permanent waiver to make outlays on construction-in process, the total of costs incurred, connected with the works performed to date, are charged in the costs of the period. It is admissible to suspend the investments in the event if there is a substantiated intention to continue this investment in the next periods. The investment suspension is made pursuant to the decision of the Management Board. For each balance sheet date the outlays on construction-in process are subject to the analysis concerning the impairment and the necessity to make possible write offs on account of the impairment.

Advanced payments transferred for the purchase of Property, Plant and Equipment are presented in the balance sheet item – property, plant and equipment.

3.5.2.1. LAND PERPETUAL USUFRUCTUARY RIGHT

Land perpetual usufructuary right acquired by the administrative decision is entered in the balance sheet in the fair value. The right fair value is considered one of the two values, market value of this right if the Company has such information or the value determined by the surveyor.

The surplus, over the amount of the costs incurred for the acquisition of the land perpetual usufructuary right, of the fair value determined this way is demonstrated on the overleaf, in "profit from previous years, by the administrative decision.

Land perpetual usufructuary right acquired on secondary market is valuation according to the purchase price and it is not subject to revaluation.

Land perpetual usufructuary right is not depreciated.

3.5.3. LEASING

3.5.3.1. THE COMPANY AS THE LESSEE

Financial leasing contracts pursuant to which the transfer of basically all the risks and benefits resulting from having the subject of the lease to the Company, are demonstrated in the balance sheet for the day of starting the leasing according to the lower out of the two values: fair value of the fixed asset constituting the subject of leasing or the current value of the minimum leasing fees. Minimum leasing fees are divided into financial costs and decreasing the balance of liability on account of leasing in a way enabling to obtain a constant interest rate in relation to the unpaid liability balance. Contingent leasing fees are booked in the costs of the period in which they were incurred.

Fixed assets used pursuant to financial leasing contracts are depreciated according to the same principles as the ones applied to the Company own assets. However, in the situation if there is not enough certainty that the Company will obtain ownership title before the end of the leasing period, then a given component is depreciated in the shorter out of the two periods: estimated fixed asset use period or the leasing period.

Leasing contracts, pursuant to which the lessor keeps basically all the risks and all benefits resulting from having the subject of the leasing, are operational leasing contracts. Leasing fees on account of operational leasing are booked as the costs in the profit and loss account and with straight line method for the period of leasing duration.

3.5.3.2. THE COMPANY AS THE LESSOR

The company does not run leasing activity and does not act as lessor.

3.5.4. INVESTMENT PROPERTIES

Investment properties are the lands and buildings as well as structures purchased for the purpose of deriving economic benefits on account of the increase in the value of these assets or other benefits e.g. gaining income on account of revenue from rental rates. These assets are not used by the Company.

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Real estate is allocated as investment at the moment it is put to use under a decision of the Company's the Management Board .

Investment properties are initially valued according to purchase price or the cost of manufacture with the consideration of the costs of carrying out the operation. After initial booking, investment properties are valued according to their fair value. Profit or loss resulting from the change of fair value of investment properties are booked in profit and loss account in the period in which they occurred. Fair value of investment property reflects market conditions for the balance sheet date.

3.5.5. NON-RENEWABLE NATURAL RESOURCES

Non-renewable natural resources are initially booked according to the purchase price or the cost of manufacture. Purchase price is increased by all the costs connected directly with the purchase and adjustment of this asset to use.

The costs incurred after accepted non-renewable natural resources in the records (use) are booked in the profit and loss account at the moment of incurring them.

After initial booking non-renewable natural resources are demonstrated according to purchase price or the cost of manufacture decreased by depreciation and all revaluation write offs on account of the impairment.

Depreciation is calculated in a natural way.

If at the preparation of financial statements the circumstances which indicate to the fact that the balance sheet value of non-renewable natural resources may be impossible to be recovered, occur, the review of this asset with respect to the possible impairment is made. If there are circumstances indicating to the fact that the impairment could take place, and balance sheet value exceeds the estimated recoverable value, then the value of these assets of cash generating units, where these assets belong, is decreased to the level of recoverable value. Recoverable value corresponds with the higher of the two values: fair value decreased by costs of sales or utility value. At the determination of the utility value, the estimated future cash flows are discounted to the current value with the adjustment of gross discount rate reflecting current market assessments of money value in time and the risk connected with a given assets component. In case of assets component which does not generate proceeds in a significantly independent way, the recoverable value is determined for the cash generating unit to which this component belongs. Revaluation write offs on account of the impairment are booked in the profit and loss account in the item "other operational costs".

A given item of non-renewable natural resources may be removed from the balance sheet after selling it or in the event if no economic benefits resulting from further use of such an asset component, are expected. Profit or loss resulting from sale/liquidation or the cessation of the use of non-renewable natural resources are defined as the difference between the cash revenue on sales and net value of these assets and they are booked in profit and loss account.

3.5.6. FIXED ASSETS AND GROUPS OF NET ASSETS ALLOCATED FOR SALE

Fixed assets and groups of net assets are classified as allocated for sale if their balance sheet value is recovered mostly as a result of sale transaction than as a result of their further use. This condition is deemed met only if assets component (or group of net assets allocated for sale) is available in its present condition for immediate sale, and the occurrence of sale transaction is very probable within a year from the moment of the change of classification.

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

3.5.7. STOCKS

Stocks in the Company include:

1. Materials acquired for the own needs,
 - raw materials and materials directly for production,
 - indirect materials
 - other materials (office materials, fuel purchased directly by drivers).
2. Purchased goods allocated for sale.
3. Manufactured or processed goods.

Direct and indirect materials are booked in the company in the accounting year at the acquisition or purchase prices. The expenditure of direct and indirect materials takes place according to the actual acquisition price.

The accepted acquisition price may constitute the purchase price on the condition that the incurred costs connected with the purchase of materials constitute the value insignificant in relation to the purchase price.

Storage costs necessary during production process are also included in the value of materials in processing acquisition price.

Goods are booked in the accounting year at acquisition or purchase prices. Goods expenditure takes place according to FIFO prices. Lands and real properties allocated for re-sale are treated as goods.

Finished goods, semi-finished goods and goods in progress are valued according to the actual costs incurred for the manufacture of finished goods.

In case of developer activity all the outlays connected with the task realization are activated in stocks as production in progress.

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All costs of purchase, costs of processing and other costs incurred during bringing stocks in their current place and condition constitute the acquisition price or the cost of manufacture. The company refers the costs of external financing in the purchase price of the costs of manufacture of stocks.

Stock purchase costs consist of the purchase price, import duties and other taxes (other than the ones possible to be recovered in the later period from inland revenues by the Company) and costs of transport, loading and unloading as well as other costs which can be directly assigned in gaining finished goods, materials and services.

Commercial discounts and other similar items are deducted at defining purchase costs.

Valuation of stocks for balance sheet date takes place according to the acquisition or purchase price, cost of manufacture, however not higher than their net sales price (net value possible to be obtained).

Net value possible to be obtained is the difference between the estimated sales price, made in the progress of ordinary economic activity, and estimated finishing costs and costs necessary to effect sales.

External financing costs (if they are significant and the financing period and maintaining costs are long-term), including interest on credits and loans, discount and bonuses, costs connected with concluding credit or loan agreement and rate differences resulting from the costs of this financing, increase the value of current assets, irrespective of the degree of links between financing sources and asset component.

Write offs revaluating the value of current tangible assets are connected with the loss in their value or the valuation for the balance sheet day charge other operational costs. In the event of the cessation of the cause of making the write off, the value of current tangible assets is referred to the other operational income.

The circumstances indicating to the necessity of making the write off revaluating the value of stocks, include in particular:

- the loss of stock utility value (damage, stock becoming outdated),
- stock balance exceeds the demand and selling possibilities of the Company,
- low rotation of stocks,
- loss of market value due to the use of lower sales prices by the competition.

For the balance sheet day the Company drafts the inventory age analysis as divided into individual assortments and specifies the amounts of write-offs to be made

3.5.8. EXTERNAL FINANCING COSTS

Pursuant to International Accounting Standard 23 Hydrobudowa Polska applies alternative approach at booking external financing costs. Pursuant to the alternative approach, external financing costs which can be directly assigned to purchase, construction or the manufacture of the adjusted assets component are activated as a part of the purchase price or cost of manufacture of this assets component. External financing costs include the interest and profits or losses on account of rate differences to the amount which adjusts the cost of interest.

3.5.9. DONATIONS

Donations, along with non-monetary donations demonstrated in the fair value, are booked only if there is enough certainty that the Company will meet the conditions connected with a given donation and that given donation will be actually received.

In the event if the donation concerns a given cost item, then it is booked as revenue in a way commensurable with the costs which this donation is intended to compensate for, And in the event if the donation concerns a particular assets component, then its fair value is booked in the account of the revenue of future periods, and then it is gradually booked in the profit and loss account as revenue over the periods, proportionally to revaluation write offs made from this assets component.

3.5.10. RECEIVABLES

Receivables on account of supplies and services and other receivables are booked and demonstrated in initially invoiced amounts. After initial booking, the receivables are valued in the amount of depreciated cost with the application of effective interest rate with the consideration of write offs revaluating the value of receivable. Write offs for doubtful receivables are estimated at the moment if executing the total amount of the receivable is no longer probable. Write offs revaluating balance sheet value of receivables are created, among others, for:

- overdue or not overdue receivables with substantial probability of uncollectibility, including in particular the receivables overdue by 181 to 365 days in the amount of 50% of their value, and receivables overdue by more than 365 days in the amount of 100% of their value.

Write off on account of the impairment is booked in the burden of other operational costs.

Receivables on account of supplies and services with time of maturity below 12 months from the day of the receivable occurrence are not subject to discounting. The Company uses times of maturity between 14 and 90 days with reference to receivables on account of supplies and services.

Receivables with time of maturity of above 12 months from balance sheet date are qualified as long-term assets.

Receivables with time of maturity of up to 12 months from balance sheet date are qualified as short-term assets.

The Company does not charge interest on receivables on account of supplies and services. However, if the Management Board of a given Company finds it justified, the statutory interest or interest resulting from the concluded contract are charged.

Advanced payments transferred towards future services are presented in the financial statements in the balance sheet item - short-term receivables on account of supplies and services.

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3.5.11. DEFERRED CHARGES

For the purpose of maintaining commensurability of revenue and costs connected with achieving them, costs and revenues concerning particular reporting periods are distinguished. Expenses and costs incurred in advance, so the ones concerning future periods, are demonstrated within the framework of deferred charges, and accrued liabilities include the amounts referred in the costs of the current period although their coverage shall take place in the next reporting period.

Write offs of deferred charges and accrued liabilities are made adequately to the passing of time or the volume of benefits. Time and settlement method should be substantiated with the nature of calculated costs with the observance of prudence accounting principle.

The scope of typical outlays settled in time includes in particular:

- paid in advance press subscriptions,
- premiums for property insurance
- lease costs (rents),
- fees for occupying road lane,
- costs of fees for granting guarantees by financial institutions,
- outlays incurred for the realization of construction contract before concluding the contract.

In the accrued liabilities item, the items in the amount of probable liabilities falling for current reporting period and resulting from the following are booked:

- from services provided for the Company by the Company business partners, and the liability amount may be reliably estimated, for example the provisions for the audit of financial statements,
- from the obligation to perform future services, connected with current activity, for the persons whose amount may be estimated although the date of the liability occurrence was not known yet.

3.5.11.1. PROVISIONS FOR UNUSED LEAVES

The Company creates provisions for the costs of accumulated paid absences which it will have to bear as a result of unused entitlement by the employees, which accrued for the balance sheet date. The provisions for the cost of unused leaves are calculated on the basis of the actual amount of days of unused leaves in the current period and increased by the number of days of unused leaves from previous periods. The provision for the costs of accumulated paid absences is booked as accrued liabilities, after deducting all amounts already paid. The provision for the costs of accumulated paid absences constitutes the short-term provision and it is not subject to discounting.

3.5.12. DEFERRED INCOME

Deferred income in the Company includes above all monetary resources obtained for financing the acquisition of construction-in process and intangible assets, settled parallelly to depreciation charges of fixed assets financed with these resources.

3.5.13. FINANCIAL INSTRUMENTS

As a financial instrument, the Company classifies each contract, which at the same time results in the creation of financial assets component at one party and financial liability or capital instrument at the other party, on the condition that economic consequences unequivocally result from the contract concluded between two or more parties. Within the framework of the basic operational activity, the Company concludes contracts which are denominated in foreign currencies (mostly in Euro). Foreign exchange risk management policy, accepted by the Management Board, consists in hedging future cash flows on these contracts, for the purpose of limiting the influence of the variation of foreign exchange rates on the Company results. Hedge from foreign exchange risk takes place mostly by means of natural hedge mechanism consisting in concluding contracts with subcontractors in the contract currency and simultaneously transferring this risk on them. In the event if this is not possible, foreign exchange exposure is hedged on the financial market by means of the use of derivative instruments, in particular forward foreign exchange contracts.

The company classifies financial instruments with the division into:

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

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profit. BOOKING AND EXCLUSION OF FINANCIAL ASSETS COMPONENT AND FINANCIAL LIABILITY

Financial assets component or financial liability is demonstrated in the balance sheet if the Company becomes the party to this instrument contract.

Standardized purchase and sale of assets and financial liabilities operations are booked for the day of concluding the operation.

Financial assets component is excluded from the balance sheet in the event if the rights to economic benefits resulting from the concluded contract and the risks resulting from it, were realized, expired or the Company renounced them.

The Company excludes the financial liability from the balance sheet if the liability expired, meaning when the obligation defined by the contract was fulfilled, remitted or it expired.

3.5.13.2. VALUATION OF FINANCIAL INSTRUMENTS FOR THE DAY OF CREATION

The Company values assets and financial liabilities, for the acquisition day, in the fair value, meaning most often according to fair value of the effected payment in case of assets component and received amount in case of liability. The Company includes operation costs in the value of initial valuation of all assets and financial liabilities outside the category of assets and liabilities valued in the fair value by means of profit and loss account.

3.5.13.3. VALUATION OF FINANCIAL INSTRUMENTS FOR BALANCE SHEET DATE

The Company values:

according to depreciated cost, with the consideration of effective interest rate: Investments maintained by the time of maturity, loans and receivables and created financial liabilities. Valuation may take place also in the value demanding payment if discount effects are not significant,

- according to fair value: Assets or financial liabilities from the category of the components valued according to fair value by means of profit and loss account and the category of financial assets available for sale. The results of the valuation of financial assets available for sale are booked in equity. The results of the valuation of assets and financial liabilities qualified for other categories are booked in the profit and loss account.

3.5.13.4. HEDGE ACCOUNTING

Derivative instruments hedging cash flows with highly probable planned operation, are demonstrated in the fair value with the consideration of the changes of this value:

- in the part considered effective hedge – directly in equity,
- in the part considered ineffective – in profit and loss account.

Derivatives hedging fair value of assets and liabilities are demonstrated in fair value. The effects of the change of the fair value of these derivatives are demonstrated in profit and loss account.

3.5.13.5. CESSATION OF THE APPLICATION OF HEDGE ACCOUNTING PRINCIPLES

The Company ceases to apply hedge accounting principles with reference to cash flows if:

- hedging instrument expires, is sold, terminated or realized. In such a case, accumulated profit or loss connected with hedging instrument, referred directly in equity, are booked further in a separate item in equity until the moment of the occurrence of the planned operation,
- hedge ceases to meet the criteria of hedge accounting. In such a case, accumulated profit or loss connected with hedging instrument, referred directly in equity until the moment of the occurrence of the planned operation,
- the realization of the planned operation is no longer awaited, therefore, accumulated profit or loss connected with hedging instrument, referred directly in equity, are booked in profit and loss account.

3.5.14. EQUITY

The company books equity in accounting books, with the division into types and pursuant to the rules defined by legal regulations and provisions of the Company Statute.

The Company equity consists of:

- **initial capital (share capital)** of the dominating entity - demonstrated according to the nominal value, in the amount in accordance with the Company Statute and the entry to the National Court Register
- **capital from the valuation of hedge operations** – demonstrated in the amount of fair value of the instruments hedging future cash flow in the effective part of hedge,
- **supplementary capital from the sale of shares above their nominal value** – created from the surplus of the shares issuance price above their nominal value, decreased with the costs of issuance. Shares issuance costs incurred at the creation of a joint stock company or increasing share capital, decrease the capital from the issuance of shares above their nominal value up to the surplus of the issuance value over the nominal value of shares,
- **other capitals**

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- **unallocated financial result** includes: the amounts created as a result of the allocation of profit, financial result from previous years, accounting profit from this year, the results of errors of previous periods.

Capitals of the minority are a separate item of equity.

3.5.15. BANK CREDITS

At the moment of initial booking, all bank credits, loans and debt securities are booked according to the acquisition price corresponding with the fair value of received monetary resources, decreased by the costs connected with obtaining a given credit or loan.

After initial booking interest-bearing credits, loans and debt securities are then valued according to the adjusted acquisition price, with the use of effective interest rate.

At the calculation of adjusted acquisition price, the costs connected with obtaining credit or loan as well as discounts or premiums obtained at the settlement of the liability are taken into consideration.

Profit and loss are booked in the profit and loss account at the moment of removing the liability from the balance sheet as well as in case of the calculation of the write off.

3.5.16. LIABILITIES

After initial booking all liabilities, with the exception of the liabilities valued according to fair value, are valued, by principle, in the adjusted acquisition price, with the application of effective interest rate. However, liabilities with time of maturity not longer than 12 months from balance sheet date are not discounted.

Liabilities payment terms on account of supplies and services are between 14 and 90 days in the Company .

Liabilities are presented in the financial statements with the division into long-term and short-term ones.

Moreover, liabilities towards related entities and liabilities towards other entities are distinguished.

Advanced payments received from business partners towards the realization of services are presented in the financial statements in the balance sheet item - short-term liabilities on account of supplies and services.

3.5.17. CONTINGENT LIABILITIES

Contingent liability is:

- a possible obligation which occurs as a result of past events, the existence of which shall be confirmed only at the moment of the occurrence or not occurrence of one or a bigger number of uncertain future events, which are partly subject to the Company control, or

- current obligation which occurs as a result of past events but is not booked in the financial statements because:

1. it is not probable that spending resources containing economic benefits for the purpose of the fulfilment of obligations was necessary or,
2. the liability amount cannot be valued reliably enough.

3.5.18. PROVISIONS

Provisions are created if the Company is under obligation (legal or customarily expected) resulting from past events and when it is probable that fulfilling this obligation shall cause the necessity of the outflow of economic benefits and it is possible to make a reliable estimate of the amount of this liability. If the Company expects that the costs included in the provision shall be reimbursed, for example pursuant to the insurance contract, then this reimbursement is booked as a separate assets component but only if there is enough certainty that this reimbursement shall actually take place. Costs concerning a given provision are demonstrated in profit and loss account after reduction by all the reimbursements. In the event if the influence of cash value in time is significant, the volume of the provision is determined by discounting predicted future cash flows to the current value, with the application of gross discount rate reflecting current market assessments of cash value in time and the possible risk connected with a given liability. If the method consisting in discounting was applied, the increase in provision in connection with the passing of time is booked as external financing costs.

The release of unused provisions takes place for the day, for which they turned out to be useless.

The occurrence of the liability for which the provisions were created beforehand, causes the use of the provision.

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3.5.18.1. PROVISIONS FOR GUARANTEE REPAIRS

They arise from the obligation to perform future services, connected with current activity, for the unknown persons whose amount may be estimated although the date of the liability occurrence was not known yet. The provisions are estimated pursuant to the probability degree of the occurrence of liability in the future, based on the cost analysis of guarantee repairs of the realization of construction contracts defined by the Management Board. Provisions for guarantee repairs are created in the burden of cost value of long-term contract on the basis current progress of direct costs. Costs connected with the calculation of provisions for guarantee repairs do not increase the current progress of contract realization. Provisions for guarantee repairs are created in the Company with the division into particular contracts. They are maintained in a given degree of occurrence probability by the day of the expiry of the right to the guarantee realization or remedy claims.

In the event of the failure to use the created provision value (after validity period), it is released in other operational revenue.

Depending on the date by which they are maintained, they are presented in the balance sheet as long-term or short-term provisions.

3.5.18.2. PROVISIONS FOR PLANNED LOSS OF REALIZED CONSTRUCTION CONTRACTS

In the event if there is probability that total contract costs exceed total revenue on account of the contract, the predicted loss is immediately booked as cost. The amount of the loss is determined irrespective of the fact of starting works resulting from the contract, current progress of works resulting from the contract, the amount of predicted profit and loss on account of contracts which are not single contracts for construction service. The value of the change of provisions for planned loss increases or decreases operational activity costs.

3.5.19. CASH REVENUE ON SALES

3.5.19.1. JOINT VENTURES

Revenue is booked in such an amount in which it is probable that the Company will obtain economic benefits connected with a given operation and if the revenue amount may be valued in a reliable way.

The Company, being the syndicate partner for construction contracts, presents this part of revenue and costs which falls for it as the syndicate partner in the event when it identifies the contract with syndicate partners as a joint venture.

Joint ventures are characterized with the following features:

- two or more partners are bound with contractual arrangements,
- contractual arrangements set exercising control.

Contractual arrangements made in writing should include the following issues:

- scope of action
- life of a contract:
- defining the body managing the joint venture
- defining voting power of the partners of the joint venture
- division of the following results between the partners of the joint venture: production, revenue, costs, results,
- independent control by one partner cannot result from contractual arrangements.

3.5.19.2. THE SALE OF GOODS AND PRODUCTS

Sales of goods and products is booked at the moment of the delivery of goods and products and transferring significant risk and benefits resulting from the goods ownership right on the purchaser and of the revenue amount can be valued in a reliable way. Revenue on account of the realization of the instruments hedging cash flow adjust the value of revenue on the sale of goods and products.

3.5.19.3. CONSTRUCTION CONTRACTS

Construction contract is the contract the subject of which is the construction of assets component or the set of assets which are closely linked with one another or mutually dependant with respect to design, technology or due to their utility function or final intended use or method of use.

The result of construction contract is estimated pursuant to revenue and costs connected with construction contract booked as revenue and costs adequately to the current progress of the contract realization for the balance sheet date. Current progress of the contract realization is defined on the basis of the relation of costs on account of the works performed by a given moment in relation to the total estimate contract costs. Only the costs which reflect the progress of works are included in the costs incurred.

The value of due revenue from construction contracts, concerning the non-invoiced part for the balance sheet date, is valued according to the market bid of the leading bank for a given Company for the balance sheet date. In the event of obtaining the advanced payment connected with the contract for construction works, expressed in foreign currency, the due revenue on account of the construction contract are valued for the balance sheet date with the consideration of the obtained advanced payment. The value of due revenue from construction contracts,

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concerning the over-invoiced part (demonstrated in the liabilities) for the balance sheet date, is valued according to the rate on the day of invoicing, with the application of FIFO method.

Balance sheet revenue estimated for the balance sheet date is presented in the balance sheet item "Receivables from the ordering parties on account of works resulting from construction contracts".

Over-invoiced part of revenue which will occur on account of estimating the value of revenue booked in the financial statements, is booked as a separate item in the balance sheet under the name "liabilities on account of realized construction contract services".

Contractual value of foreign exchange contract for the purpose of estimating provisions for loss and the presentation of revenue on account of construction contracts (in the note no. 8) is defined pursuant to the invoiced part, expressed in PLN and the non-invoiced part expressed in the currency translated at the average rate of the National Bank of Poland of the balance sheet date.

