

HYDROBUDOWA POLSKA SPÓŁKA AKCYJNA



**INTERIM CONDENSED SEPARATE
FINANCIAL STATEMENTS**

FOR THE PERIOD JANUARY 1ST-JUNE 30TH 2010

WYSOGOTOWO, AUGUST 20TH 2010

Name of the entity:	HYDROBUDOWA POLSKA SPÓŁKA AKCYJNA		
Period covered by the financial statements:	January 1st–June 30th 2010	Reporting currency:	Polish złoty (PLN)
Rounding:	All figures in PLN '000 (unless stated otherwise)		

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BALANCE SHEET

Item	Note	as at Jun 30 2010	as at Jun 30 2009	as at Dec 31 2009
Assets				
Non-current assets		515,345	478,689	467,183
Goodwill		-		
Intangible assets	8	274	452	383
Property, plant and equipment	7	75,271	85,967	78,482
Non-regenerative natural resources		-		
Investment property		13,762	9,100	13,762
Investments in subsidiary undertakings		371,084	366,084	371,084
Investments in associated undertakings		-		
Receivables	20	1,231	3,572	1,267
Loans advanced		52,321		66
Derivative financial instruments		-		
Other non-current financial assets		26	7,586	26
Deferred tax assets		-	3,149	
Non-current prepayments and accrued income		1,376	2,779	2,113
Current assets		861,459	813,057	880,834
Inventories		1,212	4,711	4,409
Receivables under construction contracts	20	394,269	337,572	316,792
Trade and other receivables	20	391,161	371,729	441,684
Current income tax receivable		2,105		
Loans advanced		11,603	28,555	46,648
Derivative financial instruments		-		
Other current financial assets		8,258	25,219	28,268
Cash and cash equivalents		49,154	41,014	38,728
Current prepayments and accrued income		3,697	4,257	4,305
Non-current assets classified as held for sale		-	-	-
Total assets		1,376,804	1,291,746	1,348,017

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BALANCE SHEET (CONTINUED)

Item	Note	as at Jun 30 2010	as at Jun 30 2009	as at Dec 31 2009
<i>Equity and liabilities</i>				
Equity		835,310	777,699	830,479
Share capital	10	210,558	210,558	210,558
Treasury shares		-		
Share premium account		543,001	543,001	543,001
Valuation of hedging transactions		(2,104)	(35,350)	(7,271)
Other equity		83,091	45,295	45,295
Retained earnings		764,	14,195	38,896
– retained earnings/(deficit)		-		
– net profit/(loss) for current year		764	14,195	38,896
Liabilities		541,494	514,047	517,538
Non-current liabilities		22,052	34,331	28,405
Loans, borrowings and other debt instruments		6,316	19,765	11,929
Finance lease		1,460	1,759	1,590
Derivative financial instruments		-	5,267	
Other liabilities	20	5,287	4,320	5,688
Deferred tax liabilities		4,112		4,388
Liabilities and provisions for employee benefits	14	1,320	690	1,394
Other non-current provisions	15	3,557	2,530	3,416
Government subsidies		-		
Non-current accruals and deferred income		-		
Current liabilities		519,442	479,716	489,133
Loans, borrowings and other debt instruments		216,441	210,120	124,653
Finance lease		546	461	486
Derivative financial instruments		9,638	62,737	14,171
Trade and other payables	20	277,097	184,346	334,869
Liabilities under construction contracts	20	2,228	8,304	2,613
Current income tax payable		-	1,374	630
Liabilities and provisions for employee benefits	14	9,608	11,478	8,573
Other current provisions	15	1,318	627	1,063
Government subsidies		-		
Current accruals and deferred income		2,566	269	2,075
Liabilities under non-current assets held for sale		-		
Total equity and liabilities		1,376,804	1,291,746	1,348,017