Revenue on account of the realization of the instruments hedging cash flow adjust the value of revenue on rendering services.

3.5.19.4. INTEREST

Revenue on account of interest is booked successively as it accumulates with reference to the net balance sheet value of a given financial assets component, pursuant to the effective interest rate method.

3.5.19.5. DIVIDEND

Dividend is booked at the moment of determining the shareholders' right to receiving it.

3.5.19.6. REVENUE ON ACCOUNT OF LEASE

Revenue on account of lease of investment properties is booked with straight line method throughout the lease period in relation to the concluded contracts.

3.5.20. COSTS

The Company books costs pursuant to revenue and costs commensuracy principle and prudence principle.

Cost of goods sold for the balance sheet date is adjusted with the change of the fair value of financial instruments hedging cash flows, in the event if the operation ceases to be effective and in the event of the realization of hedged item.

The cost accounting is kept in the by cost center and by type formats, whereas the multiple-step variant is the primary cost reporting method in the profit and loss account.

Total cost of sold products, goods and materials includes:

- Cost of manufacture of sold products
- Cost of manufacture of sold services
- Value of sold goods and materials
- General administrative costs

Moreover, reporting period costs influencing financial result include **other operational costs** connected indirectly with the operational activity, including in particular:

- loss from the sale of property, plant and equipment and intangible assets
- donations,
- provisions created for disputable matters, penalties and damages as well as other costs indirectly connected with operational activity,

as well as **financial costs** connected with financing the Company activity, including in particular:

- interest on overdraft
- interest on short-term and long-term credits, loans and other sources of financing, including liability discount,
- loss on account of net differences in rates.

3.5.21. FOREIGN CURRENCY TRANSACTIONS

Transactions expressed in currencies other than PLN are converted into PLN according to exchange rate valid for the day of concluding the transaction, or the rate defined in forward contract accompanying a given transaction.

As for balance sheet day the monetary items expressed in currencies different than PLN are converted into PLN at closing rate adequately valid for the end of reporting period (immediate performance rate) i.e. at the rate of the leading bank for the Company, from the first listing on the balance sheet date. Non-monetary balance sheet items expressed in foreign currency are demonstrated at historical rate from the day of transaction. Rate differences arisen from conversion are booked adequately in the item of financial revenue (costs) or, in cases defined by rules (policy) of accounting, capitalized in the assets value, with the exception of monetary items constituting foreign exchange risk hedge, booked pursuant to the cash flow hedge accounting principles, directly in the capital.

3.5.22. COSTS OF FUTURE EMPLOYEE BENEFITS

Pursuant to remuneration systems valid in the Company, employees are entitled to jubilee prizes and retirement pay. Jubilee prizes are paid to the employees after working for a particular number of years. Retirement pays are

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paid one time, at the moment of retiring. The amount of retirement pay and jubilee prizes depends on length of employment and the average remuneration of the employee. The Company creates provision for future liabilities on account of retirement pay and jubilee prizes for the purpose of assigning the costs to the periods which they refer to. According to the International Accounting Standard 19, jubilee prizes are other long-term employee benefits, and retirement pays are the programmes of defined benefits after employment period. Current value of these liabilities for each balance sheet date is calculated by an independent actuary or by means of predicted rights of the Company. Calculated liabilities are equal to the discounted payments which will be made in the future, with the consideration of employment rotation and they concern the period until the balance sheet date. Demographic information and information about employment rotation is based on historical data. Profits and losses from the calculations are demonstrated in the profit and loss account.

3.5.23. TAXES

The mandatory tax burden of the result includes: current tax and deferred tax. Current tax is calculated on the basis of tax result (tax base) of a given accounting year. Tax profit (loss) differs from net accounting profit (loss) in connection with exclusion of revenue consisting in taxation and costs constituting costs of revenues in the following years and items of revenue and costs which will never be subject to taxation. Tax burden is calculated on the basis of tax rates valid in a given accounting year. Deferred tax is calculated with balance sheet method as tax subject to be paid or refunded in the future in the differences between balance sheet values of assets and liabilities, and, corresponding with them, tax values used for the calculation of tax base. Provision for deferred tax is created from all positive interim differences subject to taxation, and the assets component on account of deferred income tax is recognized up to the amount in which it is probable that future tax profit will be able to be reduced by the negatively recognized interim differences. Assets item or tax liability does not occur if the interim difference occurs on account of goodwill or on account of initial booking of other assets or liabilities component in the transaction which does not influence either tax result of accounting result. Provision on account of deferred tax is recognized from interim tax differences arisen as a result of investments in subsidiaries and related entities and joint ventures, unless the company is able to control the moment of reversing interim difference and it is probable that in the foreseeable future the interim difference will not reverse. Value of an asset for the deferred tax purposes is analyzed for each balance sheet date, and in a case when the predicted future tax profits are not sufficient for the performance of the entire or a part of the asset, the asset is written off. Deferred tax is calculated with the use of tax rates which will be valid at the moment when assets item is realized and the liability becomes due. Deferred tax is booked in profit and loss account, except for the case when it concerns the items booked directly in equity capital. In such a case deferred tax is also calculated directly in equity capital.

3.6. ESTIMATES OF THE MANAGEMENT BOARD

Pursuant to International Financial Reporting Standards, financial statements require professional opinions, estimates and assumptions which influence the accepted principles and presented assets, liabilities, revenue and costs values, from the Management Board. Estimates and assumptions connected with them are based on historical experience and various other factors which are considered rational in given circumstances, and their results give ground for professional opinion concerning balance sheet value of assets and liabilities, which does not result directly from other sources.

Estimates and assumptions connected with them are subject to current verification. The change of accounting estimates is recognized in the period in which they were changed if this concerns only this period or in current and future periods if they concern both current period and future periods.

3.7. CHANGES OF PRINCIPLES, CHANGES OF ESTIMATES, ERRORS OF PREVIOUS YEARS

The change of accounting principles (policy) is made in the event of:

- the change of legal regulations concerning accounting if this leads to the situation that the information about the influence of transactions, other events and conditions on the financial standing, financial result or cash flows, included in the financial statements, is more reliable.

In the event of making changes of accounting policy it is assumed that the new accounting principles have always been applied. Adjustments connected with this are demonstrated as the adjustments of equity - in the item profit/loss from previous years. For ensuring comparability of data, adequate changes of financial statements (comparative data) for previous years should be made in such a way that these financial statements also include the changes of accounting principles made.

The items of financial statements determined pursuant to the estimate are subject to verification in the situation when the circumstances being the basis for the estimates made change or as a result of the new information or gaining more experience.

Adjustments caused by the removal of significant errors of previous years are referred in equity – in the item profit/loss from previous years. When preparing financial statements, the assumption that the error was adjusted in the period in which it was made, should be made. This means that the amount of the adjustment referring to the previous accounting period should be taken into consideration in the profit and loss account of this period.

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3.8. OFFSETTING BAN PRINCIPLE

The offsetting principle applies to the ban on setting off receivables and liabilities, unless International Accounting Standards require or permit such an set off.

1) Revenues and expenses can be set off only if:

1. International Accounting Standards require this or allow this or
2. profits, losses and related costs resulting from the same or similar transactions or events are irrelevant.

The Company accepts the following transactions presented by set offs:

- profit and loss on the sale of fixed assets, along with investments and assets for operational activity, are booked in the amount of the difference between the revenue on sales and balance sheet value of a given assets component increased by the costs of sales,
- expenses connected with the provision which pursuant to the contract are refunded by the third party (e.g. the guarantee granted by the supplier) are set off with relevant refund amount.
- assets and provisions on account of deferred income tax are demonstrated as the asset or provision surplus,
- advanced payments received for the performance of works resulting from the construction contracts are set off with the value of due revenue resulting from these contracts on the condition of the possibility of set off pursuant to the provisions of the contract,
- profit and loss arisen on account of the group of similar transactions are booked in the net amount e.g. profit and loss on account of differences in rates or profit and loss on account of valuation of financial instruments allocated for trading and hedging instruments booked in the financial result, profit or loss on account of long-term settlements discount,
- receivables and liabilities on account of the settlement of VAT tax calculated and due, concerning future settlement periods.

3.9. CASH FLOW ACCOUNT

Cash flow account is prepared with direct method.

3.10. PROFIT FOR ONE SHARE

Profit for one share is calculated by means of the allocation of net profit for a given period, vested to the shareholders of ordinary shares, by the average weighted number of shares occurring in a given period.

Watered profit for one share for each period is calculated by the allocation of net profit for a given period, adjusted with possible changes to the profit resulting from the change of potential ordinary shares into ordinary shares by the adjusted average weighted number of ordinary shares.

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BILANS NA DZIEŃ 31.12.2008 ROKU

Specification	Note	for the day	for the day
		31.12.2008	31.12.2007
Assets			
Fixed assets		509 287	84 080
Intangible assets	2	566	802
Goodwill	3	-	-
Property, plant and equipment	4	90 112	70 054
Investment properties	4	7 090	-
Investments in subsidiaries	5	374 115	-
Other long-term financial assets	10	25 998	4 673
- from related entities		25 909	357
- from other entities		89	4 316
Long-term receivables	6	4 272	6 504
- from related entities		899	767
- from other entities		3 373	5 737
Assets on account of deferred income tax	18	3 639	-
Long-term accruals	9	3 495	2 047
Current assets		660 774	485 590
Stocks	7	4 383	5 196
Receivables from the ordering parties on account of the works resulting from construction service / long-term contracts	8	300 187	182 854
- from related entities		75 239	3 272
- from other entities		224 948	179 582
Receivables on account of supplies and services	6	287 026	219 076
- from related entities		112 709	44 462
- from other entities		174 317	174 614
Receivables on account of current income tax		-	-
Other short-term receivables	6	9 669	11 533
- from related entities		4 025	193
- from other entities		5 644	11 340
Other short-term financial assets	10	6 167	15 136
- from related entities		5 243	-
- from other entities		924	15 136
Monetary resources and their equivalents	10	48 167	48 346
Short-term accruals	9	5 175	3 449
Fixed assets classified as allocated for sale		-	-
Assets in total		1 170 061	569 670

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Specification	Note	for the day	for the day
		31.12.2008	31.12.2007
<i>Liabilities</i>			
Equity		756 492	139 353
Initial capital	12	210 558	138 673
Treasury shares		-	-
Supplementary capital from the sale of shares above their nominal value	13	543 001	-
Capital from the valuation of hedge operations	10,13	(43 463)	5 845
Other capitals	13	43 790	41 032
Financial result	13	2 606	(46 197)
- profit (loss) from previous years		(50 765)	(86 429)
- net profit (loss) from current year		53 371	40 232
Liabilities		413 569	430 317
Long-term liabilities		45 541	76 598
Long-term credits and loans	11	27 344	11 477
- from related entities		-	-
- from other entities		27 344	11 477
Other long-term financial liabilities	11	12 029	51 181
Other long-term liabilities	16	3 388	4 621
- from related entities		246	138
- from other entities		3 142	4 483
Provision on account of deferred income tax	18	-	7 300
Provisions for liabilities on account of employee benefits	14	690	608
Other long-term provisions	15	2 090	1 411
Governmental subsidies		-	-
Long-term accrued liabilities	17	-	-
Short-term liabilities		368 028	353 719
Short-term credits and loans	11	110 612	150 599
- from related entities		-	41 390
- from other entities		110 612	109 209
Other short-term financial liabilities	11	66 224	115
Liabilities for supplies and services provided	16	155 532	164 951
- from related entities		13 834	18 619
- from other entities		141 698	146 332
Liabilities on account of the construction contract	8	3 940	5 851
- from related entities		22	4 241
- from other entities		3 918	1 610
Liabilities on account of current income tax	18	13 409	11 113
Other short-term liabilities	16	14 608	17 750
- from related entities		2 563	219
- from other entities		12 045	17 531
Provisions for liabilities on account of employee benefits	14	130	466
Other short-term provisions	15	584	566
Governmental subsidies		-	-
Short-term accrued liabilities	17	2 989	2 308
Liabilities connected with fixed assets allocated for sale		-	-
Liabilities in total		1 170 061	569 670

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PROFIT AND LOSS ACCOUNT (MULTI-STEP FORMAT)

	Note	For the period	For the period
		from 01.01 to 31.12.2008	from 01.01 to 31.12.2007
<i>Continued activity</i>			
Cash revenue on sales	20	793 951	582 300
- from related entities		133 374	94 100
Revenue on sale of products		-	-
Fees earned		781 359	562 680
Revenue on sale of goods and materials		12 592	19 620
Cost of sales	20	(701 289)	(517 454)
- from related entities		(58 506)	(31 544)
Cost of sold products		-	-
Cost of sold services		(689 104)	(498 065)
Cost of sold goods and materials		(12 185)	(19 389)
Profit (loss) gross on sales		92 662	64 846
Costs of sales	20	-	-
General administrative costs	20	(29 965)	(21 266)
Other operational revenue	20	2 900	9 589
Other operational costs	20	(7 303)	(6 608)
Share in profit of the entities settled with equity method		-	-
Restructuring costs		-	-
Profit (loss) from operational activity		58 294	46 561
Financial revenue	20	22 864	4 366
Financial costs	20	(13 423)	(16 686)
Other profit (loss) from investment	20	-	16 150
Profit (loss) before tax		67 735	50 391
Income tax	18	(14 364)	(10 159)
net profit (loss) from continued activity		53 371	40 232
<i>Discontinued activity</i>			
net loss from discontinued activity	21	-	-
net profit (loss)		53 371	40 232

PROFIT (LOSS) FOR ONE ORDINARY SHARE

Specification	Note	For the period	For the period
		from 01.01 to 31.12.2008	from 01.01 to 31.12.2007
		PLN/share	PLN/share
net profit (loss) from continued activity		53 371	40 232
net profit (loss) from continued and discontinued activity		53 371	40 232
Weighted average number of ordinary shares		169 562	138 673
Weighted average watered number of ordinary shares		169 562	138 673
<i>from continued activity</i>			
- basic		0,31	0,29
- watered		0,31	0,29
<i>from continued and discontinued activity</i>			
- basic		0,31	0,29
- watered		0,31	0,29

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CASH FLOW ACCOUNT (INDIRECT METHOD)

	Note	For the period from 01.01 to 31.12.2008	For the period from 01.01 to 31.12.2007
Cash flow from operational activity			
Net profit before tax		67 735	50 391
Adjustments:		42 348	(17 893)
Depreciation of intangible assets		385	486
Revaluation write offs on account of the loss of goodwill		-	-
Write offs on account of the loss of property, plant and equipment		759	-
Depreciation of the value of property, plant and equipment		9 144	4 659
(Profit) loss on the sale of property, plant and equipment		465	(1 000)
(Profit) loss on the sale of financial assets available for sales (allocated for trading)		(11 833)	(28 770)
Profit (loss) from valuation of investment properties according to fair value		-	-
(Profit) loss on account of fair value of financial assets declared according to fair value		31 898	(5 260)
Share in profit (loss) of related entities		-	-
Profit (loss) on account of differences in rates		-	-
Interest expenses		11 533	12 535
Interest received		-	(515)
Dividend received		(3)	(28)
Monetary resources from operational activity before considering changes in working capital		110 083	32 498
Change of stock level		813	4 480
Change of receivables level		(181 186)	(163 980)
Change of liabilities level		(16 603)	84 840
Change of provisions level and accrued liabilities		(2 048)	(13 159)
Other adjustments		348	574
Monetary resources generated in the course of operational activity		(88 593)	(54 747)
Paid interest		(243)	(215)
Paid income tax		(11 408)	(516)
Net monetary resources from operational activity		(100 244)	(55 478)
Cash flow from investment activity			
Expenses on the acquisition of intangible assets		-	(326)
Revenue from the sale of intangible assets		-	-
Expenses on the acquisition of property, plant and equipment		(37 183)	(30 732)
Revenue from the sale of property, plant and equipment		407	8 823
Expenses on the acquisition of investment properties		-	-
Revenue from the sale of investment properties		-	16 647
Expenses for the acquisition of financial assets available for sale		(30 000)	(51)
Revenue from the sale of financial assets available for sale		16 780	31 622
Expenses for the acquisition of financial assets allocated for trading		-	-
Revenue from the sale of financial assets allocated for trading		-	-
Expenses for the acquisition of related entities (reduced by monetary resources taken over)		(51 455)	-
Revenue from sale of related entities		-	-
Other expenses – additional payment to capital		-	-
Revenue from received governmental subsidies		-	-
Granted loans		(100)	(60)
Received payments of loans granted		360	-
Interest received		-	31
Dividend received		4	28
Other revenue		-	181
Other investment expenses		-	(211)

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	Note	For the period from 01.01 to 31.12.2008	For the period from 01.01 to 31.12.2007
Net monetary resources used in investment activity		(101 187)	25 952
Cash flow from financial activity			
Net revenue on account of issuance of shares		292 227	-
Acquisition of treasury shares		-	-
Revenue on account of issuance of debt securities		-	50 000
Payment of interest on bonds		(2 721)	-
Redemption of debt securities		(50 000)	-
Revenue on account of borrowing		84 760	88 429
Payment of credits and loans		(110 073)	(74 186)
Payment of interest on credits and loans		(12 362)	(9 179)
Revenue on account on investments		-	438
Payment of liabilities on account of financial leasing		(339)	(214)
Paid interest		(18)	(19)
Paid-out dividend		-	-
Credit commissions		(222)	(349)
Other expenses		-	(210)
Net monetary resources from financial activity		201 252	54 710
Net change of the balance of monetary resources and their equivalents		(179)	25 184
Monetary resources and their equivalents at the beginning of the period		48 346	23 162
Change of the balance on account of exchange rate differences		-	-
Monetary resources and their equivalents at the end of the period		48 167	48 346

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STATEMENT OF CHANGES IN EQUITY

Specification	Note	Initial capital	Other capitals	Financial result	Total
Balance for this 1st January 2007		107 155	67 727	(79 705)	95 177
Adjustment on account of the merger of the Companies		31 518	(31 518)	-	-
Adjustments on account of fundamental errors		-	-	(653)	(653)
Balance after the changes		138 673	36 209	(80 358)	94 524
Changes in equity in the period from 01.01. to 31.12.2007					
Profit (loss) on account of revaluation		-	(632)	398	(234)
Investments available for sale:		-	-	-	-
- profit (loss) on account of valuation referred to equity		-	-	-	-
- transferred to profit (loss) on sale		-	-	-	-
Instruments hedging cash flow:		-	8 489	-	8 489
- profit (loss) referred on equity		-	8 489	-	8 489
- profit (loss) transferred to the accounting profit of the period		-	-	-	-
- profit (loss) taken into consideration at the valuation of balance value of secured items		-	-	-	-
Tax connected with the items presented in the capital or transferred from the capital		-	(1 469)	-	(1 469)
Net profit presented directly in equity		-	6 388	398	6 786
Net profit for the period from 01.01. to 31.12.2007		-	-	40 232	40 232
Total of profit and loss booked in the period from 01.01. to 31.12.2007.		-	6 388	40 630	47 018
Dividend		-	-	-	-
Allocation of result		-	4 469	(6 469)	(2 000)
Issued initial capital		-	(190)	-	(190)
Issued options changeable for shares		-	-	-	-
Balance for this 31st December 2007		138 673	46 876	(46 197)	139 352
Balance for this 1st January 2008					
Balance for this 1st January 2008		138 673	46 876	(46 197)	139 352
The changes of accounting principles (policy)		-	-	-	-
Adjustments on account of fundamental errors		-	-	-	-
Balance after the changes		138 673	46 876	(46 197)	139 352
Changes in equity capital in the period from 01.01. to 31.12.2008					
Profit (loss) on account of revaluation		-	(650)	650	-
Investments available for sale:		-	-	-	-
- profit on account of valuation referred to equity		-	-	-	-
- transferred to profit (loss) on sale		-	-	-	-
Instruments hedging cash flow:		-	(60 874)	-	(60 874)
- profit (loss) referred to equity		-	(60 874)	-	(60 874)
- profit (loss) transferred to the accounting profit of the period		-	-	-	-
- profit (loss) taken into consideration at the valuation of balance value of secured items		-	-	-	-
Tax connected with the items presented in the capital or transferred from the capital		-	11 567	-	11 567
Net profit presented directly in equity		-	(49 957)	650	(49 307)
Net profit for the period from 01.01. to 31.12.2008		-	-	53 371	53 371
Total profit and loss booked in the period from 01.01. to 31.12.2008.		-	(49 957)	54 021	4 064
Dividend		-	-	-	-
Allocation of result		-	3 218	(5 218)	(2 000)
The acquisition of the subsidiary		-	-	-	-
Issued initial capital		71 885	543 191	-	615 076
Issued options changeable for shares		-	-	-	-
Balance for this 31st December 2008		210 558	543 328	2 606	756 492

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EXPLANATORY NOTES TO FINANCIAL STATEMENTS

NOTE NO. 1

BUSINESS ACTIVITY SEGMENTS – BRANCH-RELATED AND GEOGRAPHICAL

BRANCH-RELATED SEGMENTS

In the HYDROBUDOWA POLSKA Company the branch segment was determined to be the basic reporting model and geographical segment based on customer location criterion as the supplementary one.

The Company distinguishes four main segments, within the framework of its operational activity:

- Water
- Fuel
- Residential and industrial buildings
- Roads

Within the framework of particular segments the following scopes of services are distinguished:

- Water includes:

- technological and sanitary installations for water and sewage systems, such as:
 - water pipes,
 - sewage systems,
 - water mains and collectors,
 - water intakes,
 - sewage treatment plants,
- hydrotechnical facilities, such as:
 - dams
 - storage reservoirs
 - river embankments,
- renovation of water pipe and sewage installations.

Fuels include:

- fuel tanks
- underground gas tanks,
- LNG storage and vaporization stations.

- Residential and industrial buildings include:

- general construction,
- industrial infrastructure.

- Roads include:

- construction of roads

In the column "Others" the revenues and costs not assigned to any of the segments are demonstrated, i.e.:

- construction of sports facilities
- construction of facilities connected with waste utilization,
- the sale of goods and materials
- revenue from activities other than construction services.

The Company presents revenue on sales, costs and result (gross profit margin) in division into the above mentioned segments, and does not present the assets and liabilities of the balance sheet in division into segments of activity due to the fact that the part of fixed assets is used for production included in various segments and there is no possibility of assigning materials to particular segments and it is impossible to assign the liabilities on account of supplies and services and revenue and costs of other operational and financial activity to the segments.

The information about particular branch segments was presented in the table 1.1. below.

← Sformatowane: Punktory i numeracja

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Table 1.1

BRANCH SEGMENTS – DATA FOR THE PERIOD FROM 1ST JANUARY TO 31ST DECEMBER 2008

Specification	Segments					Total value
	Water	Fuel	Residential and industrial buildings	Roads	Other	
<i>Financial results of branch segments for the period from 01.01. to 31.12.2008</i>						
Revenue in total	569 675	96 260	19 167	1 891	106 958	793 951
Outside sales	569 675	96 260	19 167	1 891	106 958	793 951
Sales between segments	-	-	-	-	-	-
Costs in total	(520 096)	(82 659)	(14 378)	(1 442)	(82 714)	(701 289)
Segment result	49 579	13 601	4 789	449	24 244	92 662
Unassigned costs	x	x	x	x	x	(29 965)
Net loss on sales of discontinued activity	x	x	x	x	x	(4 403)
Profit from operational activity	x	x	x	X	x	58 294
Financial revenue	x	x	x	X	x	22 864
Financial costs	x	x	x	X	x	(13 423)
Profit before tax	x	x	x	X	x	67 735
Income tax	x	x	x	X	x	(14 364)
Net profit	x	x	x	x	x	53 371

BRANCH SEGMENTS – DATA FOR THE PERIOD FROM 1ST JANUARY TO 31ST DECEMBER 2007

Specification	Segments					Total value
	Water	Fuel	Residential and industrial buildings	Roads	Other	
<i>Financial results of branch segments for the period from 01.01. to 31.12.2007</i>						
Revenue in total	440 687	55 315	-	-	86 298	582 300
Outside sales	440 687	55 315	-	-	86 298	582 300
Sales between segments	-	-	-	-	-	-
Costs in total	(403 680)	(43 560)	-	-	(70 214)	(517 454)
Segment result	37 007	11 755	-	-	16 084	64 846
Unassigned costs	x	x	x	x	x	(21 266)
Net loss on sales of discontinued activity	x	x	x	x	x	2 981
Profit from operational activity	x	x	x	X	x	46 561
Financial revenue	x	x	x	X	x	20 516
Financial costs	x	x	x	X	x	(16 686)
Profit before tax	x	x	x	X	x	50 391
Income tax	x	x	x	X	x	(10 159)
Net profit	x	x	x	x	x	40 232

GEOGRAPHICAL SEGMENTS

Due to the fact that the Company sells only in Poland, no geographical segments are separated. Terms of sale are not diversified with respect to the conditions of client location in a given region of the country.

Company name:	HYDROBUDOWA POLSKA SPÓŁKA AKCYJNA		
Period included in financial statements:	01.01.2008 – 31.12.2008.	Reporting currency:	PLN
Rounding level:	All amounts are expressed in PLN thousand (unless indicated otherwise)		

Sformatowane: Punktory i numeracja

NOTE NO. 2

INTANGIBLE ASSETS

Table 2.1

INTANGIBLE ASSETS

Specification	for the day	for the day
	31 st December 2008	31 st December 2007
Trade marks	-	-
Patents and licenses	99	-
Computer software	467	802
Costs of development works	-	-
Other intangible assets	-	-
Net balance sheet value	566	802
Intangible assets in progress	-	-
Advanced payments for intangible assets	-	-
Intangible assets in total	566	802
Classification of intangible assets as allocated for sale	-	-
Intangible assets	566	802

Table 2.2

CHANGES OF INTANGIBLE ASSETS IN THE PERIOD

Specification	Patents and licenses	Computer software	Total
Net balance sheet for this 1st January 2007	236	611	847
Increase in balance on account of acquisition	-	441	441
Decrease in balance on account of acquisition (-)	-	-	-
Increase or decrease resulting from overvaluation	-	-	-
Revaluation write offs on account of the impairment (-)	-	-	-
Reversal of revaluation write offs	-	-	-
Depreciation (-)	-	(486)	(486)
Other changes	(236)	236	-
Net balance sheet value for this 31st December 2007	-	802	802
Net balance sheet value for this 1st January 2008	-	802	802
Increase in balance on account of acquisition	47	102	149
Decrease in balance on account of acquisition (-)	-	-	-
Increase or decrease resulting from overvaluation	-	-	-
Revaluation write offs on account of the impairment (-)	-	-	-
Reversal of revaluation write offs	-	-	-
Depreciation (-)	(43)	(342)	(385)
Other changes	95	(95)	-
Net balance sheet value for this 31st December 2008	99	467	566

Company name:	HYDROBUDOWA POLSKA SPÓŁKA AKCYJNA		
Period included in financial statements:	01.01.2008 – 31.12.2008.	Reporting currency:	PLN
Rounding level:	All amounts are expressed in PLN thousand (unless indicated otherwise)		

Table 2.3

INTANGIBLE ASSETS (CONTINUATION)

Specification	Patents and licenses	Computer software	Other intangible assets	Total
Balance for this 1st January 2008				
Gross balance sheet value	85	1 805	14	1 904
Total of previous depreciation and revaluation write offs	(85)	1 003	(14)	(1 102)
Net balance sheet value	-	802	-	802
Balance for this 31st December 2008				
Gross balance sheet value	266	1 996	14	2 276
Total of previous depreciation and revaluation write offs	(167)	(1 529)	(14)	(1 710)
Net balance sheet value	99	467	-	566

Sformatowane: Punkty i numeracja

NOTE NO. 3

MERGERS OF ECONOMIC ENTITIES

Financial data for 2007 were prepared after the consideration of the merger of the companies Hydrobudowa Śląsk S.A. – the Acquired Company and Hydrobudowa Włocławek S.A. (currently Hydrobudowa Polska S.A.) – Receiving Company.

The merger was conducted on this 27th August 2007 and due to the fact that the Companies were under shared control of the dominating company PBG S.A., it was calculated according to pooling of interest method.

NOTE NO. 4

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Table 4.1

PROPERTY, PLANT AND EQUIPMENT

Specification	for the day	for the day
	31.12.2008	31.12.2007
Land	3 490	5 180
Buildings and structures	25 424	16 220
Machines and devices	38 391	29 608
Means of transport	18 362	8 851
Other fixed assets	2 137	780
Net balance sheet value	87 804	60 639
Property, plant and equipment in progress	2 171	7 582
Advanced payments for fixed assets	137	1 833
Property, plant and equipment in total	90 112	70 054
Classification of property, plant and equipment as allocated for sale	-	-
Property, plant and equipment	90 112	70 054

Company name:	HYDROBUDOWA POLSKA SPÓŁKA AKCYJNA		
Period included in financial statements:	01.01.2008 – 31.12.2008.	Reporting currency:	PLN
Rounding level:	All amounts are expressed in PLN thousand (unless indicated otherwise)		

Table 4.2

CHANGES OF FIXED ASSETS

Specification	Land	Buildings and structures	Machines and devices	Means of transport	Other fixed assets	Total
Net balance sheet value for this 1st January 2007	6 025	20 135	12 654	4 708	895	44 417
Increase in balance on account of acquisition	787	2 846	20 184	5 233	709	29 759
Increase on account of concluded leasing agreements.	-	-	-	-	-	-
Decrease in balance on account of acquisition (-)	(1 373)	(7 895)	(89)	(55)	(2)	(9 414)
Decrease in balance on account of liquidation (-)	-	-	(180)	(152)	(278)	(610)
Increase or decrease resulting from overvaluation	-	-	-	-	-	-
Revaluation write offs on account of the impairment (-)	-	-	-	-	-	-
Reversal of revaluation write offs	-	-	-	-	-	-
Depreciation (-)		(410)	(2 961)	(883)	(65)	(4 319)
Other changes	(259)	1 544	-	-	(479)	806
Net balance sheet value for this 31st December 2007	5 180	16 220	29 608	8 851	780	60 639
Net balance sheet value for this 1st January 2008	5 180	16 220	29 608	8 851	780	60 639
Increase in balance on account of acquisition	-	14 712	16 911	9 856	1 353	42 832
Increase on account of concluded leasing agreements.	-	-	-	2 630	-	2 630
Decrease in balance on account of acquisition (-)	-	-	(883)	(604)	(100)	(1587)
Decrease in balance on account of liquidation (-)	-	(173)	(304)	(95)	(5)	(577)
Increase or decrease resulting from overvaluation	-	-	-	-	-	-
Revaluation write offs on account of the impairment (-)	-	-	-	-	-	-
Reversal of revaluation write offs	-	-	-	-	-	-
Depreciation (-)	-	(460)	(6 514)	(1 896)	(370)	(9 240)
Other changes	(1 690)	(4 875)	(427)	(380)	479	(6 893)
Net balance sheet value for this 31st December 2008	3 490	25 424	38 391	18 362	2 137	87 804

Company name:	HYDROBUDOWA POLSKA SPÓŁKA AKCYJNA		
Period included in financial statements:	01.01.2008 – 31.12.2008.	Reporting currency:	PLN
Rounding level:	All amounts are expressed in PLN thousand (unless indicated otherwise)		

Table 4.3

FIXED ASSETS (CONTINUATION)

Specification	Land	Buildings and structures	Machines and devices	Means of transport	Other fixed assets	Total
<i>Balance for this 1st January 2008</i>						
Gross balance sheet value	5 180	17 026	39 074	11 188	2 009	74 477
Total of previous depreciation and revaluation write offs(-)	-	(806)	(9 466)	(2 337)	(1 229)	(13 838)
Net balance sheet value	5 180	16 220	29 608	8 851	780	60 639
<i>Balance for this 31st December 2008</i>						
Gross balance sheet value	3 490	26 448	52 461	22 173	3 070	107 642
Total of previous depreciation and revaluation write offs(-)	-	(1 024)	(14 070)	(3 811)	(933)	(19 838)
Net balance sheet value	3 490	25 424	38 391	18 362	2 137	87 804

Table 4.4

BALANCE VALUE OF TANGIBLE ASSETS WHICH ARE SUBJECT TO LIMITED DISPOSAL OR ON WHICH ANY COLLATERALS ARE SECURED

Liability title / restrictions in administration	Burden type	Burden subject	Balance sheet value
Credit in Kredyt Bank (real property in Mikołów)	mortgage	Buildings, structures	17 842
Credit in Pekao S.A.	Registered pledge	Machines and devices	15 206
Credit in Pekao S.A.	Registered pledge	Means of transport	5 378
Credit in Pekao S.A.	Registered pledge	Other fixed assets	155
Credit in BGŻ	Registered pledge	Machines and devices	5 965
Credit in BGŻ	Registered pledge	Means of transport	2 722
Balance value of tangible assets which are subject to limited disposal or on which any collaterals are secured			47 268

Company name:	HYDROBUDOWA POLSKA SPÓŁKA AKCYJNA		
Period included in financial statements:	01.01.2008 – 31.12.2008.	Reporting currency:	PLN
Rounding level:	All amounts are expressed in PLN thousand (unless indicated otherwise)		

PROPERTY, PLANT AND EQUIPMENT USED PURSUANT TO LEASING, LEASE AND TENANCY CONTRACTS

The Company does not use fixed assets pursuant to operational leasing contracts, the values of which are not booked in balance sheet.

The Company leases the following fixed assets:

- Real property in Katowice at ul. Obrońców Westerplatte 51 comprising: workshop hall, warehouses, office building, ground for storing materials, ground for parking equipment, pursuant to the contract with PBG DOM Sp. z o.o. of 29th June 2007,
- Real property in Katowice at ul. Wolnego 4 comprising administration building (the seat of the Company Branch) pursuant to the contract with PBG DOM Sp. z o.o. of 29th June 2007,
- The lease of office building of the area of 492.0 m², pursuant to the contract with PBG S.A. concluded in Wysogotowo on this 2nd January 2007,
- The lease of rooms pursuant to the contract with Dwór Smólsk Sp. z o.o. of 21st September 2007 in the scope of principles, conditions and periodical mode of using palace complex Dwór in Smólsk
- 61 passenger vehicles used pursuant to the contracts with the Carfleet company,
- 5 passenger vehicles used pursuant to the contracts with the Express company,
- 7 excavators used pursuant to the contracts with the PBG S.A. company,
- 1 bulldozer used pursuant to the contracts with the PBG S.A. company,
- 1 roller used pursuant to the contracts with the PBG S.A. company,

Moreover, the Company leases other fixed assets, mostly real properties used in the Company operational activity, such as: building facilities, office premises, dwelling premises for employees realizing construction contracts in places distant from the place of residence, lands for the storage of equipment, materials etc.

The costs of using these assets are demonstrated in profit and loss account.

Table 4.5

INVESTMENT PROPERTIES IN THE PERIOD FROM 1ST JANUARY TO 31ST DECEMBER 2008 (FAIR VALUE MODEL)

Specification	Value
Value at the beginning of the period	-
Increase in balance on account of acquisition of real property	
Increase resulting from outlays activated later	
Decrease in balance on account of sale	
Reclassification from and to another assets category	7 090
Net amount of profit or loss resulting from the adjustments of fair value valuation	
Other changes	
Value at the end of the period	7 090

The Company transferred properties from the fixed assets item to investment properties item, in connection with the change of the method of obtaining economic benefits from these assets components.

The total value of investment properties includes:

- lands in Włocławek at ul. Płocka 187 of the value of 1,609.

- real property in Mikołów at ul. Żwirki i Wigury 58 developed with production hall and administration building of the value of 5,481.

Lands in Włocławek are maintained by the Company for the purpose of reaching revenue on the growth of their value and eventually allocated for sale.

Real property in Mikołów is leased to the subsidiary Hydrobudowa Polska Konstrukcje Sp. z o.o. The source of revenue from this investment is rental rate.

For the day of qualifying the real properties as investment properties, the Company did not order the valuation of their fair value by the property surveyor, deciding that their value in the accounting books does not deviate significantly from the fair value.

The Company does not reveal revenue and costs connected with investment properties due to the fact that a part was requalified from fixed assets to investment properties for this 31st December 2008 and no revenue and costs connected with them occurred yet. And some properties (mostly lands) are kept due to the predicted growth of their value and no current benefits are drawn from them.

Company name:	HYDROBUDOWA POLSKA SPÓŁKA AKCYJNA		
Period included in financial statements:	01.01.2008 – 31.12.2008.	Reporting currency:	PLN
Rounding level:	All amounts are expressed in PLN thousand (unless indicated otherwise)		

NOTE NO. 5

INVESTMENTS IN SUBSIDIARIES AND RELATED ENTITIES

Table 5.1

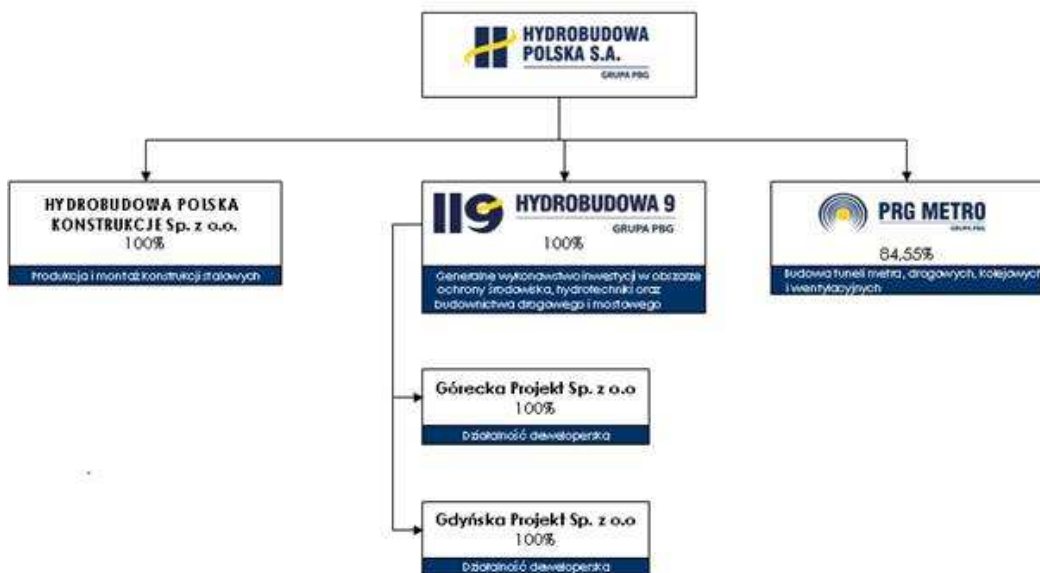
INVESTMENTS IN SUBSIDIARIES IN THE PERIOD FROM 1ST JANUARY TO 31ST DECEMBER 2008

Specification	for the day 31.12.2008	for the day 31.12.2007
Balance at the beginning of the period	-	-
Increasing in the accounting period on account of:	374 115	-
- mergers of economic entities	374 115	-
- reclassification	-	-
- other increasing	-	-
Decreasing in the accounting period on account of:	-	-
- the sale of subsidiary	-	-
- reclassification	-	-
- other decreases	-	-
Differences in rates	-	-
Balance at the end of the period	374 115	-

In investments in subsidiaries the values of shares in the following entities are demonstrated:

- HYDROBUDOWA 9 PRZEDSIĘBIORSTWO INŻYNIERYJNO – BUDOWLANE S.A.
- HYDROBUDOWA POLSKA KONSTRUKCJE Sp. z o.o.
- P.R.G. „METRO” Sp. z o.o.

Investments in subsidiaries and the structure of the Capital Group formed by Hydrobudowa Polska and its subsidiaries for this 31st December 2008 are presented in the below chart:



Company name:	HYDROBUDOWA POLSKA SPÓŁKA AKCYJNA		
Period included in financial statements:	01.01.2008 – 31.12.2008.	Reporting currency:	PLN
Rounding level:	All amounts are expressed in PLN thousand (unless indicated otherwise)		

HYDROBUDOWA 9 PRZEDSIĘBIORSTWO INŻYNIERYJNO – BUDOWLANE S.A.

National Court Register No. KRS: 0000270917

On this 30th September 2008 the increase of the share capital of the HYDROBUDOWA POLSKA S.A. Company, from the amount of PLN 173,673,200.00 to the amount of PLN 210,558,445.00 with the issuance of 36,885,245 L series shares of the nominal value of 1.00 PLN each, was registered.

L series shares were acquired by previous shareholders of HYDROBUDOWA 9 Przedsiębiorstwo Inżynieryjno-Budowlane S.A., in exchange for contribution in kind in the form of 14,536,685 fully paid shares of HB9, of the nominal value of PLN 0.10 each share and of the total nominal value of PLN 1,453,668.50, constituting 100% of HB9 shares.

HYDROBUDOWA POLSKA S.A. became the only shareholder of the company HYDROBUDOWA 9 P.I.-B. S.A. and it has 100% of votes at the general shareholders meeting of the company HYDROBUDOWA 9 P.I.-B. S.A.

HYDROBUDOWA 9 Przedsiębiorstwo Inżynieryjno-Budowlane S.A. is the company operating in construction sector, specializing in the construction of water engineering facilities in the area of hydrotechnology and environment protection, the performance of engineering works and general engineering. HYDROBUDOWA POLSKA S.A. operates in the same sector.

Share structure:

100% HYDROBUDOWA POLSKA S.A.

Address: ul. Sienkiewicza 22, 60 - 900 Poznań

Classification according to the Central Statistical Office: 45 21F – performance of general construction works in the scope of engineering facilities, not classified elsewhere

Hydrobudowa 9 has 2 subsidiaries:

- Gdyńska Projekt Sp. z o.o.

- Górecka Projekt Sp. z o.o.

GÓRECKA PROJEKT Sp. z o.o.

The Company was established by Hydrobudowa 9 on this 11th September 2008. The registration of the Company took place on this 19th September 2008.

Share capital of the established Company amounts to PLN 50,000 and is divided into 1,000 shares of the value of 50 PLN each. One vote falls for one share. The shares in the share capital of the Górecka Projekt Sp. z o.o. company were acquired, in 100%, by the HYDROBUDOWA 9 P.I.-B. S.A. Company and covered with cash.

GÓRECKA PROJEKT Sp. z o.o. is a target company, established for the purpose of the realization of commercial project, consisting in the construction of an office building. The subject of the activity of the established Company is the realization of construction projects connected with the elevation of apartment buildings and non-residential buildings, purchase and sale of real estates for its own account, lease and administration of real estates and consulting.

The HYDROBUDOWA 9 P.I.-B. S.A. company does not exclude the increase of capital in the GÓRECKA PROJEKT Sp. z o.o. company in the future and covering shares in the form of the right of perpetual use of the real estate.

Share structure:

100% HYDROBUDOWA 9 P.I.-B. S.A.

Address: ul. Sienkiewicza 22, 60 - 900 Poznań

Classification according to the Central Statistical Office: 6810 Z – purchase and sale of real estate for the own account

GDYŃSKA PROJEKT Sp. z o.o.

On this 2nd April 2008 the HYDROBUDOWA 9 Przedsiębiorstwo Inżynieryjno-Budowlane SA company established the subsidiary - GDYŃSKA PROJEKT Sp. z o.o with its seat in Poznań.

On this 26th May 2008, the Company was entered in the National Court Register. The shares in the new Company in the number of 60,000 items of the nominal value PLN 50 each, were covered with equity funds: contribution in the form of perpetual usufructuary right of the land of the value of PLN 2,900,000.00 and the payment of cash in the amount of PLN 100,000.00. The issuance price is equal to nominal price and it amounts to PLN 50 per share. So the Company HYDROBUDOWA 9 PIB SA has 100% of the share capital of the Company and 100% in the total number of votes in the GDYŃSKA PROJEKT Sp. z o.o. company.

The subject of the activity of the GDYŃSKA PROJEKT Sp. z o.o. Company is the purchase, sale, lease and administration of real estates (its own or leased ones) for its own account.

HYDROBUDOWA 9 PIB SA considers the company as long-term investment.

Share structure:

100% HYDROBUDOWA 9 P.I.-B. S.A.

Company name:	HYDROBUDOWA POLSKA SPÓŁKA AKCYJNA		
Period included in financial statements:	01.01.2008 – 31.12.2008.	Reporting currency:	PLN
Rounding level:	All amounts are expressed in PLN thousand (unless indicated otherwise)		

Address: ul. Sienkiewicza 22, 60 - 900 Poznań
Classification according to the Central Statistical Office: 4110 Z – the realization of construction projects connected with the elevation of buildings; 4120 Z – construction works connected with the elevation of apartments and non-residential buildings; 6810 Z – purchase and sale of real properties for the own account.

HYDROBUDOWA POLSKA KONSTRUKCJE Sp. z o.o.

National Court Register No. KRS: 0000306843

Hydrobudowa Polska Konstrukcje Sp. z o.o. was established by a notary deed of 16th May 2008 by HYDROBUDOWA POLSKA S.A., the only shareholder.

The Company share capital amounted to the shares of the equal nominal value of PLN 500.00 each share. Initially the share capital of the Company amounted to PLN 50,000.

On this 19th June 2008 the General Shareholders Meeting of the Hydrobudowa Polska Konstrukcje Sp. z o.o. company passed the resolution on the increase in the share capital by the creation of 16,000 new shares of the nominal value of PLN 500.00 each, acquired in whole by HYDROBUDOWA POLSKA S.A.

The shares in the increased capital were covered with cash contribution.

At the same time the share capital increased from the amount of PLN 50,000.00 to the amount of PLN 8,050,000.

After registration of the increase in share capital, the share of HYDROBUDOWA POLSKA S.A. in the votes and share capital of HYDROBUDOWA POLSKA KONSTRUKCJE Sp. z o.o. remained unchanged and it amounts to 100%.

HYDROBUDOWA POLSKA KONSTRUKCJE Sp. z o.o. specializes in the manufacture and assembly of steel structures, full-range realization of the projects of installation for industry, and in particular for petrochemical industry.

Share structure:

100% HYDROBUDOWA POLSKA S.A.

Address: ul. Żwirki i Wigury 58, 43-190 Mikołów

Classification according to the Central Statistical Office: 25 11Z – manufacture of metal structures and their parts;

P.R.G. „METRO” Sp. z o.o.

National Court Register No. KRS: 0000040154

The shares of the company P.R.G. „METRO” Sp. z o.o. were acquired by HYDROBUDOWA POLSKA S.A. from previous shareholders of the Company being natural persons.

The shares were acquired in the period from this 26th June 2008 to this 28th July 2008.

HYDROBUDOWA POLSKA S.A. acquired 465 shares of the nominal value of PLN 1,000.00 each, constituting 84.55% shares in the share capital of the Company P.R.G. „Metro” Sp. z o.o. and giving the right to execute 84.55% of the votes at the General Shareholders Meeting of this Company.

The total value of the agreements concluded by this 28th July 2008 amounts to PLN 29,590,879.50 and it was financed by HYDROBUDOWA POLSKA with the resources coming from the issuance of K series shares.