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INCOME STATEMENT

Item	Jan 1-Jun 30 2010	Jan 1-Jun 30 2009	Jan 1-Dec 31 2009
<i>Continuing operations</i>			
Sales revenue	508,044	391,314	1,125,755
- from related undertakings	12,119	67,984	181,714
Revenue from sales of products	-		
Revenue from sales of services	506,489	388,172	1,120,098
Revenue from sales of goods for resale and materials	1,555	3,142	5,657
Cost of sales	(476,151)	(363,047)	(1,040,449)
- to related undertakings	(77,669)	(55,967)	(222,945)
Cost of products sold	-		
Cost of services sold	(474,650)	(360,186)	(1,035,231)
Cost of goods for resale and materials sold	(1,501)	(2,861)	(5,218)
Gross profit/(loss)	31,893	28,267	85,306
Selling costs	-	-	-
General and administrative expenses	(14,933)	(12,388)	(23,199)
Other operating income	17,423	1,810	7,885
Other operating expenses	(28,447)	(3,008)	(18,622)
Costs of restructuring	-	-	-
Operating profit/(loss)	5,936	14,681	51,370
Finance income	5,387	8,866	7,873
Finance expenses	(8,429)	(6,766)	(10,328)
Other gains/(losses) on investments	-	950	950
Pre-tax profit/(loss)	2,894	17,731	49,865
Income tax	(2,130)	(3,536)	(10,969)
Net profit/(loss) from continuing operations	764	14,195	38,896
<i>Discontinued operations</i>			
Net loss from discontinued operations			
Net profit/(loss)	764	14,195	38,896

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COMPREHENSIVE INCOME

Item	Jan 1–Jun 30 2010	Jan 1–Jun 30 2009	Jan 1–Dec 31 2009
Net profit/(loss)	764	14,195	38,896
Other comprehensive income			
Remeasurement of property, plant and equipment	-		
Available-for-sale financial assets:			
– income/(loss) disclosed under other comprehensive income in period	-		
– amounts transferred to profit or loss	-		
Cash-flow hedges:			
– income/(loss) disclosed under other comprehensive income in period	1,819	(29,894)	(6,876)
– amounts transferred to profit or loss	4,561	39,909	51,557
– amounts included in the initial value of hedged items	-		
Income tax on items of other comprehensive income	(1,212)	(1,903)	(8,489)
Total other comprehensive income after tax	5,168	8,112	36,192
Comprehensive income	5,932	22,307	75,088

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CHANGES IN EQUITY

Item							
	Share capital	Treasury shares (-)	Share premium account	Capital on valuation of cash-flow hedges	Other equity	Retained earnings (deficit)	Total
Balance as at Jan 1 2010	210,558		543,001	(7,271)	45,295	38,896	830,479
Changes in accounting policies							-
Correction of fundamental errors							-
Balance after changes	210,558	-	543,001	(7,271)	45,295	38,896	830,479
Changes in equity in period Jan 1 - Jun 30 2010							
Issue of shares							-
Issue of shares following exercise of options (share-based payment programme)							-
Valuation of options (share-based payment programme)							-
Other adjustments							-
Dividends							-
Allocation of profit/(loss) to equity					37,796	(38,896)	(1,100)
Total transactions with owners of the parent	-	-	-	-	37,796	(38,896)	(1,100)
Net profit for period Jan 1 – Jun 30 2010						764	764
Other comprehensive income:							
Remeasurement of property, plant and equipment							-
Cash-flow hedges				6,379			6,379
Income tax on items of other comprehensive income				(1,212)			(1,212)
Total comprehensive income	-	-	-	5,167		764	5,931
Transfer to retained earnings (sale of remeasured property, plant and equipment)							-
Balance as at Jun 30 2010	210,558	-	543,001	(2,104)	83,091	764	835,310

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CHANGES IN EQUITY (CONTINUED)

Item	Share capital	Treasury shares (-)	Share premium account	Capital on valuation of cash-flow hedges	Other equity	Retained earnings	Total
Balance as at Jan 1 2009	210,558	-	543,001	(43,463)	43,790	2,605.00	756,491
Changes in accounting policies				-	-	-	-
Correction of fundamental errors				-	-	-	-
Balance after changes	210,558	-	543,001	(43,463)	43,790	2,605	756,491
Changes in equity in period Jan 1 - Jun 30 2009							
Issue of shares	-	-	-	-	-	-	-
Issue of shares following exercise of options (share-based payment programme)	-	-	-	-	-	-	-
Valuation of options (share-based payment programme)	-	-	-	-	-	-	-
Other adjustments	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-
Allocation of profit/(loss) to equity	-	-	-	-	1,505	(2,605)	(1,100)
Total transactions with owners of the parent	-	-	-	-	1,505	(2,605)	(1,100)
Net profit for period Jan 1 – Jun 30 2009	-	-	-	-	-	14,195	14,195
Other comprehensive income:							
Remeasurement of property, plant and equipment	-	-	-	-	-	-	-
Available-for-sale financial assets	-	-	-	-	-	-	-
Cash-flow hedges	-	-	-	10,015	-	-	10,015
Income tax on items of other comprehensive income	-	-	-	(1,902)	-	-	(1,902)
Total comprehensive income	-	-	-	8,113	-	14,195	22,308
Transfer to retained earnings (sale of remeasured property, plant and equipment)							-
Balance as at Jun 30 2009	210,558	-	543,001	(35,350)	45,295	14,195	777,699