On this 9th January 2009 the increase of the share capital of the subsidiary – Przedsiębiorstwo Robót Górniczych 'METRO' Sp. z o.o. with its seat in Warsaw was registered. The increase of the capital concerns 78 shares of the nominal value of PLN 1,000.00 each, acquired in total by HYDROBUDOWA POLSKA S.A. At the same time the share capital of the P.R.G. "METRO" Sp. z o.o. company was increased from the amount of PLN 550,000.00 to the amount of PLN 628,000.00 and is divided into 628 shares of the nominal value of PLN 1,000 each share. After the registration of the increase in the share capital, HYDROBUDOWA POLSKA S.A. has 543 shares in the P.R.G. „METRO” Sp. z o.o. company, which constitutes 86.46% of the share in votes and share capital of P.R.G. „METRO” Sp. z o.o. The shares were covered by HYDROBUDOWA POLSKA S.A. with cash contribution in the total amount of PLN 4,963,631.40.

The resources for covering the increase in capital were transferred to the account of PRG Metro in December 2008, therefore the amount of increasing the capital was presented in the Company balance sheet as the value of investment in subsidiaries.

Przedsiębiorstwo Robót Górniczych „METRO” Sp. z o.o. specializes in the realization of tasks in the area of technical construction works, including the performance of tunnels, underground tunnels and ancillary facilities. From 2001 the Company extended its activity with water and sewage market.

Przedsiębiorstwo Robót Górniczych METRO Sp. z o.o. is one of general contractors of Warsaw underground lines and ancillary facilities, such as wayside ventilation, turnout chamber, underground passages, microtunnels.

Share structure:

86.46% HYDROBUDOWA POLSKA S.A.

13.54% natural persons

Address: ul. Wólczyńska 163, 01 – 919 Warszawa

Company name:	HYDROBUDOWA POLSKA SPÓŁKA AKCYJNA		
Period included in financial statements:	01.01.2008 – 31.12.2008.	Reporting currency:	PLN
Rounding level:	All amounts are expressed in PLN thousand (unless indicated otherwise)		

Classification according to the Central Statistical Office: 45 25 E Performance of technical construction works, not classified elsewhere

Company name:	HYDROBUDOWA POLSKA SPÓŁKA AKCYJNA		
Period included in financial statements:	01.01.2008 – 31.12.2008.	Reporting currency:	PLN
Rounding level:	All amounts are expressed in PLN thousand (unless indicated otherwise)		

Table 5.2
INVESTMENTS IN SUBSIDIARIES FOR THIS 31ST DECEMBER 2008

The name of the subsidiary	Percentage of shares held in the share capital	Percentage of votes held	Consolidation method	The value of shares at acquisition price	Adjustments revaluating the value	Shares balance sheet value
Hydrobudowa 9 P.I.B. S.A.	100,0%	100,0%	complete	325 697	-	325 697
HYDROBUDOWA POLSKA KONSTRUCKJE Sp. z o.o.	100,0%	100,0%	complete	8 050	-	8 050
P.R.G. „METRO” Sp. z o.o.	84,6%	84,6%	complete	40 368	-	40 368
Total				374 115	-	374 115

The Management Board of the Company made the analysis of shares with respect to impairment. Basing on the forecasts of discounted cash flow (DCF) of each subsidiary, it was found that the value, for this 31st December 2008, there is no necessity to make revaluation write offs on account of permanent impairment.

Table 5.3
INVESTMENTS IN SUBSIDIARIES FOR THIS 31ST DECEMBER 2008

The name of the subsidiary	Equity	Initial capital	Liabilities	Company assets	Revenue on sale and financial operations	Financial result for the current period
Hydrobudowa 9 P.I.B. S.A.	(209 030)	1 454	589 248	380 217	435 766	1 676
HYDROBUDOWA POLSKA KONSTRUCKJE Sp. z o.o.	8 148	8 050	11 210	19 357	27 024	98
P.R.G. „METRO” Sp. z o.o.	9 283	628	24 854	34 137	69 338	(9 811)

Company name:	HYDROBUDOWA POLSKA SPÓŁKA AKCYJNA		
Period included in financial statements:	01.01.2008 – 31.12.2008.	Reporting currency:	PLN
Rounding level:	All amounts are expressed in PLN thousand (unless indicated otherwise)		

JOINT VENTURES

By the balance sheet date the Company did not participate in the syndicate which would characterize this contract as joint venture.

NOTE NO. 6

Sformatowane: Punktory i numeracja

LONG-TERM RECEIVABLES

Table 6.1

LONG-TERM RECEIVABLES

Specification	for the day	for the day
	31.12.2008	31.12.2007
Receivables on account of supplies and services	4 433	6 723
- receivables from domestic recipients	4 433	6 723
- receivables from foreign recipients	-	-
Other receivables	-	-
Write offs revaluating the value of receivables (-)	(161)	(219)
Long-term receivables in total	4 272	6 504

Table 6.2

WRITE OFFS REVALUATING THE VALUE OF LONG-TERM RECEIVABLES

Specification	For the period	For the period
	from 01.01 to 30.06.2008	from 01.01 to 31.12.2007
Balance at the beginning of the period	219	793
Revaluation write offs made in the accounting period	53	-
Revaluation write offs reversed in the accounting period (-)	(111)	(98)
Revaluation write offs used in the accounting period (-)	-	(9)
Other changes	-	(467)
Balance at the end of the period	161	219

Table 6.3

LONG-TERM RECEIVABLES FROM RELATED ENTITIES

Specification	for the day	for the day
	31.12.2008	31.12.2007
From dominating entity	-	-
From subsidiaries	899	767
- from joint subsidiaries	-	-
From related entities	-	-
From other related entities not included in the financial statements	-	-
Write offs revaluating the value of receivables from related entities	-	-
Total	899	767

Company name:	HYDROBUDOWA POLSKA SPÓŁKA AKCYJNA		
Period included in financial statements:	01.01.2008 – 31.12.2008.	Reporting currency:	PLN
Rounding level:	All amounts are expressed in PLN thousand (unless indicated otherwise)		

Table 6.4

LONG-TERM RECEIVABLES – CURRENCY STRUCTURE

Specification	for this 31 st December 2008		for this 31 st December 2007	
	in the currency:	After conversion into PLN	in the currency:	After conversion into PLN
a) PLN	X	1 350	X	3 156
b) EUR	716	2 922	947	3 348
c) other currencies				
		4 272		6 504

Long-term receivables include mostly retained amounts as the security of realized and performed construction works. These amounts are not charged with interest. Due to long payment terms, exceeding in some cases 5 years, these receivables were discounted. Long-term receivables are discounted on the basis of WIBOR 1M rate + 1%. For this 31st December 2008 discount rate amounted to 6.61% and for this 31st December 2007 – 6.52%. Relatively high credit risk is connected with long-term receivables. The Management Board of the Company monitor the situation of debtors on regular basis and if there is a risk of recovering the full amount of receivable, revaluation write off is made.

In the presented financial statements long-term receivables were presented in net amounts after discount and making revaluation write offs.

SHORT-TERM RECEIVABLES ON ACCOUNT OF SUPPLIES AND SERVICES AND OTHER RECEIVABLES

Table 6.5

SHORT-TERM RECEIVABLES ON ACCOUNT OF SUPPLIES AND SERVICES

Specification	for the day	for the day
	31.12.2008	31.12.2007
Receivables on account of supplies and services	287 026	219 076
- receivables from domestic recipients	298 141	229 212
- receivables from foreign recipients	-	-
Write offs revaluating the value receivables on account of supplies and services (-)	(11 115)	(10 136)
Receivables on account of supplies and services in total	287 026	219 076

Table 6.6

OTHER SHORT-TERM RECEIVABLES

Specification	for the day	for the day
	31.12.2008	31.12.2007
On account of goods and services	3 909	10 185
on account of donations, duties, social and health insurances and other benefits	200	57
settlements with employees.	736	605
receivables claimed in court	75	66
On account of charged commissions on granted sureties	4 022	193
Others	931	684
Write offs revaluating the value of other receivables (-)	(204)	(257)
Receivables in total	9 669	11 533

Company name:	HYDROBUDOWA POLSKA SPÓŁKA AKCYJNA		
Period included in financial statements:	01.01.2008 – 31.12.2008.	Reporting currency:	PLN
Rounding level:	All amounts are expressed in PLN thousand (unless indicated otherwise)		

Table 6.7

WRITE OFFS REVALUATING THE VALUE OF SHORT-TERM RECEIVABLES

Specification	For the period	For the period
	from 01.01 to 31.12.2008	from 01.01 to 31.12.2007
Balance at the beginning of the period	10 393	9 740
Revaluation write offs made in the accounting period	1 851	5 883
Revaluation write offs reversed in the accounting period (-)	(826)	(2 479)
Revaluation write offs used in the accounting period (-)	(92)	(2 032)
Other changes	(7)	(719)
Balance at the end of the period	11 319	10 393

Table 6.8

SHORT-TERM RECEIVABLES ON ACCOUNT OF SUPPLIES AND SERVICES AND OTHER RECEIVABLES – CURRENCY STRUCTURE

Specification	for this 31 st December 2008		For this 31 st December 2007	
	in the currency:	After conversion into PLN	in the currency:	After conversion into PLN
a) PLN	x	269 566	x	183 491
b) EUR	9 422	38 448	14 855	57 511
c) other currencies				
Total	x	308 014	x	241 002

Table 6.9

SHORT-TERM RECEIVABLES FROM RELATED ENTITIES

Specification	for the day	for the day
	31.12.2008	31.12.2007
Receivables on account of supplies and services	112 709	44 461
From dominating entity	39 656	25 417
From subsidiaries	22 041	
From joint subsidiaries	49 241	9 301
From related entities	-	-
From other related entities not included in the financial statements	1 771	9 743
Other short-term receivables	4 025	193
From dominating entity	2 587	-
From subsidiaries	642	-
From joint subsidiaries	796	193
From related entities	-	-
From other related entities not included in the financial statements	-	-
Write offs revaluating the value of receivables from related entities (-)	-	-
Total	116 734	44 654

Company name:	HYDROBUDOWA POLSKA SPÓŁKA AKCYJNA		
Period included in financial statements:	01.01.2008 – 31.12.2008.	Reporting currency:	PLN
Rounding level:	All amounts are expressed in PLN thousand (unless indicated otherwise)		

Table 6.10

SHORT-TERM RECEIVABLES – CURRENCY STRUCTURE

Specification	for the day	for the day
	31.12.2008	31.12.2007
Overdue receivables on account of supplies and services	128 978	26 514
- up to 1 month	24 344	8 870
- above 1 month, up to 6 months	68 892	17 991
- above 6 months, up to one year	33 078	1 346
- above one year	13 691	3 341
- write offs revaluating the value of overdue receivables (-)	(11 027)	(5 034)
Other overdue short-term receivables	-	-
- up to 1 month	-	-
- above 1 month, up to 6 months	-	-
- above 6 months, up to one year	-	-
- above one year	-	-
- write offs revaluating the value of overdue receivables (-)	-	-
Overdue receivables gross	140 005	31 548
Write offs revaluating the value of overdue receivables	(11 027)	(5 034)
Net overdue receivables	128 978	26 514

Table 6.11

SHORT-TERM RECEIVABLES CLAIMED IN COURT

Specification	for the day	for the day
	31.12.2008	31.12.2007
Receivables on account of supplies and services, including:	-	-
- gross value of receivables claimed in court	75	66
- write offs revaluating the value of disputable receivables (-)	(75)	(66)
Other short-term receivables, including:	-	-
- gross value of receivables claimed in court	-	-
- write offs revaluating the value of disputable receivables (-)	-	-
Gross receivables claimed in court	75	66
Write offs revaluating the value of disputable receivables	(75)	(66)
Net value of receivables claimed in court	-	-

Company name:	HYDROBUDOWA POLSKA SPÓŁKA AKCYJNA		
Period included in financial statements:	01.01.2008 – 31.12.2008.	Reporting currency:	PLN
Rounding level:	All amounts are expressed in PLN thousand (unless indicated otherwise)		

Sformatowane: Punktory i numeracja

NOTE NO. 7

STOCKS

Table 7.1

STOCK STRUCTURE

Specification	for the day	for the day
	31.12.2008	31.12.2007
Materials	3 455	3 253
Production in progress	-	1 487
Finished goods	-	-
Goods	-	-
Advanced payments for supplies	928	456
Stocks in total, including:	4 383	5 196
- balance sheet value of stocks demonstrated in fair value decreased by costs of sales	-	-
- balance sheet value of stocks constituting liability hedge	-	-

Table 7.2

STOCK REVALUATION WRITE OFFS

Specification	For the period	For the period
	from 01.01 to 31.12.2008	from 01.01 to 31.12.2007
Value of stocks booked as cost in the period	102 245	78 168
1) Write-offs from value of inventories booked as expenses in the period	-	124
Write-offs from value of inventories booked as expenses in the period	-	166

Stocks are not the subject of the Company liability hedge, no contracts limiting stock administration were signed.

The Company creates write offs revaluating stocks if there is a substantiated assumption that the acquisition price or the cost of manufacture may not be recovered or if their sale prices decreased significantly. Especially write offs for stocks which were damaged, completely or partially lost their utility, are created.

For each balance sheet date the Company makes individual assessment of stocks. At estimating net stock value possible to be recovered, stock intended use and suitability in production processes and rendering services are mostly taken into consideration.

Company name:	HYDROBUDOWA POLSKA SPÓŁKA AKCYJNA		
Period included in financial statements:	01.01.2008 – 31.12.2008.	Reporting currency:	PLN
Rounding level:	All amounts are expressed in PLN thousand (unless indicated otherwise)		

Sformatowane: Punktory i numeracja

NOTE NO. 8

CONSTRUCTION CONTRACTS

Table 8.1

CONSTRUCTION CONTRACTS FOR THE PERIOD FROM 1ST JANUARY TO 31ST DECEMBER 2008

Specification	Contract revenue amount initially determined in the contract	Changes	Total amount of contract revenue	Contract costs incurred by the balance sheet date	Costs remaining until the contract realization	Estimate total contract costs	Estimate profit	Stan zaawansowania na dzień bilansowy	Received advanced payments amount	Retained amounts
Construction contracts	2 392 472	32 435	2 424 907	1 123 166	1 098 419	2 221 585	203 322	51%	4 484	11 417
Total	2 392 472	32 435	2 424 907	1 123 166	1 098 419	2 221 585	203 322	x	4 484	11 417

Table 8.2

CONSTRUCTION CONTRACTS FOR THE PERIOD FROM 1ST JANUARY TO 31ST DECEMBER 2007

Specification	Contract revenue amount initially determined in the contract	Changes	Total amount of contract revenue	Contract costs incurred by the balance sheet date	Costs remaining until the contract realization	Estimate total contract costs	Estimate profit	Stan zaawansowania na dzień bilansowy	Received advanced payments amount	Retained amounts
Construction contracts	1 502 680	25 980	1 528 660	750 900	734 083	1 484 983	43 677	51%	8 305	16 206
Total	1 502 680	25 980	1 528 660	750 900	734 083	1 484 983	43 677	x	8 305	16 206

Company name:	HYDROBUDOWA POLSKA SPÓŁKA AKCYJNA		
Period included in financial statements:	01.01.2008 – 31.12.2008.	Reporting currency:	PLN
Rounding level:	All amounts are expressed in PLN thousand (unless indicated otherwise)		

Table 8.3

CONSTRUCTION CONTRACTS FOR THE PERIOD FROM 1ST JANUARY TO 31ST DECEMBER 2008

Specification	Costs incurred by this 31 st December 2008 in connection with contract realization	Profit booked by this 31 st December 2008 (-)	Loss booked by this 31 st December 2008	Costs incurred, adjusted with profit and loss booked	Amounts invoiced by this 31 st December 2008	Receivables on account of contract for this 31 st December 2008,	Liabilities on account of contract for this 31 st December 2008,
Construction contracts	1 123 166	145 862	(78 387)	1 190 641	889 910	304 671	3 940
						-	-
Total	1 123 166	145 862	(78 387)	1 190 641	889 910	304 671	3 940

Table 8.4

CONSTRUCTION CONTRACTS FOR THE PERIOD FROM 1ST JANUARY TO 31ST DECEMBER 2007

Specification	Costs incurred by this 31 st December 2007 in connection with contract realization	Profit booked by this 31 st December 2007 (-)	Loss booked by this 31 st December 2007	Costs incurred, adjusted with profit and loss booked	Amounts invoiced by this 31 st December 2007	Receivables on account of contract for this 31 st December 2007	Liabilities on account of contract for this 31 st December 2007,
Construction contracts	750 900	89 850	(115 187)	725 563	548 562	182 853	5 852
Total	750 900	89 850	(115 187)	725 563	548 562	182 853	5 852

Due to business secret, the Management Board of the Company revealed the information required by International Accounting Standard 11 (construction contract) in the total amounts, without division into particular contracts.

Due to the fact that construction contracts are settled pursuant to International Accounting Standard 11, and the fact, connected with this, that revenue and costs are the subject of estimate, this is the area which is subject to particular supervision of the Management Board. Budgets are prepared in accordance with the best knowledge and experience. During the preparation and realization of construction projects, all budgets are cyclically updated.

In the events if predicted contract costs exceed total contract revenue, provisions for predicted loss are created. These provisions are booked in profit and loss account in the amount of the surplus of costs over revenue at the moment of revealing the surplus.

Moreover, provisions for guarantee service are created. These are provisions for predicted cost of repairs, remedy of defects and failures in the period after the termination of contract realization by the end of surety or guarantee period. These provisions are created in the amount of estimate costs of repairs in the period of contract realization, proportionally to current progress.

Company name:	HYDROBUDOWA POLSKA SPÓŁKA AKCYJNA		
Period included in financial statements:	01.01.2008 – 31.12.2008.	Reporting currency:	PLN
Rounding level:	All amounts are expressed in PLN thousand (unless indicated otherwise)		

Sformatowane: Punktory i numeracja

NOTE NO. 9

ACCRUED LIABILITIES

Table 9.1

LONG-TERM ACCRUED LIABILITIES

Specification	for the day	for the day
	31.12.2008	31.12.2007
a) deferred expenses, including:	3 164	2 047
- insurance policies	1 078	622
- other (subscriptions, trainings)	9	1 112
- contract performance security	2 077	313
b) other deferred expenses, including:	331	-
- others	331	-
Total	3 495	2 047

Table 9.2

SHORT-TERM ACCRUED LIABILITIES

Specification	for the day	for the day
	31.12.2008	31.12.2007
a) deferred expenses, including:	4 877	2 465
- insurance policies	1 551	1 043
- guarantees	1 280	1 088
- costs related to the breakthrough of reporting periods	9	10
- other (subscriptions, trainings)	343	324
- sheet piles	1 694	-
b) other accrued liabilities including:	298	984
- costs incurred before concluding construction contract	274	485
- share issuance costs	-	499
- others	24	-
Total	5 175	3 449

Sformatowane: Punktory i numeracja

NOTE NO. 10

FINANCIAL INSTRUMENTS

Table 10.1

OTHER FINANCIAL ASSETS

Specification	for the day	for the day
	31.12.2008	31.12.2007
Financial assets valuation in fair value by means of profit and loss account	-	-
Investments held by the time of maturity	31 153	156
Loans and receivables	696	944
Financial assets available for sale	316	384
Instruments hedging fair value	-	-
Instruments hedging cash flow	-	18 325
Financial assets in total	32 165	19 809
- long-term	25 998	4 673
- short-term	6 167	15 136

Company name:	HYDROBUDOWA POLSKA SPÓŁKA AKCYJNA		
Period included in financial statements:	01.01.2008 – 31.12.2008.	Reporting currency:	PLN
Rounding level:	All amounts are expressed in PLN thousand (unless indicated otherwise)		

Table 10.2

INVESTMENTS HELD BY THE TIME OF MATURITY

Investments held by the time of maturity	for the day	for the day
	31.12.2008	31.12.2007
Investment	-	156
HB-9 bonds	31 153	-
Investments held by the time of maturity in total	31 153	156
- long-term	25 910	-
- short-term	5 243	156

THE CHANGE OF THE BALANCE OF INVESTMENTS HELD BY THE TIME OF MATURITY

Specification	For the period	For the period
	from 01.01 to 31.12.2008	from 01.01 to 31.12.2007
Balance at the beginning of the period	156	351
Acquisition	30 000	156
Interest charged according to effective interest rate	1 153	-
Write offs on account of impairment (-)	-	-
Change of asset category	-	-
Sale (-)	(156)	(351)
Other changes	-	-
Balance at the end of the period	31 153	156

Operation type	Date of concluding	Operation date	Nominal amount	Interest rate		Balance sheet value
				nominal	effective	
A bonds	2008-06-02	2009-12-30	5 000	8,68%	8,47%	5 243
pB bonds	2008-08-01	2010-03-31	10 000	8,83%	8,59%	10 356
pA bonds	2008-06-20	2010-06-20	8 000	8,85%	8,49%	8 352
pC bonds	2008-08-25	2010-08-25	7 000	8,74%	8,39%	7 202
Total						31 153

The Company acquired 4 series of unsecured bearer bonds bearing interest based on fixed interest rate.

Within the framework of the acquisition of A series bonds, the Company acquired, on this 2nd June 2008, 50 bonds of the unit value PLN 100,000 each. Total nominal value of the acquired bonds amounted to PLN 5 million. Interest rate of these bonds amounts to 8.68% per annum Interest rate shall be paid at redemption date. Redemption date of A series bonds is on this 30th December 2009. Redemption may take place earlier.

Within the framework of the acquisition of pA series bonds, the Company acquired, on this 20th June 2008, 80 bonds of the unit value PLN 100,000 each. Total nominal value of the acquired bonds amounted to PLN 8 million. Interest rate of these bonds amounts to 8.85% per annum Interest rate shall be paid at redemption date. Redemption date of pA series bonds is on this 20th June 2010. Redemption may take place earlier.

Within the framework of the acquisition of pB series bonds, the Company acquired, on this 1st August 2008, 100 bonds of the unit value PLN 100,000 each. Total nominal value of the acquired bonds amounted to PLN 10 million. Interest rate of these bonds amounts to 8.83% per annum Interest rate shall be paid at redemption date. Redemption date of pB series bonds is on this 31st March 2010. Redemption may take place earlier.

Within the framework of the acquisition of pC series bonds, the Company acquired, on this 25th August 2008, 70 bonds of the unit value PLN 100,000 each. Total nominal value of the acquired bonds amounted to PLN 7 million. Interest rate of these bonds amounts to 8.74% per annum Interest rate shall be paid at redemption date. Redemption date of pC series bonds is on this 25th August 2010. Redemption may take place earlier.

Company name:	HYDROBUDOWA POLSKA SPÓŁKA AKCYJNA		
Period included in financial statements:	01.01.2008 – 31.12.2008.	Reporting currency:	PLN
Rounding level:	All amounts are expressed in PLN thousand (unless indicated otherwise)		

Table 10.3

LOANS AND RECEIVABLES

Specification	for the day	for the day
	31.12.2008	31.12.2007
The Toska Company of this 26th April 2006 - PLN 60,000.00	3	66
The Toska Company of this 20 th June 2006 - PLN 200,000.00	-	217
The Truszkowscy company of 9th June 2006	632	593
The Adam Żyżelewicz company of 12th October 2007	61	61
Reimbursement and commission on granted loan	-	7
Loans and receivables in total	696	944
- long-term	63	61
- short-term	633	883

CHANGE OF THE BALANCE OF LOANS AND RECEIVABLES

Specification	For the period	For the period
	from 01.01 to 31.12.2008	from 01.01 to 31.12.2007
Balance at the beginning of the period	944	902
Acquisition – granting loans	100	97
Interest charged according to effective interest rate	60	77
Write offs on account of impairment (-) valuation	93	(66)
Change of asset category	-	-
Sale (-) loan payment	(501)	(66)
Other changes - including: loan redemption	-	-
Other changes - including: Release of write offs	-	-
Balance at the end of the period	696	944

Operation type	Date of concluding	Operation date	Nominal amount	Interest rate		Balance sheet value
				nominal	effective	
The Toska company – loan	26.04.2006	29 months	60	WIBOR 3M+1%	6,68%	3
The Truszkowscy company – loan	09.06.2006	27 months	530	11,00%	11,00%	632
The Adam Żyżelewicz company – loan	12.10.2007	122 months	60	WIBOR 3M+1%	6,68%	61
Total						696

Table 10.4

FINANCIAL ASSETS AVAILABLE FOR SALE

Specification	for the day	for the day
	31.12.2008	31.12.2007
Shares	316	384
Debt securities	-	-
Financial assets available for sale in total	316	384
- long-term	26	384
- short-term	290	-

The following items are demonstrated in the assets available for sale:

- the shares of Centrozap S.A. company for the amount of PLN 290 thousand valued according to market rate determined on the basis of share listings at Warsaw Stock Exchange.
- shares of the Drogowa Trasa Średnicowa S.A. company PLN 22 thousand
- shares of the Konsorcjum Autostrada „Śląsk” S.A. company PLN 4 thousand

Company name:	HYDROBUDOWA POLSKA SPÓŁKA AKCYJNA		
Period included in financial statements:	01.01.2008 – 31.12.2008.	Reporting currency:	PLN
Rounding level:	All amounts are expressed in PLN thousand (unless indicated otherwise)		

CHANGE OF THE BALANCE OF FINANCIAL ASSETS AVAILABLE FOR SALE

Specification	For the period	For the period
	from 01.01 to 31.12.2008	from 01.01 to 31.12.2007
Balance at the beginning of the period	384	270
Acquisition	-	1 713
Valuation referred in capital	-	-
Write offs on account of impairment referred in profit and loss account (-)	290	(244)
Change of asset category	-	-
Sale (-)	(358)	(1 355)
Other changes	-	-
Balance at the end of the period	316	384

Table 10.5

INTEREST RATE RISK

Instrument	up to 1 year	from 1 year to 2 years	from 2 years to 3 years	from 3 years to 4 years	from 4 years to 5 years	above 5 years	total
<i>Assets</i>							
Loans	634	-	-	-	-	62	696
Bonds	5 243	25 910	-	-	-	-	31 153
Treasury bills	-	-	-	-	-	-	-
Total	5 877	25 910	-	-	-	62	31 849
<i>Liabilities</i>							
Credits	110 612	3 327	7 120	16 897	-	-	137 956
Loans	-	-	-	-	-	-	-
Bonds	-	-	-	-	-	-	-
Total	110 612	3 327	7 120	16 897	-	-	137 956

The above table presents the influence of assets and financial liabilities times of maturity for interest rate risk. Interest rate risk occurs due to the occurrence of the changes of market interest rates. The longer time of maturity of a given item, the bigger the risk.

In the presented table Assets in the form of bonds are interest-bearing on the basis of fixed interest rate, and other items on the basis of variable interest rate.

Table 10.6

INSTRUMENTS HEDGING CASH FLOW

Specification	Financial assets		Financial liabilities	
	For the period	For the period	For the period	For the period
	from 01.01 to 31.12.2008	from 01.01 to 31.12.2007	from 01.01 to 31.12.2008	from 01.01 to 31.12.2007
Fair value at the beginning of the period	18 325	6 097	-	-
Purchase, set up, incurring	-	-	-	-
Valuation referred in capital	(2 968)	7 543	53 658	-
Valuation referred in financial result	-	10 782	22 212	-
Write offs on account of impairment	-	-	-	-
Sale, release, payment	(15 357)	(6 097)	-	-
Fair value at the end of the period	-	18 325	75 870	-
- long-term	-	4 073	10 099	-
- short-term	-	14 252	65 771	-

Company name:	HYDROBUDOWA POLSKA SPÓŁKA AKCYJNA		
Period included in financial statements:	01.01.2008 – 31.12.2008.	Reporting currency:	PLN
Rounding level:	All amounts are expressed in PLN thousand (unless indicated otherwise)		

DERIVATIVE INSTRUMENTS HEDGING CASH FLOWS FOR THIS 30TH JUNE 2008

Operation type	Date of concluding	Operation duration	Base amount (thousand x PLN)	Fair value (thousand x PLN)	
				Assets	Liabilities
BZ WBK S.A. (CONTRACT OF THIS 26TH JULY 2007)					
Sales hedge					
- forward financial instrument	2007-08-16	19 months	857	-	262
RAIFFEISEN BANK S.A.					
Sales hedge					
- forward financial instrument	2008-04-11	23 months	3 522	-	773
- forward financial instrument	2008-04-11	23 months	3 522	-	773
- forward financial instrument	2008-04-11	23 months	3 522	-	773
- forward financial instrument	2008-04-11	23 months	3 522	-	773
- forward financial instrument	2008-04-11	23 months	3 522	-	773
- forward financial instrument	2008-04-11	23 months	3 522	-	773
- forward financial instrument	2008-08-29	10 months	10 116	-	2 576
PEKAO S.A.					
Sales hedge					
- forward financial instrument	2007-06-13	30 months	27 537	-	2 727
- forward financial instrument	2007-06-13	27 months	17 429	-	1 661
- forward financial instrument	2008-01-17	14 months	5 507	-	784
- forward financial instrument	2008-01-17	20 months	6 304	-	896
- forward financial instrument	2008-07-28	14 months	3 239	-	976
- forward financial instrument	2008-07-28	14 months	3 239	-	976
- forward financial instrument	2008-07-28	14 months	3 239	-	976
- forward financial instrument	2008-07-28	14 months	3 239	-	976
- forward financial instrument	2008-07-28	14 months	3 248	-	980
- forward financial instrument	2008-07-29	17 months	3 248	-	980
- forward financial instrument	2008-07-28	17 months	3 248	-	980
- forward financial instrument	2008-07-29	17 months	3 248	-	980
- forward financial instrument	2008-07-28	17 months	3 248	-	980
- forward financial instrument	2008-07-28	17 months	3 252	-	976
- forward financial instrument	2008-07-28	17 months	3 252	-	976
- forward financial instrument	2008-09-05	12 months	3 477	-	748
- forward financial instrument	2008-09-05	12 months	3 477	-	748
- forward financial instrument	2008-09-05	12 months	3 477	-	748
- forward financial instrument	2008-09-05	12 months	3 477	-	748
- forward financial instrument	2008-09-05	15 months	3 485	-	755
- forward financial instrument	2008-09-05	15 months	3 485	-	755
- forward financial instrument	2008-09-05	15 months	3 485	-	755
- forward financial instrument	2008-09-05	15 months	3 485	-	755
- forward financial instrument	2008-09-05	15 months	3 485	-	755
- forward financial instrument	2008-10-10	11 months	3 596	-	635
- forward financial instrument	2008-10-10	11 months	3 596	-	635
- forward financial instrument	2008-10-10	11 months	3 596	-	635
- forward financial instrument	2008-10-10	12 months	3 593	-	640
- forward financial instrument	2008-10-10	12 months	3 593	-	640
- forward financial instrument	2008-10-21	5 months	1 809	-	288
- forward financial instrument	2007-05-30	17 months	14 461	-	1 240
- forward financial instrument	2008-10-21	3 months	1 806	-	285
- forward financial instrument	2008-09-05	12 months	1 980	-	426
NORD					
Sales hedge					
- forward financial instrument	2008-05-28	28 months	17 158	-	3 608
- forward financial instrument	2008-08-13	6 months	3 980	-	1 046
- forward financial instrument	2008-08-13	10 months	3 989	-	1 056

Company name:	HYDROBUDOWA POLSKA SPÓŁKA AKCYJNA		
Period included in financial statements:	01.01.2008 – 31.12.2008.	Reporting currency:	PLN
Rounding level:	All amounts are expressed in PLN thousand (unless indicated otherwise)		

Operation type	Date of concluding	Operation duration	Base amount (thousand x PLN)	Fair value (thousand x PLN)	
				Assets	Liabilities
- forward financial instrument	2008-08-13	13 months	3 999	-	1 065
- forward financial instrument	2008-08-21	7 months	356	-	92
- forward financial instrument	2008-08-21	7 months	3 329	-	859
- forward financial instrument	2008-08-21	7 months	2 311	-	600
- forward financial instrument	2008-08-21	7 months	3 325	-	863
- forward financial instrument	2008-08-21	7 months	3 325	-	863
- forward financial instrument	2008-08-21	7 months	3 325	-	863
DZ BANK					
Sales hedge					
- forward financial instrument	2007-08-16	13 months	4 271	-	320
- forward financial instrument	2007-08-22	28 months	2 426	-	195
- forward financial instrument	2008-07-28	17 months	3 269	-	921
- forward financial instrument	2008-07-28	17 months	3 269	-	921
- forward financial instrument	2008-07-28	17 months	3 269	-	921
- forward financial instrument	2008-07-28	17 months	3 269	-	921
- forward financial instrument	2008-07-28	17 months	3 269	-	921
- forward financial instrument	2008-10-22	17 months	7 510	-	926
- forward financial instrument	2008-10-22	11 months	14 928	-	1 875
- forward financial instrument	2008-10-23	17 months	3 917	-	309
- forward financial instrument	2008-10-23	17 months	3 917	-	309
- forward financial instrument	2008-10-23	17 months	3 917	-	309
ING BANK					
Sales hedge					
- forward financial instrument	2008-12-11	12 months	3 959	-	295
- forward financial instrument	2008-12-11	12 months	3 959	-	295
- forward financial instrument	2008-12-11	12 months	3 959	-	295
- forward financial instrument	2008-12-11	12 months	3 959	-	295
- forward financial instrument	2008-12-11	12 months	1 979	-	149
Millenium Bank SA					
Sales hedge					
- forward financial instrument	2008-08-21	7 months	3 329	-	860
- forward financial instrument	2008-08-21	7 months	3 329	-	860
- forward financial instrument	2008-09-04	6 months	3 385	-	805
- forward financial instrument	2008-09-04	6 months	3 385	-	805
- forward financial instrument	2008-08-29	7 months	5 075	-	1 240
- forward financial instrument	2008-08-29	10 months	3 371	-	836
- forward financial instrument	2008-08-21	7 months	3 329	-	860
- forward financial instrument	2008-08-21	10 months	3 333	-	872
- forward financial instrument	2008-08-21	10 months	3 333	-	872
- forward financial instrument	2008-08-21	10 months	3 333	-	872
- forward financial instrument	2008-09-02	12 months	3 415	-	809
- forward financial instrument	2008-09-02	12 months	3 415	-	809
- forward financial instrument	2008-09-02	12 months	3 415	-	809
- forward financial instrument	2008-08-21	13 months	3 338	-	883
- forward financial instrument	2008-08-21	13 months	3 338	-	883
- forward financial instrument	2008-08-21	13 months	3 339	-	882
- forward financial instrument	2008-08-21	13 months	3 339	-	882
- forward financial instrument	2008-09-02	15 months	3 420	-	776
- forward financial instrument	2008-09-02	15 months	3 420	-	776
Total			386 237	-	75 870

Company name:	HYDROBUDOWA POLSKA SPÓŁKA AKCYJNA		
Period included in financial statements:	01.01.2008 – 31.12.2008.	Reporting currency:	PLN
Rounding level:	All amounts are expressed in PLN thousand (unless indicated otherwise)		

RESULT ON INSTRUMENTS HEDGING CASH FLOWS BOOKED DIRECTLY IN EQUITY

Specification	For the period	For the period
	from 01.01 to 31.12.2008	from 01.01 to 31.12.2007
Accumulated result achieved on financial instruments hedging cash flows at the beginning of the period	7 216	(1 474)
The amount booked in equity in the accounting period on account of concluded effective hedge operations	(81 267)	10 061
Valuation referred in profit and loss account	-	-
The amount transferred from equities to profit and loss account in the accounting period	20 393	(1 371)
Accumulated in equity result achieved on financial instruments hedging cash flows at the end of the period	(53 658)	7 216

Table 10.7

MONETARY RESOURCES AND THEIR EQUIVALENTS

Specification	for the day	for the day
	31.12.2008	31.12.2007
a) in Polish currency	32 180	35 952
- monetary resources	32 176	35 952
- "float"		
- interest on investments	4	
b) in foreign currencies (after conversion into PLN)	15 987	12 394
Total	48 167	48 346

As for 31.12.2008, deposits hedging the forward current transactions at the amount of PLN 23,673 thousand were reported in the cash item. These deposits are of hedge nature and their value is subject to change. Determining hedge value is calculated by the bank for each day of valuation (with different frequency, adequately to the bank's decision) during the period of hedge contract being in force.

During the time of the contract being in force, the Company cannot freely administer these resources.

RISK CONNECTED WITH FINANCIAL INSTRUMENTS AND RISK MANAGEMENT METHOD

The Company activity is exposed to various kinds of financial risk - credit risk, liquidity risk and market risk, including foreign exchange rate fluctuations and interest rate fluctuations.

The Company manages all elements of financial risk described below, which can have a significant influence on its functioning in the future, putting greatest emphasis on market risk management, including in particular foreign exchange risk, credit risk and loss of liquidity risk.

Credit risk

The Company financial assets which are exposed to credit risk concentration are mostly receivables on account of supplies and services and receivables from ordering parties on account of works resulting from construction contracts. These receivables are characterized by high concentration resulting from the nature of the Company activity which consists in the realization of relatively small number of contracts of very big values. On the other hand, major clients of the Company include entities belonging to public sector, whose insolvency risk is little.

According to the Management Board, credit risk to which the Company is exposed was assessed correctly. It was reflected in books by means of making relevant receivable write offs.

Loss of liquidity risk

The Company manages liquidity risk by maintaining adequate balances of monetary resources, and ensuring necessary financing resources in the form of credit lines. Planning necessary monetary resources takes place by the preparation of periodical (weekly, quarterly and annual) analyses of cash flows by the Finance Department and transferring them to the Management Board of the Company, the dominating company and the Supervisory Board.

The aim of the Company is ensuring such level of financing which is sufficient from the point of view of the realized activity.

Company name:	HYDROBUDOWA POLSKA SPÓŁKA AKCYJNA		
Period included in financial statements:	01.01.2008 – 31.12.2008.	Reporting currency:	PLN
Rounding level:	All amounts are expressed in PLN thousand (unless indicated otherwise)		

Interest rate risk

The Company has monetary resources on bank accounts, investments, receivables on account of granted loans, receivables on account of issued bonds as well as liabilities on account of financial leasing, bank credits and open credit lines. Interest rate risk is connected with interest flow resulting from financial instruments based on variable interest rate. Short-term receivables and liabilities are not exposed to interest rate risk because revenue and interest costs on these accounts are insignificant.

No hedge of interest rate change risk occurred for the balance sheet date.

For balance sheet date all financial liabilities bear interest on the basis of variable interest rate. In financial assets, bonds are interest bearing according to fixed interest rate and other items according to variable interest rate.

During the year the Company also used financial liabilities in the form of issued bonds bearing interest according to fixed interest rate.

All items of assets and financial liabilities are interest bearing according to interest rates for Polish currency - PLN.

Foreign exchange risk

Significant part of revenue from construction contracts of long period of execution, are realized in EURO. Therefore, the Company is exposed to significant foreign exchange risk. The Company bears costs mostly in PLN, therefore it cannot apply natural hedging.

In the accounting year 2008 the HYDROBUDOWA POLSKA S.A. company concluded hedge operations concerning only future planned foreign exchange exposure with the use of standard forward financial instrument. Hedge operations were made pursuant to the valid hedge policy and concerned the contracts signed with the investors.

Hedge contracts are concluded pursuant to the strategy of hedging business activity from the exchange rate risk, valid in the Company.

The basis for the strategy is matching hedge instruments to the planned operations of the hedged contract with the consideration of net exposure, offered rate, time frame, quantitative distribution of currency revenue in quarters. Assuming the approach of maximum restricting the influence of exchange rate risk on the operational result of the Company, it was accepted the companies would apply forward business. The Company runs hedge accounting, which requires making the measurements of the effectiveness of hedge in particular quarterly periods.

Hedge effectiveness is verified on the basis of the index being the quotient of the change of fair value of hedging instrument (forward) and the change of the fair value of hedged item (revenue or cost). The change of the instrument (forward) value is subject to booking in the period from the day of conclusion to the balance sheet date.

At the moment of closing the hedged item (i.e. the realization of revenue or incurring cost) one of the two situations takes place:

- a) if the instrument was considered effective, the previously booked changes of forward values are rebooked from equity to the current result and the realized revenue in foreign currency is booked at the current rate, adjusted with the difference between the current rate on the day of closing forward and forward rate. As a consequence the revenue in the foreign currency is presented in the profit and loss account according to forward rate (or the rate close to it – if the date of closing the forward is not ideally concurrent with the date of revenue realization),
- b) if the instrument was ineffective, then the losses or profits on account of the change of its value burden the company result earlier - before the realization of the revenue. The revenue at the moment of its occurrence is booked at the current rate.

Hedge operations are aimed at hedging profit margin on the contracts throughout the period of them being in force, after the realization of the whole contract the balance comes down to the hedge rate.

The applied hedge policy ensures the realization of contracts with the previously assumed profit margins, irrespective of the exchange rate fluctuations and has no influence on the fundamental valuation of the Company. At the same time the applied hedge allows to precisely estimate future profits from contracts and none of the concluded operations is of speculative nature.

Other market risks

Within the framework of other market risks, the Management Board of the Company identifies and monitors, on regular basis, the following kinds of risk:

- The risk of employment costs increase,
- The risk of the failure to perform construction contracts or delays - the risk of concluding contracts with dishonest/unreliable contractor/subcontractor,
- The risk of unduly estimation of the scope of works connected with construction contracts.

Company name:	HYDROBUDOWA POLSKA SPÓŁKA AKCYJNA		
Period included in financial statements:	01.01.2008 – 31.12.2008.	Reporting currency:	PLN
Rounding level:	All amounts are expressed in PLN thousand (unless indicated otherwise)		

Sformatowane: Punkty i numeracja

NOTE NO. 11

Table 11.1

FINANCIAL LIABILITIES

Specification	for the day	for the day
	31.12.2008	31.12.2007
Credits	137 956	120 685
Loans	-	41 390
Liabilities on account of financial leasing	2 383	148
Liabilities on account of issuance of debt securities	-	51 145
Liabilities on account of derivative instruments (forward contracts)	75 870	-
Other financial liabilities	-	4
Financial liabilities in total	216 209	213 372
- long-term	39 373	62 658
- short-term	176 836	150 714

Table 11.2

CREDITS FOR THIS 31ST DECEMBER 2008

Specification	Liability amount	Nominal interest rate	
		Nominal	Effective
BGŻ S.A INVESTMENT CREDIT, WARSZAWA UL. KASPRZAKA 10/16, CONTRACT NUMBER U/0090614330/0004/2007/4000	6 661	WIBOR 1M + BANK PROFIT MARGIN	WIBOR 1M + BANK PROFIT MARGIN
BGŻ S.A REVOLVING CREDIT, WARSZAWA UL. KASPRZAKA 10/16, CONTRACT NUMBER U/0090614330/0003/2007/4000	34 000	WIBOR 1M + BANK PROFIT MARGIN	WIBOR 1M + BANK PROFIT MARGIN
BGŻ S.A INVESTMENT CREDIT, WARSZAWA UL. KASPRZAKA 10/16, CONTRACT NUMBER U/0090614330/0017/2008/4000	-	WIBOR 1M/3M+ BANK PROFIT MARGIN	WIBOR 1M/3M+ BANK PROFIT MARGIN
KREDYT BANK , INVESTMENT CREDIT, WARSZAWA UL.KASPRZAKA 2/8, CONTRACT NUMBER 2364780KA24010800	10 680	WIBOR 1M + BANK PROFIT MARGIN	WIBOR 1M + BANK PROFIT MARGIN
PEKAO S.A. INVESTMENT CREDIT, WARSZAWA UL. GRZYBOWSKA 53/57 CONTRACT NUMBER. 16/2007	23 795	WIBOR 1M + BANK PROFIT MARGIN	WIBOR 1M + BANK PROFIT MARGIN
PEKAO S.A. OVERDRAFT, WARSZAWA UL. GRZYBOWSKA 53/57 CONTRACT NUMBER 98/811	5 993	WIBOR 1M + BANK PROFIT MARGIN	WIBOR 1M + BANK PROFIT MARGIN
PEKAO S.A. WORKING CAPITAL CREDIT, WARSZAWA UL. GRZYBOWSKA 53/57 CONTRACT NUMBER 26/2006	10 000	WIBOR 1M + BANK PROFIT MARGIN	WIBOR 1M + BANK PROFIT MARGIN
DZ BANK POLSKA, WORKING CAPITAL RENEWABLE CREDIT WARSZAWA UL.PIŁSUDSKIEGO 3 CONTRACT NUMBER 2005/MP/0154	5 586	WIBOR 1M + BANK PROFIT MARGIN	WIBOR 1M + BANK PROFIT MARGIN
BANK MILLENIUM , OVERDRAFT, CONTRACT NUMBER 61843043, CONNECTED WITH CREDIT LINE CONTRACT 1/2008	3 795	WIBOR 1M + BANK PROFIT MARGIN	WIBOR 1M + BANK PROFIT MARGIN
BZ WBK, OVERDRAFT, CONTRACT NUMBER NE K0004108, K004109, CONNECTED WITH GENERAL CONTRACT OF 30 TH JUNE 2005	337	WIBOR 1M + BANK PROFIT MARGIN	WIBOR 1M + BANK PROFIT MARGIN
BANK DnB NORD POLSKA S.A. WARSZAWA UL. KRUCZKOWSKIEGO 8, OVERDRAFT , GLOBAL LIMIT CONTRACT NO. 07/2005	37 109	WIBOR 1M + BANK PROFIT MARGIN	WIBOR 1M + BANK PROFIT MARGIN
Credits in total	137 956	x	x

Price terms, including bank profit margins and costs of commission, are not presented in connection with confidentiality clause by which the parties are obliged pursuant to the contracts concluded with financial institutions.