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STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Share capital	Treasury shares (-)	Share premium account	Capital on valuation of cash-flow hedges	Other equity	Retained earnings	Total
Balance as at Jan 1 2009	210,558	-	543,001	(43,463)	43,790	2,605.00	756,491
Changes in accounting policies		-	-	-	-	-	-
Correction of fundamental errors		-	-	-	-	-	-
Balance after changes	210,558	-	543,001	(43,463)	43,790	2,605	756,491
Changes in equity in period Jan 1 - Dec 31 2009							
Issue of shares	-	-	-	-	-	-	-
Issue of shares following exercise of options (share-based payment programme)	-	-	-	-	-	-	-
Valuation of options (share-based payment programme)	-	-	-	-	-	-	-
Other adjustments					-	-	-
Dividends					-	-	-
Allocation of profit/(loss) to equity					1,505	(2,605)	(1,100)
Total transactions with owners of the parent	-	-	-	-	1,505	(2,605)	(1,100)
Net profit for period Jan 1 – Dec 31 2009	-	-	-	-	-	38,896	38,896
Other comprehensive income:							
Remeasurement of property, plant and equipment	-	-	-	-	-	-	-
Financial assets available for sale	-	-	-	-	-	-	-
Cash-flow hedges	-	-	-	44,681	-	-	44,681
Currency translation differences on foreign operations	-	-	-	-	-	-	-
Share in other comprehensive income of undertakings valued with equity method	-	-	-	-	-	-	-
Income tax on items of other comprehensive income				(8,489)	-	-	(8,489)
Total comprehensive income	-	-	-	36,192	-	38,896	75,088
Transfer to retained earnings (sale of remeasured property, plant and equipment)							-
Balance as at Dec 31 2009	210,558	-	543,001	(7,271)	45 295	38,896	830,479

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CASH FLOWS

Item	Jan 1–Jun 30 2010	Jan 1–Jun 30 2009	Jan 1–Dec 31 2009
<i>Cash flows from operating activities</i>			
Profit before tax	2,894	17,731	49,865
Adjustments:	11,024	46,558	62,675
Amortisation of intangible assets	132	73	328
Impairment losses on goodwill	-	-	-
Impairment losses on property, plant and equipment	-	116	134
Depreciation of property, plant and equipment	4,219	4,475	8,754
Gains (losses) on disposal of non-financial non-current assets	111	(44)	(659)
Change in fair value of financial assets (liabilities) measured through profit or loss	452	(2,401)	(1,295)
Cash flow hedges transferred from equity	4,561	39,909	51,557
Change in fair value of investment property	-	-	(1,379)
Gains/(losses) on disposal of financial assets (other than derivative instruments)	-	(950)	(950)
Share in profit/(loss) of associated undertakings	-	-	-
Foreign exchange gains/(losses)	-	(96)	-
Interest expense	6,686	5,492	7,166
Interest received	(4,037)	-	(684)
Dividend received	-	-	(2)
Other adjustments	(1,100)	(16)	(295)
Cash provided by/(used in) operating activities before changes in working capital	13,918	64,289	112,540
Change in inventories	3,196	(328)	(26)
Change in receivables	50,200	(67,206)	(141,401)
Change in liabilities	(57,481)	25,014	175,773
Change in provisions and accruals and deferrals	2,622	1,551	5,088
Effect of construction contracts	(77,864)	(33,743)	(18,927)
Cash provided by/(used in) operating activities	(65,409)	(10,423)	133,047
Gains/(losses) on settlement of derivative instruments	(3,142)	(36,665)	(67,281)
Interest paid on operating activities	-	(95)	(164)
Income tax paid	(6,354)	(16,975)	(24,218)
Net cash provided by/(used in) operating activities	(74,905)	(64,158)	41,384
<i>Cash flows from investing activities</i>			
Acquisition of intangible assets	(23)	(36)	(146)
Disposal of intangible assets	-	-	-
Acquisition of property, plant and equipment	(1,138)	(2,885)	(5,644)
Disposal of property, plant and equipment	158	78	3,295
Acquisition of investment property	-	-	-
Disposal of investment property	-	-	-
Acquisition of held-to-maturity financial assets	-	-	-
Redemption of held-to-maturity financial assets	18,000	-	5,685
Acquisition of available-for-sale (held-for-trading) financial assets	-	-	-
Disposal of available-for-sale (held-for-trading) financial assets	-	-	-
Acquisition of held-for-trading financial assets	-	-	-
Disposal of held-for-trading financial assets	-	-	-

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Item	Jan 1–Jun 30 2010	Jan 1–Jun 30 2009	Jan 1–Dec 31 2009
Acquisition of subsidiary undertakings (net of acquired cash)	-		(5,000)
Disposal of subsidiary undertakings	-	1,910	9,000
Other expenses – additional contributions to equity	-		
Government subsidies received	-		
Loans advanced	(51,377)	(28,000)	(45,200)
Repayment of loans advanced	34,500		
Interest received	4,036		
Dividend received	-		2
Other inflows	547		
Other investment expenses	(250)		
Net cash used in investing activities	4,453	(28,933)	(38,008)
<i>Cash flows from financing activities</i>	-		
Net proceeds from issue of shares	-		
Acquisition of own shares	-		
Repayment of bonds	-		
Proceeds from issue of debt securities	-		
Interest paid on bonds	-		
Redemption of debt securities	-		
Increase in loans and borrowings	105,755	113,852	64,888
Repayment of loans and borrowings	(19,595)	(21,966)	(66,275)
Interest paid under loans and borrowings	(4,757)	(5,321)	(10,235)
Interest received on deposits	-		
Repayment of finance lease liabilities	(265)	-404	-731
Interest paid	(55)	(78)	(140)
Dividend paid	-		
Fees on loans	(97)	(145)	(322)
Other inflows	-		
Net cash provided by/(used in) financing activities	80,986	85,938	(12,815)
Net change in cash and cash equivalents	10,426	(7,153)	(9,439)
Cash and cash equivalents at beginning of period	38,728	48,167	48,167
Effect of foreign exchange gains/(losses)	-		
Cash and cash equivalents at end of period	49,154	41,014	38,728

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NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS

1. General Information

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

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

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

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

The Company holds the industry identification number REGON 910097080.

The Company's core business consists in the construction of other water engineering structures – PKD 4524B (Polish Classification of Business Activities). The duration of the Company is indefinite.

These interim condensed separate financial statements were approved for publication by the Company's Management Board on August 20th 2010.

2. Basis of Accounting and Accounting Policies

2.1. Basis for Accounting

These interim condensed separate financial statements of the Company cover the period of six months ended on June 30th 2010 and were prepared in accordance with IAS 34 *Interim Financial Reporting*.

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

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These interim condensed separate financial statements do not contain all information disclosed in the annual financial statements prepared in accordance with IFRS. These interim condensed financial statements should be read in conjunction with the Company's 2009 financial statements.

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

These interim condensed financial statements have been prepared on the assumption that the Company would continue as a going concern in the foreseeable future. As at the date of approval for publication of these condensed financial statements, no facts or circumstances exist that would indicate any threat to the Company continuing as a going concern.

2.2. Accounting Policies

These condensed financial statements were prepared in accordance with the accounting policies presented in the most recent financial statements of the Company for the year ended December 31st 2009.

Changes in standards and interpretations effective as of January 1st 2010 have no effect on these condensed financial statements.

2.3. Correction of Errors and Changes in Accounting Policies

These condensed financial statements do not contain any error corrections, which would affect the comparable financial data.

The Company made the following changes with respect to the presentation of financial information:

- items "Trade receivables" and "Other current receivables" were combined into a single item "Trade and other receivables",
- a new item "Loans advanced" (non-current and current) was created under "Other non-current assets" and "Other current assets",
- the item "Other non-current financial liabilities" was split into "Loans, borrowings and other debt instruments" (non-current), "Finance lease" (non-current), and "Other liabilities" (non-current),
- the item "Other current financial liabilities" was split into "Loans, borrowings and other debt instruments" (current), "Finance lease" (current), and "Trade and other payables" (current),
- items "Trade payables" and "Other current liabilities" were combined into a single item "Trade and other payables",
- liabilities under employee benefits were separated from "Other current liabilities" and moved to "Liabilities and provisions for employee benefits",
- the item "Provisions for employee benefits" was changed to "Liabilities and provisions for employee benefits" (non-current and current),
- in the financial information as at June 30th 2009, provisions for holidays were moved from "Current accruals and deferred income" to "Provisions for employee benefits".