Company name:	HYDROBUDOWA POLSKA SPÓŁKA AKCYJNA		
Period included in financial statements:	01.01.2008 – 31.12.2008.	Reporting currency:	PLN
Rounding level:	All amounts are expressed in PLN thousand (unless indicated otherwise)		

Table 11.4

CREDIT AND LOAN MATURITY STRUCTURE

Specification	for the day	for the day
	31.12.2008	31.12.2007
Short-term credits and loans	110 612	150 598
Long-term credits and loans	27 344	11 477
- payable above 1 year, up to 3 years	10 447	6 667
- payable above 3 years, up to 5 years	16 897	4 810
- payable above 5 years	-	-
Credits and loans in total	137 956	162 075

Table 11.5

CREDITS AND LOANS IN DIVISION INTO CURRENCY

Specification	for the day	for the day
	31.12.2008	31.12.2007
PLN	137 956	162 076
Credits and loans in total	137 956	162 076

Table 11.6

LONG-TERM CREDITS AND LOANS FOR THIS 31ST DECEMBER 2008

Entity name and seat	Credit/loan amount according to the contract		Credit/loan amount remaining to be paid		Payment term	Collateral
	PLN	Currency	PLN	Currency		
BGŻ S.A., WARSZAWA UL. KASPRZAKA 10/16	10 000	PLN	3 327	PLN	2010-12-31	Registered pledge on the subject of credit along with the assignment of the rights of insurance policy of the subject of the pledge; Powers of attorney to administer current accounts of each Credit Recipient run in the Bank; Blank promissory notes issued by each Credit Recipient along with note declarations
PEKAO S.A., WARSZAWA UL. GRZYBOWSKA 53/57	40 000	PLN	16 897	PLN	2012-04-30	Registered pledge on the subject of financing along with the transfer of the rights from insurance contract; Powers of attorney to administer current and future accounts of credit recipient run in the bank; Written statement of credit recipient on voluntary submission to execution run according to the provisions of the code of civil procedure; Blank promissory note along with note declarations issued by Credit Recipient, not paid.
KREDYT BANK S.A., WARSZAWA UL. KASPRZAKA 2/8	10 680	PLN	7 120	PLN	2011-12-31	Conventional mortgage in the amount of PLN 10,680 constituted on the land perpetual usufructuary right and the ownership right of buildings and structures located on this land and constituting the subject of ownership separate from the land; Cap mortgage up to the amount of PLN 2670 thousand constituted on the land perpetual usufructuary right and right of ownership of buildings and structures located on this land and constituting the subject of ownership separate from the land;

Company name:	HYDROBUDOWA POLSKA SPÓŁKA AKCYJNA		
Period included in financial statements:	01.01.2008 – 31.12.2008.	Reporting currency:	PLN
Rounding level:	All amounts are expressed in PLN thousand (unless indicated otherwise)		

					Assignment of rights from the contract for insurance of the above-mentioned real properties against fire and other fortuitous events; Blank promissory note issued by the credit recipient along with note declaration.
Total			27 344		

Table 11.7

SHORT-TERM CREDITS AND LOANS FOR THIS 31ST DECEMBER 2008

Entity name and seat	Credit/loan amount according to the contract		Credit/loan amount remaining to be paid		Payment term	Security
	PLN	Currency	PLN	Currency		
BGŻ S.A., WARSZAWA UL.KASPRZAKA 10/16	10 000	PLN	3 333	PLN	2010-12-31	Registered pledge on the subject of credit along with the assignment of the rights of insurance policy of the subject of the pledge; Powers of attorney to administer current accounts of each credit recipient run in the Bank; Blank promissory notes issued by each credit recipient along with note declarations
BGŻ S.A., WARSZAWA UL.KASPRZAKA 10/16	34 000	PLN	34 000	PLN	2009-06-26	Confirmed receivable assignments from contracts of the nominal value of at least 150% of the used limit, powers of attorney to administer current accounts of the credit recipient, blank promissory note joint and several collateral of payment, joint execution title up to the amount of PLN 127.5 million of 26th May 2017
BGŻ S.A., WARSZAWA UL. KASPRZAKA 10/16	6 000	PLN	-	PLN	2011-12-31	Registered pledge on the subject of credit along with the assignment of the rights of insurance policy of the subject of the pledge; Powers of attorney to administer current accounts of each credit recipient run in the Bank; Blank promissory notes issued by each credit recipient
PEKAO S.A., WARSZAWA UL.GRZYBOWSKA 53/57	40 000	PLN	6 893	PLN	2012-04-30	Registered pledge on the subject of financing along with the transfer of the rights from insurance contract; Powers of attorney to administer current and future accounts of credit recipient run in the bank; Written statement of credit recipient on voluntary submission to execution run according to the provisions of the code of civil procedure; Blank promissory note along with note declarations issued by credit recipient, not paid.

Company name:	HYDROBUDOWA POLSKA SPÓŁKA AKCYJNA		
Period included in financial statements:	01.01.2008 – 31.12.2008.	Reporting currency:	PLN
Rounding level:	All amounts are expressed in PLN thousand (unless indicated otherwise)		

Entity name and seat	Credit/loan amount according to the contract		Credit/loan amount remaining to be paid		Payment term	Security
	PLN	Currency	PLN	Currency		
KREDYT BANK S.A., WARSZAWA UL.KASPRZAKA 2/8	10 680	PLN	3 560	PLN	2011-12-31	Conventional mortgage in the amount of PLN 10,680 constituted on the land perpetual usufructuary right and the ownership right of buildings and structures located on this land and constituting the subject of ownership separate from the land; Cap mortgage up to the amount of PLN 2670 thousand constituted on the land perpetual usufructuary right and right of ownership of buildings and structures located on this land and constituting the subject of ownership separate from the land; Assignment of rights from the contract for insurance of the above-mentioned real properties against fire and other fortuitous events; Blank promissory note issued by the credit recipient along with note declaration.
PEKAO S.A., WARSZAWA UL. GRZYBOWSKA 53/57	10 000	PLN	5 993	PLN	2009-04-30	Assignment of receivables from realized contracts, up to 200% of Bank engagement; Surety according to the civil law of PBG S.A. in Poznań; Power of attorney to current accounts of the credit recipient run in Pekao S.A.; Statement on submission to execution
PEKAO S.A., WARSZAWA UL. GRZYBOWSKA 53/57	10 000	PLN	10 000	PLN	2009-04-30	Assignment of receivables from realized contracts, up to 200% of Bank engagement; Surety according to the civil law of PBG S.A. in Poznań; Power of attorney to current accounts of the credit recipient run in Pekao S.A.; Statement on submission to execution
DZ BANK POLSKA S.A. WARSZAWA, UL.PIŁSUDSKIEGO 3	24 500	PLN	5 586	PLN	2009-06-30	Blank promissory note issued by PBG S.A. backed by HYDROBUDOWA POLSKA S.A.; Blank promissory note issued by HYDROBUDOWA POLSKA S.A. along with note declaration, backed by PBG S.A.; transfer of receivables of each credit recipient, to the Bank, resulting from business agreements/contracts in the amount of at least 150% of the amount of the used limit; statement on submission to execution, statement on submission on execution up to PLN 84 million by 30th June 2015.
BANK MILLENIUM S.A., WARSZAWA UL. STANISŁAWA ŻARYNA 2A	25 000	PLN	3 795	PLN	2009-06-10	The assignment of receivables of at least 150% of the unused credit limit amount, blank promissory note, statement of submission to execution, cross collateral, power of attorney to bank accounts
BANK ZACHODNI WBK S.A., WROCŁAW UL. RYNEK 9/11	30 000	PLN	337	PLN	2009-10-15	Power of attorney to current bank accounts of credit recipient, assignment of cash receivables, existing and future, not lower than 150% of the used credit amount, blank promissory notes, PBG surety, statement on submission to execution.
BANK DnB NORD POLSKA S.A., WARSZAWA UL. KRUCZKOWSKIEGO 8	60 000	PLN	37 109	PLN	2009-12-31	Contracts for the transfer of receivables, mutual surety, value of receivables from contracts at least 150% of the used credit amount, power of attorney to charge current account of credit recipient, statement on submission to execution of PLN 128 million by 31 st December 2016

Company name:	HYDROBUDOWA POLSKA SPÓŁKA AKCYJNA		
Period included in financial statements:	01.01.2008 – 31.12.2008.	Reporting currency:	PLN
Rounding level:	All amounts are expressed in PLN thousand (unless indicated otherwise)		

Entity name and seat	Credit/loan amount according to the contract		Credit/loan amount remaining to be paid		Payment term	Security
	PLN	Currency	PLN	Currency		
CREDIT CARDS			-			
INTEREST CALCULATED			6			
ADJUSTEMENT ACCORDING TO THE EFFECTIVE			-			
Total			110 612			

Table 11.8

OTHER SHORT-TERM AND LONG-TERM FINANCIAL LIABILITIES

Specification	for the day	for the day
	31.12.2008	31.12.2007
Liabilities on account of financial leasing	2 384	148
Liabilities on account of issuance of debt securities	-	51 145
Liabilities on account of derivative instruments (forward contracts)	75 869	-
Other financial liabilities	-	3
Total	78 253	51 296
- long-term part	12 029	51 181
- short-term part	66 224	115

Table 11.9

LIABILITIES ON ACCOUNT OF FINANCIAL LEASING

Specification	for this 31 st December 2008		for this 31 st December 2007	
	Minimum fees	Current value of minimum fees	Minimum fees	Current value of minimum fees
<i>Future minimum fees on account of financial leasing contracts</i>				
Paid in the period of up to 1 year	455	455	113	112
Paid in the period from 1 year to 5 years	1 929	1 929	35	35
Paid above 5 years	-	-	-	-
Future minimum fees on account of financial leasing contracts in total	2 384	2 384	148	147
Financial costs	-	x	1	X
Current value of minimum fees on account of financial leasing contracts	2 384	x	147	X

Company name:	HYDROBUDOWA POLSKA SPÓŁKA AKCYJNA		
Period included in financial statements:	01.01.2008 – 31.12.2008.	Reporting currency:	PLN
Rounding level:	All amounts are expressed in PLN thousand (unless indicated otherwise)		

Table 11.10

SUBJECTS OF LEASING FOR THIS 31ST DECEMBER 2008

Specification	With reference to the group of assets				Total
	Lands, buildings and structures	Machines and devices	Means of transport	Other fixed assets	
4 cars Lublin	-	-	166	-	166
8 cars MAN			2 250		2 250
Net balance sheet value of the subjects of leasing	-	-	2 416	-	2 416

Table 11.11

SUBJECTS OF FINANCIAL LEASING FOR THIS 31ST DECEMBER 2008

No.	Financing entity	Contract no.	Initial value	Initial value (foreign currency)	Currency marking	Contract termination date	Liability value at the end of reporting period	Short-term part	Long-term part
1	BZ WBK LEASING	Z07/00034/2006	62	-	PLN	April 2009	7	7	-
2	BZ WBK LEASING	Z07/00036/2006	62	-	PLN	April 2009	7	7	-
3	BZ WBK LEASING	Z07/00071/2006	64	-	PLN	July 2009	11	11	-
4	BZ WBK LEASING	Z07/00072/2006	62	-	PLN	July 2009	12	12	-
5	Man Finanse Services Poland Sp.z o.o.	L0000000628	281	-	PLN	October 2012	250	45	205
6	Man Finanse Services Poland Sp.z o.o.	L0000000629	281	-	PLN	November 2013	350	61	289
7	Man Finanse Services Poland Sp.z o.o.	L0000000630	281	-	PLN	X/13	250	45	205
8	B Man Finanse Services Poland Sp.z o.o.	L0000000631	281	-	PLN	October 2013	250	45	205
9	Man Finanse Services Poland Sp.z o.o.	L0000000632	281	-	PLN	October 2013	250	45	205
10	Man Finanse Services Poland Sp.z o.o.	L0000000633	281	-	PLN	October 2013	250	45	205
11	Man Finanse Services Poland Sp.z o.o.	L0000000634	281	-	PLN	October 2013	249	44	205
12	Man Finanse Services Poland Sp.z o.o.	L0000000635	282	-	PLN	October 2013	249	44	205
13	Man Finanse Services Poland Sp.z o.o.	L0000000636	282	-	PLN	October 2013	249	44	205
Total			2 781				2 384	455	1 929

Company name:	HYDROBUDOWA POLSKA SPÓŁKA AKCYJNA		
Period included in financial statements:	01.01.2008 – 31.12.2008.	Reporting currency:	PLN
Rounding level:	All amounts are expressed in PLN thousand (unless indicated otherwise)		

Sformatowane: Punkty i numeracja

NOTE NO. 12

SHARE CAPITAL, TREASURY SHARES, SHARE OPTIONS

Table 12.1

INITIAL CAPITAL

Specification	for the day	for the day
	31.12.2008	31.12.2007
Number of shares in thousand x item	210 558	138 673
Share nominal value (PLN/share)	1	1
Initial capital	210 558	138 673

Table 12.2

INITIAL CAPITAL (STRUCTURE) FOR THIS 31ST DECEMBER 2008

Series/issuance	Share privilege kind	The kind of restricting allotment certificates	Number of shares	Series value / issuance according to nominal value	Capital coverage method
A series ordinary bearer shares	none	none	517 650	518	Cash
B series ordinary bearer shares	none	none	82 350	82	Cash
C series ordinary bearer shares	none	none	600 000	600	Cash
D series ordinary bearer shares	none	none	500 000	500	Cash
E series ordinary bearer shares	none	none	500 000	500	Cash
F series ordinary bearer shares	none	none	1 650 000	1 650	Cash
G series ordinary bearer shares	none	none	2 150 000	2 150	Cash
H series ordinary bearer shares	none	none	7 500 000	7 500	Cash
I series ordinary bearer shares	none	none	60 000 000	60 000	Cash
J series ordinary bearer shares, "merger shares"	none	none	65 173 200	65 173	HBŚ assets
K series ordinary bearer shares	none	none	35 000 000	35 000	Cash
L series ordinary bearer shares	none	none	36 885 245	36 885	HB9 shares
Total				210 558	

Table 12.3

INITIAL CAPITAL (STRUCTURE) FOR THIS 31ST DECEMBER 2008

Shareholder	Number of shares	% of share capital	Number of votes	% of votes
PBG S.A.	129 726 808	61,61%	129 726 808	61,61%
ING TFI S.A.	17 282 900	8,21%	17 282 900	8,21%
BZ WBK Asset Management S.A.	11 233 756	5,34%	11 233 756	5,34%
ING OFE	10 550 000	5,01%	10 550 000	5,01%
Other shareholders	41 764 981	19,83%	41 764 981	19,83%
	210 558 445	100,00%	210 558 445	100,00%

Table 12.4

CHANGES OF INITIAL CAPITAL

Specification	For the period	For the period
	from 01.01 to 31.12.2008	from 01.01 to 31.12.2007
Initial capital at the beginning of the period	138 673	138 673

Company name:	HYDROBUDOWA POLSKA SPÓŁKA AKCYJNA		
Period included in financial statements:	01.01.2008 – 31.12.2008.	Reporting currency:	PLN
Rounding level:	All amounts are expressed in PLN thousand (unless indicated otherwise)		

Increase in initial capital in the period	71 885	-
K series shares issuance	35 000	-
L series shares issuance	36 885	-
Decrease in initial capital in the period	-	-
Initial capital at the end of the period	210 558	138 673

On this 19th November 2007 the Extraordinary General Shareholders Meeting passed the resolution on increasing share capital by the issuance, with the exclusion of the right of subscription, of the shares of previous K series shares shareholders, in the number of 35,000,000 items of the total nominal amount of PLN 35,000,000. The issuance price finally determined by the Management Board amounted to PLN 8.80 per share.

All the issued shares were acquired. 33,250,000 Offered Shares were allocated in the Institutional Tranche and 1,750,000 Offered Shares in the Individual Tranche. The allocation in Institutional Tranche was made pursuant to subscriptions made (without reduction of subscriptions). Reduction rate in the Individual Tranche, for the subscriptions which were not included in allocation guarantees, amounted to 56.32%.

On this 21st May 2008 Register Court made the entry of the increase in the Company share capital by PLN 35,000,000, up to the amount of PLN 173,673,200.

On this 17th June 2008 K series shares were admitted to trading.

On this 18th August 2008 the Extraordinary General Shareholders Meeting of the Company passed the resolution on the issuance of 36,885,245 L series shares.

All L series shares were offered to all the shareholders of the HYDROBUDOWA 9 Przedsiębiorstwo Inżynieryjno-Budowlane S.A. company with its seat in Poznań, as a private subscription. As a result of the issuance of L series shares, the share capital of the HYDROBUDOPWA POLSKA S.A. company was increased by the amount of PLN 36,885,245.00 to the amount of PLN 210,558,445.00.

L series shares were booked as contribution in kind in the form of 14,536,685 fully paid-up shares of the company under the name HYDROBUDOWA 9 Przedsiębiorstwo Inżynieryjno-Budowlane S.A., of the nominal value of PLN 0.10 each share and of the total nominal value of PLN 1,453,668.50 constituting 100% of the shares of the HYDROBUDOWA 9 Przedsiębiorstwo Inżynieryjno-Budowlane S.A. company.

The total value of contribution in kind i.e. 100% of the shares of the company under the name of Hydrobudowa 9 Przedsiębiorstwo Inżynieryjno-Budowlane S.A., pursuant to the valuation of the value of the company under the name of Hydrobudowa 9 Przedsiębiorstwo Inżynieryjno-Budowlane S.A. was valued for the amount of PLN 326,381,000.00, including PLN 22.45 per one share of the Hydrobudowa 9 Przedsiębiorstwo Inżynieryjno-Budowlane S.A. company.

With the resolution of the Management Board of Warsaw Stock Exchange, on this 21st January 2009, 35,000,000 L series bearer shares were admitted, in standard mode, to trading on the official market. At the same time, on this 21st January 2009, the registration of 36,885,245 L series shares took place in the National Depository of Securities. So 210,558,445 securities of the Company were registered under the code PLHDRWL00010.

Incentive programme

The Supervisory Board of the HYDROBUDOWA 9 S.A. company with its seat in Poznań passed, with the resolution no. 37/08/2007 of 26th August 2008, the rules and regulations of the Incentive Programme, which define the principles of the realization of the Incentive Programme in the HYDROBUDOWA 9 S.A. company, conducted pursuant to the resolution no. 24 of the Ordinary General Shareholders Meeting of the HYDROBUDOWA 9 S.A. company of 24th June 2008 on determining the principles of conducting the Incentive Programme by the Company and resolution no. 25 of the Ordinary General Shareholders Meeting of the HYDROBUDOWA 9 S.A. company of 24th June 2008 on increasing share capital by the issuance of D series shares with the exclusion of the right of subscription for previous shareholders, for the purpose of realization of Incentive Programme and the change of the Statute.

The beneficiaries to participate in the Incentive Programme will be the persons nominated at the discretion of the Supervisory Board of the HYDROBUDOWA 9 S.A. company from amongst the members of the Management Board and the persons nominated at the discretion of the Supervisory Board independently or at the motion of the Management Board of HYDROBUDOWA 9 S.A. from amongst key employees of HYDROBUDOWA 9 S.A., key employees of the PBG Capital Group, persons executing functions in the bodies of the PBG S.A. company and in the bodies of companies from the PBG Capital Group.

The programme shall be realized by this 31st December 2013.

For the purpose of the realization of the Programme, the HYDROBUDOWA 9 company issued D series shares in the number 692,225 which were acquired by the fiduciary agent, BZ WBK S.A., and registered by competent court. The fiduciary agent concluded with HYDROBUDOWA POLSKA S.A. the contract for the acquisition of 1,755,738 L series ordinary bearer shares of the HYDROBUDOWA POLSKA S.A. company, of the nominal value of PLN 1.00 each, issued pursuant to the resolution no. 3 of the Extraordinary General Shareholders Meeting of HYDROBUDOWA POLSKA S.A. company, of 18th August 2008, divided into five tranches, four with 351,147 L series shares and one tranche in the number of 351,150 L series shares, which will be offered to the Beneficiaries in 2009, 2010, 2011, 2012, 2013. The contribution in

Company name:	HYDROBUDOWA POLSKA SPÓŁKA AKCYJNA		
Period included in financial statements:	01.01.2008 – 31.12.2008.	Reporting currency:	PLN
Rounding level:	All amounts are expressed in PLN thousand (unless indicated otherwise)		

the form of 692,225 D series shares of the HYDROBUDOWA 9 S.A. company was contributed for the coverage of shares by the fiduciary i.e. BZ WBK.

The total above the indicated L series shares allocated for the Beneficiaries shall be divided into five tranches, four with 351,147 shares and one with 351,150 shares. The shares which will not be acquired in a given tranche, will be offered in the next tranche.

The price of L series shares allocated for the Beneficiaries will amount to PLN 0.14.

Values resulting from the Incentive Programme shall be booked from 2009.

Company name:	HYDROBUDOWA POLSKA SPÓŁKA AKCYJNA		
Period included in financial statements:	01.01.2008 – 31.12.2008.	Reporting currency:	PLN
Rounding level:	All amounts are expressed in PLN thousand (unless indicated otherwise)		

NOTE NO. 13

← Sformatowane: Punkty i numeracja

OTHER CAPITALS

Specification	Supplementary capital from the sale of shares above their nominal value	Capital from the valuation of hedge operations and differences in rates from consolidation	Other capitals	Profit (loss) from previous years	Net profit (loss) from current year	Total
Balance for this 31st December 2007	50 779	-1 175	18 123	(90 284)	10 579	(11 978)
Increase in the period from 01.01. to 31.12.2007	-	7 957	23 730	5 592	40 232	77 511
- allocation of financial result	-	-	4 469	5 522	-	9 991
- valuation of financial instruments referred in capital	-	7 957	-	-	-	7 957
- adjustment on account of the merger of the Companies	-	-	19 261	-	-	19 261
- financial result for the period 01.01-31.12.2007	-	-	-	-	40 232	40 232
- others	-	-	-	70	-	70
Decrease in the period from 01.01. to 31.12.2007	50 779	937	822	1 737	10 579	64 854
- allocation of financial result	-	-	-	1 737	8 254	9 991
- allocation of financial result (for company social contribution fund).	-	-	-	-	2 000	2 000
- adjustment on account of the merger of the Companies	50 779	-	-	-	325	51 104
- others	-	937	822	-	-	1 759
Balance for this 31st December 2007	-	5 845	41 031	(86 429)	40 232	679
Balance for this 1st January 2008	-	5 845	41 031	(86 429)	40 232	679
Increase in the period from 01.01. to 31.12.2008	562 001	41 537	3 218	35 664	53 371	695 791
- allocation of financial result	-	-	3 218	35 014	-	38 232
- valuation of financial instruments referred in capital	-	41 537	-	-	-	41 537
- share issuance	562 001	-	-	-	-	562 001
- financial result for the period 01.01-30.12.2008	-	-	-	-	53 371	53 371
- others	-	-	-	650	-	650
Decrease in the period from 01.01. to 31.12.2008	19 000	90 845	459	-	40 232	150 536
- share issuance (issuance costs settled in the reserve capital burden)	19 000	-	-	-	-	19 000
- valuation of financial instruments referred in capital	-	90 845	-	-	-	90 845
- allocation of financial result	-	-	-	-	38 232	38 232
- allocation of financial result (for company social contribution fund).	-	-	-	-	2 000	2 000
- others	-	-	459	-	-	459
Balance for this 31st December 2008	543 001	(43 463)	43 790	(50 765)	53 371	545 934

Company name:	HYDROBUDOWA POLSKA SPÓŁKA AKCYJNA		
Period included in financial statements:	01.01.2008 – 31.12.2008.	Reporting currency:	PLN
Rounding level:	All amounts are expressed in PLN thousand (unless indicated otherwise)		

Sformatowane: Punktory i numeracja

NOTE NO. 14

PROVISIONS FOR EMPLOYEE BENEFITS

Table 14.1

CHANGES OF THE PROVISIONS FOR EMPLOYEE BENEFITS

Specification	provisions for retirement pay	Provision for jubilee prizes	Total
Provision balance for this 31st December 2007	1 306	2 690	3 996
Increase in provisions	202	281	483
Decrease in provisions (-)	(140)	(333)	(473)
Created provisions	80	300	380
Used provisions (-)	-	-	-
Released provisions (-)	(853)	(2 460)	(3 313)
Other changes of provisions balance	-	-	-
Provision balance for this 31st December 2007	595	478	1 073
Provision balance for this 31st December 2008	595	478	1 073
Increase in provisions	-	-	-
Decrease in provisions (-)	-	-	-
Created provisions	217	74	291
Used provisions	(322)	(222)	(544)
Released provisions (-)	-	-	-
Other changes of provisions balance	-	-	-
Provision balance for this 30th June 2008, including:	490	330	820
- short-term provisions	416	274	690
- long-term provisions	74	56	130

Sformatowane: Punktory i numeracja

NOTE NO. 15

OTHER PROVISIONS

Table 15.1

CHANGES OF OTHER PROVISIONS FOR LIABILITIES IN THE PERIOD

Specification	provisions for loss	provisions for guarantee service	Total
Provision balance for this 31st December 2007	9 751	1 591	11 342
Increase in provisions	185	1 356	1 541
Decrease in provisions (-)	-	-	-
Created provisions	-	70	70
Used provisions (-)	(9 779)	(1 197)	(10 976)
Released provisions (-)	-	-	-
Other changes of provisions balance	-	-	-
Provision balance for this 31st December 2007	157	1 820	1 977
Provision balance for this 31st December 2008	157	1 820	1 977
Increase in provisions	-	-	-
Decrease in provisions (-)	-	-	-
Created provisions	-	2 365	2 365
Used provisions (-)	(157)	(1 326)	(1 483)
Released provisions (-)	-	(185)	(185)

Company name:	HYDROBUDOWA POLSKA SPÓŁKA AKCYJNA		
Period included in financial statements:	01.01.2008 – 31.12.2008.	Reporting currency:	PLN
Rounding level:	All amounts are expressed in PLN thousand (unless indicated otherwise)		

Specification	provisions for loss	provisions for guarantee service	Total
Other changes of provisions balance	-	-	-
Provision balance for this 31st December 2008, including:	-	2 674	2 674
- short-term provisions	-	2 090	2 090
- long-term provisions	-	584	584

Sformatowane: Punktory i numeracja

NOTE NO. 16

LIABILITIES ON ACCOUNT OF SUPPLIES AND SERVICES AND OTHER LIABILITIES

Table 16.1

OTHER LONG-TERM LIABILITIES

Specification	for the day	for the day
	31.12.2008	31.12.2007
Liabilities on account of supplies and services	3 380	4 595
- liabilities towards domestic entities	3 373	4 587
- liabilities towards foreign entities	7	8
Other long-term liabilities	8	26
- commission on bank guarantees	8	26
Long-term liabilities in total	3 388	4 621

Long-term liabilities include mostly retained amounts as the security of construction works realized by subcontractors. These amounts are not charged with interest. Due to long payment terms, exceeding in some cases 5 years, these liabilities were discounted. Long-term liabilities are discounted on the basis of WIBOR 1M rate + 1%. For this 31st December 2007 discount rate amounted to 6.52% and for this 31st December 2008 – 6.61%.

Table 16.2

OTHER LONG-TERM LIABILITIES – CURRENCY STRUCTURE

Specification	for this 31 st December 2008		for this 31 st December 2007	
	in the currency:	After conversion into PLN	in the currency:	After conversion into PLN
a) PLN	x	3 378	x	4 468
b) EUR	2	10	41	153
		3 388		4 621

Table 16.3

LONG-TERM LIABILITIES TOWARDS RELATED ENTITIES

Specification	for the day	for the day
	31.12.2008	31.12.2007
Liabilities on account of supplies and services	245	138
- from dominating entity	-	-
- from subsidiaries / related entities	245	-
- from joint subsidiaries	-	138
- from affiliated entities	-	-
- from other related entities not included in the financial statements	-	-
Other long-term liabilities	-	-
- from dominating entity	-	-

Company name:	HYDROBUDOWA POLSKA SPÓŁKA AKCYJNA		
Period included in financial statements:	01.01.2008 – 31.12.2008.	Reporting currency:	PLN
Rounding level:	All amounts are expressed in PLN thousand (unless indicated otherwise)		

Specification	for the day	for the day
	31.12.2008	31.12.2007
- from subsidiaries / related entities	-	-
- from joint subsidiaries	-	-
- from affiliated entities	-	-
- from other related entities not included in the financial statements	-	-
Total	245	138

Table 16.4

SHORT-TERM LIABILITIES ON ACCOUNT OF SUPPLIES AND SERVICES

Specification	for the day	for the day
	31.12.2008	31.12.2007
- liabilities towards domestic entities	152 371	164 838
- liabilities towards foreign entities	3 161	113
Liabilities on account of supplies and services in total	155 532	164 951

Table 16.5

OTHER SHORT-TERM LIABILITIES

Specification	for the day	for the day
	31.12.2008	31.12.2007
Of account of VAT	1 065	-
on account of donations, duties, social and health insurances and other benefits	4 218	3 737
On account of remunerations	2 862	2 222
On account of calculated commissions on received sureties	2 559	219
Of account of received advanced payments	-	7 132
Of account of investment purchases	846	1 881
Other	3 058	2 559
Other liabilities in total	14 608	17 750

Table 16.6

SHORT-TERM LIABILITIES ON ACCOUNT OF SUPPLIES AND SERVICES AND OTHER LIABILITIES – CURRENCY STRUCTURE

Specification	for this 31 st December 2008		for this 31 st December 2007	
	in the currency:	After conversion into PLN	in the currency:	After conversion into PLN
a) PLN	x	170 010	x	176 945
b) EUR	31	130	1 571	5 756
		170 140		182 701

Company name:	HYDROBUDOWA POLSKA SPÓŁKA AKCYJNA		
Period included in financial statements:	01.01.2008 – 31.12.2008.	Reporting currency:	PLN
Rounding level:	All amounts are expressed in PLN thousand (unless indicated otherwise)		

Table 16.7

SHORT-TERM LIABILITIES TOWARDS RELATED ENTITIES

Specification	for the day	for the day
	31.12.2008	31.12.2007
Liabilities on account of supplies and services	13 834	18 619
- from dominating entity	4 383	8 568
- from subsidiaries	6 808	-
- from joint subsidiaries	2 581	10 051
- from affiliated entities	-	-
- from other related entities not included in the financial statements	62	-
Other short-term liabilities	2 563	4 460
- from dominating entity	2 316	197
- from subsidiaries	178	-
- from joint subsidiaries	69	4 263
- from affiliated entities	-	-
- from other related entities not included in the financial statements	-	-
Total	16 397	23 079

NOTE NO. 17

ACCRUED EXPENSES

Table 17.1

ACCRUED EXPENSES

Specification	for the day	for the day
	31.12.2008	31.12.2007
a) provision for leave benefits	1 836	1 844
b) provision for the audit of balance sheet	101	90
c) deferred revenue	148	149
d) share issuance costs	904	-
e) others	-	225
Balance of deferred expenses at the end of the period, including:	2 989	2 308
- long-term accruals	-	-
- short-term accruals	2 989	2 308

Sformatowane: Punktory i numeracja

Company name:	HYDROBUDOWA POLSKA SPÓŁKA AKCYJNA		
Period included in financial statements:	01.01.2008 – 31.12.2008.	Reporting currency:	PLN
Rounding level:	All amounts are expressed in PLN thousand (unless indicated otherwise)		

Sformatowane: Punkty i numeracja

NOTE NO. 18

INCOME TAX

Table 18.1

INCOME TAX (MAJOR BURDEN COMPONENTS)

Specification	For the period	For the period
	from 01.01 to 31.12.2008	from 01.01 to 31.12.2007
<i>Profit and loss account</i>		
Current income tax	(13 737)	(11 169)
Current burden on account of current income tax	(13 737)	(11 169)
Adjustments concerning current tax from previous years	-	-
Deferred income tax	(627)	1 009
arising out of commencement and inversion of interim differences	(627)	1 009
Connected with reduction of income tax rates	-	-
Tax burden demonstrated in profit and loss account	(14 364)	(10 160)
<i>Statement of changes in equity.</i>		
Current income tax	-	-
Current income tax on account of rate differences on loan	-	-
Deferred income tax	11 567	(1 469)
Unrealized profit on account of financial assets available for sale	-	-
Deferred net income tax demonstrated in the reserve capital with the first application of International Accounting Standard 39	-	-
Deferred net income tax on cash flow hedge, calculated in the accounting year	11 567	(1 469)
Deferred net income tax on financial assets available for sale, sold in the accounting year	-	-
Income tax demonstrated in the equity in the accounting year	11 567	(1 469)

Table 18.2

RECONCILIATION OF TAX BURDEN WITH GROSS FINANCIAL RESULT

Specification	For the period	For the period
	from 01.01 to 31.12.2008	from 01.01 to 31.12.2007
Gross financial result	67 735	50 391
Income tax calculated according to valid domestic rate (19 %)	12 870	9 574
Impact of tax on fixed differences between the gross profit (loss) and tax base	1 494	1 416
Negative interim differences and tax loss, in connection with which the assets for deferred tax were not recognized	-	-
Tax loss	-	(830)
Valuation with equity method	-	-
Negative interim differences and tax loss, in connection with which the assets for deferred tax were recognized	-	-
Tax burden demonstrated in profit and loss account	14 364	10 160
Effective tax rate	21%	20%

Company name:	HYDROBUDOWA POLSKA SPÓŁKA AKCYJNA		
Period included in financial statements:	01.01.2008 – 31.12.2008.	Reporting currency:	PLN
Rounding level:	All amounts are expressed in PLN thousand (unless indicated otherwise)		

Table 18.3

DEFERRED INCOME TAX

Specification	Balance sheet		Profit and loss account	
	for the day 31.12.2008	for the day 31.12.2007	For the period from 01.01 to 31.12.2008	For the period from 01.01 to 31.12.2007
<i>Provision on account of deferred tax</i>				
- revenue on account of unrealized interest on loans	11	17	6	(13)
- revenue from financial assets valued according to the adjusted acquisition price (with the application of effective interest rate) – securities	219	-	(219)	(36)
- revenue on account of unrealized interest on receivables	113	6	(107)	-
- revenue on account of unrealized interest on investments and own monetary resources	-	-	-	(5)
- balance sheet revenue of the current period - the next period in terms of taxes	57 887	34 533	(23 354)	(1 902)
- the difference between net balance sheet value and tax value of proprietary fixed assets	3 307	3 207	(100)	3 008
- the difference between net balance sheet value and tax value of fixed assets in operational leasing	73	56	(17)	(129)
- the value of the valuation of financial instruments or investment properties which are demonstrated in fair value (conducted by capital)	-	1 433	-	-
- the value of the valuation of financial instruments or investment properties which are demonstrated in fair value (conducted by profit and loss account)	1 264	2 048	784	(4 859)
- value of liabilities on account of credits valued according to the adjusted acquisition price (with the application of effective interest rate)	3	-	(3)	-
loss from previous years	-	-	-	-
- unrealized positive rate differences	665	25	(640)	(1 022)
- discount	136	181	45	-
- others	-	43	43	(1 124)
Gross provisions on account of deferred tax	63 678	41 549	(23 562)	(6 082)
<i>Assets on account of deferred tax</i>				
- costs of retirement benefits	156	204	(48)	554
- costs of unused leaves	349	350	(1)	(138)
- costs of guarantee service	508	346	162	(99)
- costs of remunerations not paid out in the accounting period	917	861	56	(214)
- costs on account of unpaid interest on loans	-	561	(561)	(411)
- costs on account of unpaid interest on liabilities	205	493	(288)	(246)
- value of liabilities on account of credits valued according to the adjusted acquisition price (with the application of effective interest rate)	-	2	(2)	2
- the value of the valuation of financial instruments or investment properties which are demonstrated in fair value (conducted by capital)	10 195	62	-	-
- the value of the valuation of financial instruments or investment properties which are demonstrated in fair value (conducted by profit and loss account)	5 522	93	5 429	46
- costs concerning balance sheet revenue	46 443	27 644	18 799	2 556
- receivable revaluation write off	1 584	1 581	3	(679)
- unrealized negative rate differences	134	585	(451)	713
- costs of audit	19	18	1	(10)
- discount	108	224	(116)	22
- loss predicted on contracts	-	30	(30)	-
- over-invoicing	748	1 112	(364)	(977)

Company name:	HYDROBUDOWA POLSKA SPÓŁKA AKCYJNA		
Period included in financial statements:	01.01.2008 – 31.12.2008.	Reporting currency:	PLN
Rounding level:	All amounts are expressed in PLN thousand (unless indicated otherwise)		

Specification	Balance sheet		Profit and loss account	
	for the day	for the day	For the period	For the period
	31.12.2008	31.12.2007	from 01.01 to 31.12.2008	from 01.01 to 31.12.2007
- others	429	83	346	3 954
Gross assets on account of deferred tax	67 317	34 249	22 935	5 073
Burden on account of deferred income tax	x	x	(627)	(1 009)
Net provision on account of deferred tax	-	7 300	x	X
Net assets on account of deferred tax	3 639	-	x	X

Sformatowane: Punktory i numeracja

NOTE NO. 19

CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Table 19.1

CONTINGENT LIABILITIES ON ACCOUNT OF GRANTED GUARANTEES AND SURETIES FOR THIS 31ST DECEMBER 2008

Contingent liabilities	balance for this 31.12.2008	balance for this 31.12.2007
Guarantees:	234 909	172 195
For related entities:	-	-
For other entities:	234 909	172 195
- contract performance security	46 007	53 637
- remedy of defects and failures	6 235	3 526
- tender guarantee	2 800	6 361
- advance payment return	17 985	9 451
- payments	5 416	200
- contract performance security	155 289	95 760
- retention amounts	1 041	891
- surety	-	240
- payments	136	2 129
Sureties:	694 317	486 259
For related entities:	689 208	478 689
- security of contract bonds	245 189	61 335
- borrowing security	128 889	26 786
- security of bond redemption	200 000	310 000
- securing of limits on transactions with financial instruments (treasury limits)	77 546	46 659
- others	37 584	33 909
- security of leasing contracts	-	-
For other entities:	5 109	7 570
- security of contract bonds	3 234	2 768
- security of loan payment	1 875	4 802
- others	-	-
Bills of exchange:	13 061	2 615
For related entities:	11 195	2 416

Company name:	HYDROBUDOWA POLSKA SPÓŁKA AKCYJNA		
Period included in financial statements:	01.01.2008 – 31.12.2008.	Reporting currency:	PLN
Rounding level:	All amounts are expressed in PLN thousand (unless indicated otherwise)		

Contingent liabilities	balance for this 31.12.2008	balance for this 31.12.2007
- securing contract bonds	11 195	2 416
For other entities:	1 866	199
- securing contract bonds	1 866	199
Contingency liabilities in total:	942 287	661 069

Sformatowane: Punkty i numeracja

NOTE 20

NOTES TO PROFIT AND LOSS ACCOUNT

Table 20.1

CASH REVENUE ON SALES

Specification	For the period	For the period
	from 01.01 to 31.12.2008	from 01.01 to 31.12.2007
Water	569 675	440 687
Fuel	96 260	55 315
Residential and industrial buildings	19 167	-
Roads	1 891	-
Others	106 958	86 298
Cash revenue on sales in total	793 951	582 300

Table 20.2

COST TYPES

Specification	For the period	For the period
	from 01.01 to 31.12.2008	from 01.01 to 31.12.2007
Depreciation	9 529	5 146
Consumption of materials and energy	116 126	85 971
Outside services	492 776	369 487
Taxes and fees	4 087	3 811
Remunerations	56 973	47 591
Social securities and other benefits	13 411	12 221
Other prime costs	13 474	10 536
Cost types	706 376	534 763
Change of provisions stocks, products in progress, accrued liabilities	(47 237)	(15 432)
Costs of sales	-	-
General administrative costs	29 965	(21 266)
Cost of manufacture of sold products, services	689 104	498 065

Company name:	HYDROBUDOWA POLSKA SPÓŁKA AKCYJNA		
Period included in financial statements:	01.01.2008 – 31.12.2008.	Reporting currency:	PLN
Rounding level:	All amounts are expressed in PLN thousand (unless indicated otherwise)		

Table 20.3

OTHER OPERATIONAL REVENUE AND COSTS

OTHER OPERATIONAL REVENUE	For the period from 01.01 to 31.12.2008	For the period from 01.01 to 31.12.2007
a) Profit from the sale of non-financial fixed assets	-	1 062
b) reversing write-offs revaluating the value of assets	908	1 150
- property, plant and equipment and intangible assets	-	-
- receivables	905	984
- stocks	-	166
- others	3	-
c) Others, including:	1 992	7 377
- re-invoices	334	172
- obtained damages on account of insurances, penalties and fines	970	686
- donations	-	-
- others (reimbursement of court costs)	249	-
- others (redeemtd, aged liabilities, refunds)	439	765
- revealing of boarding goods	-	5 617
- other social activity	-	137
Other operational revenue in total	2 900	9 589

OTHER OPERATIONAL COSTS	For the period from 01.01 to 31.12.2008	For the period from 01.01 to 31.12.2007
a) Loss from the sale of non-financial fixed assets	465	-
b) Write-offs revaluating the value of assets components	2 213	4 978
- of property, plant and equipment and intangible assets	-	-
- receivables	1 454	4 660
- stocks	-	318
- others	759	-
2. Others, including:	4 625	1 630
- donations	729	97
- re-invoices	141	91
- damages on account of insurance contracts, penalties, fines	3 635	1 107
2) - faultless losses in current assets	-	45
- Non-tax deductible costs	-	19
- written off overdue, redepmtd and uncollectible receivables	3	7
- others (components for the organization, equalization annuity, court fees)	117	-
- other social activity	-	53
- other costs of maintaining investment in real property	-	211
Other operational costs in total	7 303	6 608

Company name:	HYDROBUDOWA POLSKA SPÓŁKA AKCYJNA		
Period included in financial statements:	01.01.2008 – 31.12.2008.	Reporting currency:	PLN
Rounding level:	All amounts are expressed in PLN thousand (unless indicated otherwise)		

Table 20.4

FINANCIAL REVENUE AND COSTS

Specification	For the period	For the period
	from 01.01 to 31.12.2008	from 01.01 to 31.12.2007
a) Interest	5 962	801
- of account of granted loans	61	78
- bank interest	3 158	526
- on account bonds	1 152	182
- others	1 591	15
b) Others	16 902	3 565
- positive rate differences	14 314	2 618
- discount (concerning long-term settlements)	716	919
- on account of dividend and share in profit	4	28
- others (sureties)	1 377	-
- others	491	-
Financial revenue in total	22 864	4 366

Specification	For the period	For the period
	from 01.01 to 31.12.2008	from 01.01 to 31.12.2007
a) Interest, bank commissions	11 680	13 300
- of account of granted loans	1 346	4 525
- interest and commission on account of bank credits	8 350	6 714
- on account bonds	1 576	1 145
- others	408	916
b) Other financial costs	1 743	3 386
- negative rate differences	-	766
- discount (concerning long-term settlements)	341	-
- others (sureties, valuation according to effective interest rate of credits, write off revaluation interest)	1 402	467
- others (including costs of increasing capital)	-	2 582
- other fees concerning the issuance of bonds	-	38
Financial costs in total	13 423	16 686

Table 20.5

PROFIT FOR ONE SHARE

Information concerning profit for one share was included in the profit and loss account.

The Company did not issue the instruments causing the effect of _atering of profit per one share.

NOTE NO. 21

DISCONTINUED ACTIVITY RESULT

The company has no discontinued activity.

← Sformatowane: Punktory i numeracja

Company name:	HYDROBUDOWA POLSKA SPÓŁKA AKCYJNA		
Period included in financial statements:	01.01.2008 – 31.12.2008.	Reporting currency:	PLN
Rounding level:	All amounts are expressed in PLN thousand (unless indicated otherwise)		

Sformatowane: Punktory i numeracja

NOTE NO. 22

INFORMATION ON ACCOUNT OF OPERATIONS WITH RELATED ENTITIES

The Company concludes operations with related entities, of typical and routine nature, on market conditions, the nature and conditions of which result from current operational activity.

The table below contains receivable and liability balances and turnovers connected with entities with capital links.

Specification / related entity	PBG	Metorex	GK Infra	KWG	GK APRIVIA	GK PBG DOM	AVATIA	GK HB9	PRG METRO	HBPK	TOTAL
Receivables in total	42 243	8 667	40 702	212	456	-	-	19 902	3 640	41	115 863
Long-term receivables on account of supplies and services	-	-	-	-	-	-	-	899	-	-	899
Short-term receivables on account of supplies and services	39 656	8 666	40 129		446	-	-	18 362	3 640	39	110 938
Other short-term receivables	2 587	1	573	212	10	-	-	641		2	4 026
Liabilities in total	6 699	467	2 084	-	292	-	52	1 145	279	5 562	16 580
Long-term liabilities on account of supplies and services	-	106	140	-	-	-	-	-	-	-	246
Short-term liabilities on account of supplies and services	4 383	361	1 875	-	292	-	52	967	279	5 562	13 771
Other short-term liabilities	2 316	-	69	-	-	-	-	178	-	-	2 563
Other long-term financial assets	-	-	-	-	-	-	-	25 909	-	-	25 909
Other short-term financial assets	-	-	-	-	-	-	-	5 243	-	-	5 243
Financial liabilities	-	-	-	-	-	-	-	-	-	-	-
Revenue on the sale of products, services, materials, goods	71 144	8 761	26 938	-	397	-		22 109	-	2 541	131 890
Cost value of products, services, materials, goods	10 577	11 654	8 118	-	6 797	-		4 882	229	15 645	57 902
Administrative costs	1 135	-	1 475	-		1 525	425	2	-	-204	4 358
Financial revenue	271	1	521	127	10	-	-	2 196	-	-	3 126
Financial costs	2 922	29	-	-	-	-	-	237	-	-	3 188

Company name:	HYDROBUDOWA POLSKA SPÓŁKA AKCYJNA		
Period included in financial statements:	01.01.2008 – 31.12.2008.	Reporting currency:	PLN
Rounding level:	All amounts are expressed in PLN thousand (unless indicated otherwise)		

Moreover, in the accounting year the Company identified the following personally linked entities: Dwór Smólsk Sp. z o.o., Jerzy Wiśniewski, Wiertmar Sp. z o.o. (until 31st March 2008). Settlement balances and revenue and costs connected with these entities amount to, respectively:

Related entity not subject to consolidation	
Short-term receivables on account of supplies and services	1 771
Short-term liabilities on account of supplies and services	62
Revenue on the sale of products, services, materials, goods	1 585
Cost value of products, services, materials, goods	605

Data included in the table above was included in relevant items of the financial statements.

Pursuant to previously obtained information other entities with personal links for which operation values were not demonstrated in the financial statements, were identified. Estimate level of receivables from these entities amounts to PLN 34,636 thousand and the value of liabilities towards these entities amounts to PLN 1,895 thousand.

Sformatowane: Punktory i numeracja

NOTE NO. 23

OTHER DATA REQUIRED BY LEGAL REGULATIONS

- For the balance sheet date the Company has no liabilities towards state budget or territorial self-government units on account of obtaining the right of ownership of buildings and structures.
- In the accounting period the Company did not manufacture fixed assets in its own scope.