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Presentation after the change			Presentation before the change		
Item	as at Jun 30 2009	as at Dec 31 2009	Item	as at Jun 30 2009	as at Dec 31 2009
Assets			Assets		
<i>Non-current assets</i>			<i>Non-current assets</i>		
Loans advanced	-	66	Other non-current financial assets	7,586	92
Other non-current financial assets	7,586	26			
<i>Current assets</i>			<i>Current assets</i>		
Trade and other receivables	371,729	441,684	Trade receivables	361,975	439,942
Loans advanced	28,555	46,648	Other current receivables	9,754	1,742
Other current financial assets	25,219	28,268	Other current financial assets	53,774	74,916
Equity and liabilities			Equity and liabilities		
<i>Current liabilities</i>			<i>Current liabilities</i>		
Trade and other payables	184,346	334,869	Trade payables	168,948	304,413
			Other current payables	15,398	37,656
Liabilities and provisions for employee benefits	11,478	8,573	Provisions for employee benefits	64	1,373
Current accruals and deferrals	269	2,075	Current accruals and deferrals	2,490	2,075

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Rounding:	All figures in PLN '000 (unless stated otherwise)		

3. Material Events and Transactions

Material events and transactions are described in the Directors' Report on the Company's operations which forms part of the H1 2010 interim report and which will be published together with these financial statements.

4. Earnings per Share (EPS)

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

When calculating diluted EPS, the dilutive effect of stock options over the Company shares, issued for the purposes of incentive schemes operated by the Company, is taken into account.

In the analysed period, no instruments with a dilutive effect on earnings per share were issued.

The EPS calculation is presented below:

	Jan 1 – Jun 30 2010	Jan 1 – Jun 30 2009	Jan 1 – Dec 31 2009
Continuing operations			
Net profit/(loss) from continuing operations	764	14,195	38,896
Weighted average number of ordinary shares	210,558,445	210,558,445	210,558,445
Dilutive effect of stock options	-	-	-
Diluted weighted average number of ordinary shares	210,558,445	210,558,445	210,558,445
Basic earnings/(loss) per share from continuing operations (PLN)	0.0036	0.0674	0.1847
Diluted earnings/(loss) per share from continuing operations (PLN)	0.0036	0.0674	0.1847
Discontinued operations			
Net profit/(loss) from discontinued operations	-	-	-
Weighted average number of ordinary shares	210,558,445	210,558,445	210,558,445
Dilutive effect of stock options	-	-	-
Diluted weighted average number of ordinary shares	210,558,445	210,558,445	210,558,445
Basic earnings/(loss) per share from discontinued operations (PLN)	-	-	-
Diluted earnings/(loss) per share from discontinued operations (PLN)	-	-	-
Continuing and discontinued operations			
Net profit/(loss)	764	14,195	38,896
Weighted average number of ordinary shares	210,558,445	210,558,445	210,558,445
Dilutive effect of stock options	-	-	-
Diluted weighted average number of ordinary shares	210,558,445	210,558,445	210,558,445
Basic earnings/(loss) per share from all operations (PLN)	0.0036	0.0674	0.1847
Diluted earnings/(loss) per share from all operations (PLN)	0.0036	0.0674	0.1847

5. Seasonality of Operations

As a provider of construction and assembly services, the Company is exposed to seasonal cycles. Historical data reveals a trading pattern where revenues and profits reported in the second half of a

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year are stronger than those posted in the first half. The H1 2010 sales revenue represented 45% of total sales recorded by the Company in the whole of 2009, and was significantly better than the figures posted in prior periods.

It is worth noting that if it had not been for the long, frosty and snowy winter, the achieved result would have been much better.