THE VALUE OF REMUNERATIONS AND PRIZES PAID OUT OR DUE, SEPARATELY FOR PERSONS MANAGING AND SUPERVISING THE ENTITIES

Table 23.1

REMUNERATIONS OF THE MEMBERS OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD ON ACCOUNT OF PERFORMING THE FUNCTION IN THE DOMINATING ENTITY IN THE PERIOD FROM 1ST JANUARY TO 31ST DECEMBER 2008

Specification	Basic salary	Other benefits	Total
<i>Remuneration of the members of the Management Board</i>			
Jerzy Ciechanowski	40	-	40
Tomasz Woroch	220	5	225
Tomasz Starzak	165	19	184
Edward Kasprzak	180	-	180
Andrzej Zwierzchowski	180	2	182
Rafał Damasiewicz	180	5	185
Joanna Zwolak	180	-	180
Jarosław Dusiło	210	-	210
Krzysztof Diduch	90	-	90
Total	1 445	31	1476
<i>Wynagrodzenia członków Rady Nadzorczej</i>			
Małgorzata Wiśniewska	120	-	120
Andrzej Wilczyński	84	-	84
Grzegorz Wojtkowiak	36	-	36
Marcin Idziorek	36	-	36
Przemysław Szkudlarczyk	36	-	36
Piotr Stobiecki	84	-	84

Company name:	HYDROBUDOWA POLSKA SPÓŁKA AKCYJNA		
Period included in financial statements:	01.01.2008 – 31.12.2008.	Reporting currency:	PLN
Rounding level:	All amounts are expressed in PLN thousand (unless indicated otherwise)		

Total	396	-	396
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INFORMATION ABOUT THE AVERAGE EMPLOYMENT AND HUMAN RESOURCES ROTATION

The average employment in the division into particular professional groups was as follows:

Table 23.2

THE AVERAGE EMPLOYMENT IN THE DOMINATING COMPANY

Specification	For the period	For the period
	from 01.01 to 31.12.2008	from 01.01 to 31.12.2007
White collar workers	501	456
Blue collar workers	779	813
Total	1 280	1 269

Table 23.3

HUMAN RESOURCES ROTATION IN THE DOMINATING COMPANY

Specification	For the period	For the period
	from 01.01 to 31.12.2008	from 01.01 to 31.12.2007
Number of hired employees	327	322
Number of dismissed employees	433	440

INFORMATION ABOUT THE AMOUNT OF EFFECTED ADVANCED PAYMENTS, GRANTED LOANS AND GUARANTEES TO THE MEMBERS OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

The value of unpaid advanced payments, credits, loans, guarantees, sureties or other contracts obliging to benefits towards the Company, granted by the Company, separately for the managing and supervising persons and separately to their spouses, relatives and relatives by affinity up to second degree, adopting or adopted relatives and other persons, with whom they are personally linked, amounted to, for this 31st December 2007, PLN 432 thousand and for this 31st December 2008 – PLN 312 thousand. These are advanced payment amounts used by the Members of the Management Board during the preparation of operational activities by them.

INFORMATION ON SIGNIFICANT EVENTS CONCERNING PREVIOUS YEARS BOOKED IN THE FINANCIAL STATEMENTS FOR THE CURRENT PERIOD

No significant events concerning previous years occur in the financial statements of Hydrobudowa Polska.

THE CHANGES OF THE APPLIED PRINCIPLES (POLICY) OF ACCOUNTING AND THE METHOD OF THE PREPARATION OF FINANCIAL STATEMENTS, MADE IN RELATION TO THE PREVIOUS ACCOUNTING YEAR (ACCOUNTING YEARS), THEIR CAUSES, TITLES AND THE EFFECT OF FINANCIAL RESULTS ON THE FINANCIAL STANDING, LIQUIDITY AND FINANCIAL RESULT AS WELL AS RETURN.

1. The change of the presentation of results on hedging instruments.

In the presented financial statements the changes of the presentation of results on hedging instruments were made. All the records concerning financial instruments referred to profit and loss account are presented in its operational part - respectively in the item: Revenue on sales or cost of sales

Company name:	HYDROBUDOWA POLSKA SPÓŁKA AKCYJNA		
Period included in financial statements:	01.01.2008 – 31.12.2008.	Reporting currency:	PLN
Rounding level:	All amounts are expressed in PLN thousand (unless indicated otherwise)		

Pursuant to the accepted above-mentioned principle, the adjustment of comparable data was made. The change was described in detail in item 3.1.

The influence of changes concerned the presentation of data in profit and loss account:

The profit and loss account item	data for the period 01.01. - 31.12.2007	
	before the change	after the change
Fees earned	-	10 768
Other operational costs	(631)	-
Financial revenue	11 399	-

2. The change of the presentation of rate differences from monetary resources in cash flow account.

In the presented cash flow account the change of the presentation of rate differences from monetary resources was made. So far the Company applied the principle that rate differences from the valuation of monetary resources are excluded from cash flow as non-monetary item. As a result of such approach, the balance of monetary resources in cash flow account and the balance sheet differed by the valuation value.

Due to little significance of valuations, the Company will, starting with the financial statements for 2007, present the value of monetary resources demonstrated in cash flow account in the same value as in the balance sheet assets.

Such a principle of presentation is in accordance with the principles accepted at the preparation of the consolidated financial statements of the PBG Capital Group which includes, among others, unitary financial statements of the Company.

3. The change of the presentation of assets and liabilities on account of hedging instruments valuation.

In the presented balance sheet, assets and liabilities arisen from the valuation of hedging instruments (forward) was presented in the division into long-term and short-term according to the criterion of the instrument maturity.

Company name:	HYDROBUDOWA POLSKA SPÓŁKA AKCYJNA		
Period included in financial statements:	01.01.2008 – 31.12.2008.	Reporting currency:	PLN
Rounding level:	All amounts are expressed in PLN thousand (unless indicated otherwise)		

STATEMENT AND EXPLANATIONS OF DIFFERENCES BETWEEN THE DATA REVEALED IN THE FINANCIAL STATEMENTS AND COMPARATIVE FINANCIAL DATA, AND PREVIOUSLY PREPARED AND PUBLISHED FINANCIAL STATEMENTS FOR THE 4TH QUARTER OF 2008.

Statement of changes in the balance sheet

Specification	explanations	for this 31 st December 2008			for this 31 st December 2007		
		quarterly	annual	difference	quarterly	annual	Difference
Assets							
Fixed assets		511 692	509 287	(2 405)	80 007	84 080	4 073
Intangible assets		566	566	-	802	802	-
Property, plant and equipment	1, 2	98 304	90 112	(8 192)	70 054	70 054	-
Investment properties	1	-	7 090	7 090	-	-	-
Investments in subsidiaries		374 115	374 115	-	-	-	-
Other long-term financial assets	12a	25 998	25 998	-	600	4 673	4 073
- from related entities		25 909	25 909	-	357	357	-
- from other entities	12a	89	89	-	243	4 316	4 073
Long-term receivables	3	4 963	4 272	(691)	6 504	6 504	-
- from related entities		899	899	-	767	767	-
- from other entities	3	4 064	3 373	(691)	5 737	5 737	-
Assets on account of deferred income tax	13	4 252	3 639	(613)	-	-	-
Long-term accruals		3 494	3 495	1	2 047	2 047	-
Current assets		659 260	660 774	1 514	502 695	485 590	(17 105)
Stocks		4 383	4 383	-	5 196	5 196	-
Receivables from the ordering parties on account of the works resulting from construction / long-term contracts		300 111	300 187	76	182 853	182 854	1
- from related entities	4	59 312	75 239	15 927	3 271	3 272	1
- from other entities	4	240 799	224 948	(15 851)	179 582	179 582	-
Receivables on account of supplies and services	3	286 679	287 026	347	219 076	219 076	-
- from related entities		112 709	112 709	-	44 462	44 462	-
- from other entities	3	173 970	174 317	347	174 614	174 614	-
Other short-term receivables	3, 12b	8 633	9 669	1 036	24 566	11 533	(13 033)
- from related entities		4 025	4 025	-	193	193	-
- from other entities	3, 12b	4 608	5 644	1 036	24 373	11 340	(13 033)
Other short-term financial assets	12a	6 167	6 167	-	19 209	15 136	(4 073)
- from related entities		5 243	5 243	-	-	-	-
- from other entities	12a	924	924	-	19 209	15 136	(4 073)
Monetary resources and their equivalents		48 166	48 167	1	48 346	48 346	-
Short-term accruals		5 121	5 175	54	3 449	3 449	-
Assets in total		1 170 952	1 170 061	(891)	582 702	569 670	(13 032)

Company name:	HYDROBUDOWA POLSKA SPÓŁKA AKCYJNA		
Period included in financial statements:	01.01.2008 – 31.12.2008.	Reporting currency:	PLN
Rounding level:	All amounts are expressed in PLN thousand (unless indicated otherwise)		

Specification	Explanation s	for this 31 st December 2008			for this 31 st December 2007		
		quarterly	annual	difference	quarterly	annual	difference
<i>Liabilities</i>							
Equity		756 743	756 492	(251)	139 352	139 353	1
Initial capital		210 558	210 558	-	138 673	138 673	-
Supplementary capital from the sale of shares above their nominal value		543 001	543 001	-	-	-	-
Capital from the valuation of hedge operations		(43 463)	(43 463)	-	5 845	5 845	-
Other capitals		43 790	43 790	-	41 031	41 032	1
Unallocated financial result		2 857	2 606	(251)	(46 197)	(46 197)	-
- profit (loss) from previous years		(50 765)	(50 765)	-	(86 429)	(86 429)	-
- net profit (loss) from current year		53 622	53 371	(251)	40 232	40 232	-
Liabilities		414 209	413 569	(640)	443 350	430 317	(13 033)
Long-term liabilities		57 847	45 541	(12 306)	76 598	76 598	-
Long-term credits and loans		27 344	27 344	-	11 477	11 477	-
- from related entities		-	-	-	-	-	-
- from other entities		27 344	27 344	-	11 477	11 477	-
Other long-term financial liabilities	2, 5	24 516	12 029	(12 487)	51 181	51 181	-
Other long-term liabilities	3	3 616	3 388	(228)	4 621	4 621	-
- from related entities		246	246	-	138	138	-
- from other entities	3	3 370	3 142	(228)	4 483	4 483	-
Provision on account of deferred income tax		-	-	-	7 300	7 300	-
Provisions for liabilities on account of employee benefits	6	475	690	215	608	608	-
Other long-term provisions		1 896	2 090	194	1 411	1 411	-
Short-term liabilities		356 362	368 028	11 666	366 752	353 719	(13 033)
Short-term credits and loans		110 612	110 612	-	150 599	150 599	-
- from related entities		-	-	-	41 390	41 390	-
- from other entities		110 612	110 612	-	109 209	109 209	-
Other short-term financial liabilities	2, 5	54 096	66 224	12 128	115	115	-
Liabilities on account of supplies and services	3	155 154	155 532	378	164 951	164 951	-
- from related entities		13 834	13 834	-	18 619	18 619	-
- from other entities	3	141 320	141 698	378	146 332	146 332	-
Liabilities on account of the construction contract		4 100	3 940	(160)	5 851	5 851	-
- from related entities		23	22	(1)	4 241	4 241	-
- from other entities		4 077	3 918	(159)	1 610	1 610	-
Liabilities on account of current income tax	13	13 998	13 409	(589)	11 113	11 113	-
Other short-term liabilities	3, 12b	13 592	14 608	1 016	30 783	17 750	(13 033)
- from related entities		2 563	2 563	-	219	219	-
- from other entities	3, 12b	11 029	12 045	1 016	30 564	17 531	(13 033)
Provisions for liabilities on account of employee benefits	6	269	130	(139)	466	466	-
Other short-term provisions	7	1 811	584	(1 227)	566	566	-
Short-term accruals		2 730	2 989	259	2 308	2 308	-
Liabilities in total		1 170 952	1 170 061	(891)	582 702	569 670	(13 032)

Company name:	HYDROBUDOWA POLSKA SPÓŁKA AKCYJNA		
Period included in financial statements:	01.01.2008 – 31.12.2008.	Reporting currency:	PLN
Rounding level:	All amounts are expressed in PLN thousand (unless indicated otherwise)		

Statement of changes in profit and loss account

	Explanation s	For the period from 1.01 - 31.12.2008.			For the period from 1.01 - 31.12.2007.		
		quarterly	annual	difference	quarterly	annual	difference
<i>Continued activity</i>							
Cash revenue on sales		793 628	793 951	323	582 300	582 300	-
- from related entities		133 810	133 374	(436)	94 100	94 100	-
Revenue on sale of products		-	-	-	-	-	-
Fees earned	8	781 106	781 359	253	562 680	562 680	-
Revenue on sale of goods and materials	8	12 522	12 592	70	19 620	19 620	-
Cost of sales		(702 182)	(701 289)	893	(517 454)	(517 454)	-
- from related entities		(58 504)	(58 506)	(2)	(31 544)	(31 544)	-
Cost of sold products		-	-	-	-	-	-
Cost of sold services	7, 9	(689 997)	(689 104)	893	(498 065)	(498 065)	-
Cost of sold goods and materials		(12 185)	(12 185)	-	(19 389)	(19 389)	-
Profit (loss) gross on sales		91 446	92 662	1 216	64 846	64 846	-
Costs of sales		-	-	-	-	-	-
General administrative costs	9	(29 617)	(29 965)	(348)	(21 266)	(21 266)	-
Other operational revenue		2 892	2 900	8	9 589	9 589	-
Other operational costs	10	(6 212)	(7 303)	(1 091)	(6 608)	(6 608)	-
Restructuring costs		-	-	-	-	-	-
Profit (loss) from operational activity		58 509	58 294	(215)	46 561	46 561	-
Financial revenue	11	23 778	22 864	(914)	4 366	4 366	-
Financial costs	11	(14 324)	(13 423)	901	(16 686)	(16 686)	-
Other profit (loss) from investment		-	-	-	16 150	16 150	-
Profit (loss) before tax		67 963	67 735	(228)	50 391	50 391	-
Income tax		(14 341)	(14 364)	(23)	(10 159)	(10 159)	-
Net profit (loss) from continued activity		53 622	53 371	(251)	40 232	40 232	-
<i>Discontinued activity</i>		-	-	-	-	-	-
Net loss from discontinued activity		-	-	-	-	-	-
Net profit (loss)		53 622	53 371	(251)	40 232	40 232	-

- The change of the presentations of real properties on which no business activity is run, was made by the value of 7,090 and the value revaluating the construction-in process for the amount of 759 was made.
- The adjustment of leasing liability and the initial value of fixed assets in leasing was made.
- Adjustments were made in the time structure of liabilities and receivables.
- In receivables on account of construction contracts, the change of the presentation of receivables from related entity was made.
- The division of liabilities on account of the valuation of hedging instruments (forward) into long-term and short-term part, according to the criterion of the instrument time of maturity was made.
- The value of provisions for employee benefits was adjusted after receiving valuation of these provisions from the actuary, was made.
- After the verification of surety and guarantee on account of realized construction contracts, the amount of provision for guarantee service was reduced.
- The invoices issued in 2009 concerning 2008 were booked in revenue.
- Supplementary posting was executed accounting for invoices received by the Company after the statement for the fourth quarter was drafted.
- Write off revaluating construction-in process 759 and the receivable 328.
- The creation and release of the provision for interest on overdue liabilities were presented per balance.
- In the comparative period the following changes were made:
 - the presentation of assets on account of valuation of hedging instruments (forward) was changed – the division into long-term and short-term part, according to the criterion of the instrument time of maturity, was made.
 - the change of the presentation of receivables and liabilities on account of VAT tax settlements was made – the values after the compensation of receivables and liabilities was made.

Company name:	HYDROBUDOWA POLSKA SPÓŁKA AKCYJNA		
Period included in financial statements:	01.01.2008 – 31.12.2008.	Reporting currency:	PLN
Rounding level:	All amounts are expressed in PLN thousand (unless indicated otherwise)		

13. The estimated provisions and assets on account of deferred income tax and the settlement of current income tax were verified.

Sformatowane: Punktory i numeracja

NOTE NO. 24

EVENTS AFTER BALANCE SHEET DATE

1. The increase in capital in the subsidiary PRG METRO sp. z o.o.

On this 9th January 2009 District Court for the Capital City of Warsaw in Warsaw, 13th Commercial Division of the National Court Register issued the decision about the registration of the increase of the share capital of the Company subsidiary – Przedsiębiorstwo Robót Górniczych 'METRO' Sp. z o.o. with its seat in Warsaw.

The increase of the capital concerns 78 shares of the nominal value of PLN 1,000.00 each, acquired in total by HYDROBUDOWA POLSKA S.A. At the same time the share capital of the P.R.G. "METRO" Sp. z o.o. company was increased from the amount of PLN 550,000.00 to the amount of PLN 628,000.00 and is divided into 628 shares of the nominal value of PLN 1,000 each share.

Shares were covered by HYDROBUDOWA POLSKA S.A. with contribution in kind in the total amount of PLN 4,963,631.40, from which the nominal value of shares i.e. was credited for the share capital of P.R.G. "METRO" Sp. z o.o., and the remaining amount exceeding the nominal value of shares (share premium) i.e. PLN 4,885,631.40 was allocated for the share capital.

After the registration of the increase in share capital from all 628 issued shares result 628 votes at the General Shareholders Meeting of the Company P.R.G. "METRO" Sp. z o.o.

After the registration of the increase in the share capital, HYDROBUDOWA POLSKA S.A. has 543 shares in the company P.R.G. „METRO” Sp. z o.o., which constitutes 86.46% of the share in votes and share capital of P.R.G. „METRO” Sp. z o.o.

2. Agreement with PBG concerning construction works of maintenance Lubiatów-Międzychód-Grotów deposits

On this 21st January 2009 the Company concluded the agreement with PBG S.A., the subject of which is full-range realization of professional installations of fuel storage, construction of social and technical background facilities and external underground infrastructure networks connected with the management of oil and gas deposits in the region of Lubiatów, Międzychód, Grotów.

The value of the concluded contract amounts to: **PLN 82,500,000.00 net.**

The contract completion time, determined by the contract, is 10th April 2013.

3. Contract with Hydrobudowa Polska Konstrukcje Sp. z o.o. for the execution of the roof steel structure at the City Stadium in Poznań.

On 24th March 2009 HYDROBUDOWA POLSKA S.A., as the Ordering Party, concluded reference agreement with the subsidiary HYDROBUDOWA POLSKA KONSTRUKCJE Sp. z o.o. with its seat in Mikołów ("Contractor").

The subject of the concluded agreement is the performance of the roof steel structure at City Stadium in Poznań, at ul. Bługarska.

The concluded agreement is worth: PLN 107,664,862.98 net

The agreement shall be performed by this 30th April 2010.

4. The sale of the shares in the subsidiary HYDROBUDOWA POLSKA KONSTRUKCJE Sp. z o.o.

On 2nd April 2009 the agreement for the sale of all shares in the HYDROBUDOWA POLSKA KONSTRUKCJE Sp. z o.o. company with its seat in Mikołów, was signed with the PBG S.A. company.

Under the above mentioned agreement HYDROBUDOWA POLSKA S.A. sold 16,100 shares of the nominal value of PLN 500.00 each share, of the total value of PLN 8,050,000.00, constituting 100% votes at the General Shareholders Meeting and the same in the share capital of the HYDROBUDOWA POLSKA KONSTRUKCJE Sp. z o.o. company for the price amounting to PLN 9,000,000.00.

Accounting value of the above mentioned shares in the accounting books of HYDROBUDOWA POLSKA S.A. amounted to PLN 8,050,000.00.

HYDROBUDOWA POLSKA S.A. is subsidiary of the Company PBG S.A.

5. Won tender for the construction of the Baltic Arena stadium in Gdańsk.

On 25th March 2009, in BIEG2012 office, the tender commission opened envelopes with the bids for the construction of Gdański Stadium. Seven syndicates which underwent the first – prequalification stage of the tender, submitted their offers. One of the criteria in case of this form of tender procedure, is the price as the date of stadium performance is defined already at the stage of designing, for December 2010, which is connected with the organization of European Football Championships in 2012.

Company name:	HYDROBUDOWA POLSKA SPÓŁKA AKCYJNA		
Period included in financial statements:	01.01.2008 – 31.12.2008.	Reporting currency:	PLN
Rounding level:	All amounts are expressed in PLN thousand (unless indicated otherwise)		

The cheapest offer was submitted by the syndicate in the following composition: HYDROBUDOWA POLSKA S.A. and its subsidiary HYDROBUDOWA 9 and the entities from the German group ALPINE. The syndicate assessed its services at the construction of the stadium for PLN 427.7 million.

The Syndicate contract was concluded on this 31st July 2008 by the Syndicate of the following companies: - HYDROBUDOWA POLSKA S.A – Syndicate leader, - HYDROBUDOWA 9 S.A. – Syndicate partner - ALPINE BAU GmbH – Syndicate partner - ALPINE BAU DEUTSCHLAND AG Berlin Branch - Syndicate partner - ALPINE Construction Polska Sp. z o.o. – Syndicate partner.

The investment contract was concluded by the Syndicate on this 10th April 2009 with the Community of the City of Gdańsk represented by Biuro Inwestycji Euro Gdańsk 2012 Sp. z o.o.

The subject of the order is the construction of Baltic Arena – the football stadium in Gdańsk Letnica for about 40,000 seats along with ancillary infrastructure necessary for correct functioning of the stadium at the area of c. 34ha, making it possible to play group and quarter-final matches within the framework of UEFA EURO 2012.

The value of the concluded contract amounts to: **PLN 427,700,000.00 net.**

The agreement will be completed within 20 months from the day of transferring the site to the Contractor.

The Parties agreed upon the following division of works:

HYDROBUDOWA POLSKA S.A. and HYDROBUDOWA 9 S.A shall perform and shall be responsible for 50% of the scope of works connected with the realization of the task,

- ALPINE BAU DEUTSCHLAND AG, ALPINE BAU GmbH, ALPINE Construction Polska Sp. z o.o.– Syndicate Partners shall perform and shall be responsible for 50% of the scope of works connected with the realization of the task,

6. Won tender for the construction of the National Stadium in Warsaw.

Won tender for the construction of the National Stadium in Warsaw. The Syndicate with the participation of HYDROBUDOWA POLSKA S.A. offered the lowest price for the construction of the National Stadium. The value of the offer amounts to PLN 1.25 billion net, half of which falls for the Company (Alpine Bau is the Syndicate leader).

The Syndicate contract was concluded on this 7th November 2008 by the Syndicate of the following companies:

- ALPINE BAU DEUTSCHLAND AG – Syndicate Leader

-ALPINE BAU GmbH – Syndicate Partner

- ALPINE Construction Polska Sp. z o.o. – Syndicate Partner

- HYDROBUDOWA POLSKA S.A. – Syndicate Partner,

PBG S.A. – Syndicate Partner

The Parties agreed upon the following division of works:

HYDROBUDOWA POLSKA S.A. and PBG S.A. shall perform and shall be responsible for 50% of the scope of works connected with the realization of the task,

- ALPINE BAU DEUTSCHLAND AG, ALPINE BAU GmbH, ALPINE Construction Polska Sp. z o.o.– Syndicate Partners shall perform and shall be responsible for 50% of the scope of works connected with the realization of the task,

Planned date of signing the Contract: 4th May 2009

Pursuant to the provisions of the Contract, the Syndicate has 24 months for the completion of the task realization from the date of signing the contract.

Wysogotowo, this 27th April 2009

Signatures of all Members of the Management Board:

Name and surname	Position / function	Signature
Jerzy Ciechanowski	The President of the Management Board	
Edward Kasprzak	The Vice President of the Management Board	
Jarosław Dusito	The Vice President of the Management Board	
Rafał Damasiewicz	The Member of the Management Board	

Company name:	HYDROBUDOWA POLSKA SPÓŁKA AKCYJNA		
Period included in financial statements:	01.01.2008 – 31.12.2008.	Reporting currency:	PLN
Rounding level:	All amounts are expressed in PLN thousand (unless indicated otherwise)		

Andrzej Zwierzchowski	The Member of the Management Board	
Joanna Zwolak	The Member of the Management Board – Chief Accountant	