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

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

6. Operating Segments

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

The Company has selected the operating segment as its basic reporting pattern. Operating segments identified by the Company are consistent with those presented in the consolidated financial statements of the HBP Group and the parent undertaking, i.e. **PBG S.A.**

The Company distinguishes the following four main segments:

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

The following areas are identified within individual segments:

- **In the natural gas, crude oil and fuels segment:**

- surface installations for production of crude oil and natural gas,
- installations and facilities for liquefying and storage of natural gas and LNG regasification,
- separation and storage stations for LPG and C5+,
- storage and evaporating stations for LNG,
- underground gas storage facilities,
- desulphurisation units,
- surface installations of underground gas storage facilities,
- crude oil tanks,
- transmission systems for natural gas and crude oil, including:
 - pressure-reduction and measurement stations, measurement and settlement stations, mixing plants and distribution nodes, compressor stations, etc.,
 - fuel storage facilities.

- **In the water segment:**

- process and sanitary installations for water and sewage systems, including:
 - water pipes,
 - sewage systems,
 - water mains and trunk sewers,
 - water intakes,
 - wastewater treatment plants,
- hydraulic engineering structures, including:
 - water dams,
 - storage reservoirs,
 - levees,
- modernisation of water and sewage systems.

- **In the residential and industrial construction segment:**

- general construction,
- industrial infrastructure,
- construction of stadiums,
- construction of waste incineration plants.

- **In the segment of road construction:**

- road construction.

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

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

The tables below set forth data for the individual operating segments.

In H1 2010, no changes were made to the accounting policies adopted by the Company as regards the identification of operating segments or measurement of segment revenues, profits and assets, and presented in the Company's most recent annual financial statements.

Name of the entity:	HYDROBUDOWA POLSKA SPÓŁKA AKCYJNA		
Period covered by the financial statements:	January 1st–June 30th 2010	Reporting currency:	Polish złoty (PLN)
Rounding:	All figures in PLN '000 (unless stated otherwise)		

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

Item	Segments				Other	Total
	Natural gas, crude oil and fuels	Water	Industrial and residential construction	Road construction		
<i>Financial highlights of operating segments for the period January 1st–June 30th 2010</i>						
Total revenue	-	51,151	447,492	-	9,401	508,044
External sales		51,151	447,492		9,401	508,044
Inter-segment sales						-
Total expense	(44)	(52,842)	(419,345)		(3,920)	(476,151)
Segment result	(44)	(1,691)	28,147	-	5,481	31,893
<i>Financial highlights of operating segments for the period January 1st–June 30th 2009</i>						
Total revenue	24,245	185,643	175,462	(116)	6,080	391,314
External sales	24,245	185,643	175,462	(116)	6,080	391,314
Inter-segment sales						-
Total expense	(23,517)	(172,084)	(164,509)	(5)	(2,932)	(363,047)
Segment result	728	13,559	10,953	(121)	3,148	28,267
<i>Financial highlights of operating segments for the period January 1st–December 31st 2009</i>						
Total revenue	24,937	428,221	660,108	-	12,489	1,125,755
External sales	24,937	428,221	660,108		12,489	1,125,755
Inter-segment sales						-
Total expense	(34,837)	(401,027)	(597,549)		(7,036)	(1,040,449)
Segment result	(9,900)	27,194	62,559	-	5,453	85,306

Name of the entity:	<i>HYDROBUDOWA POLSKA SPÓŁKA AKCYJNA</i>		
Period covered by the financial statements:	<i>January 1st–June 30th 2010</i>	Reporting currency:	<i>Polish złoty (PLN)</i>
Rounding:	<i>All figures in PLN '000 (unless stated otherwise)</i>		

Name of the entity:	HYDROBUDOWA POLSKA SPÓŁKA AKCYJNA		
Period covered by the financial statements:	January 1st–June 30th 2010	Reporting currency:	Polish złoty (PLN)
Rounding:	All figures in PLN '000 (unless stated otherwise)		

The table below presents reconciliation of segment results to the Company's operating result disclosed in the income statement:

	Jan 1 – Jun 30 2010	Jan 1 – Jun 30 2009	Jan 1 – Dec 31 2009
Segment operating result	31,893	28,267	85,306
Adjustments:			
Other revenue unallocated to segments	17,423	1,810	7,885
Other expenses unallocated to segments (-)	(43,380)	(15,396)	(41,821)
Exclusion of result on inter-segment transactions			
Total adjustments	(25,957)	(13,586)	(33,936)
Operating profit (loss)	5,936	14,681	51,370
Finance income	5,387	8,866	7,873
Finance expense (-)	(8,429)	(6,766)	(10,328)
Profit (loss) on investments	-	950	950
Pre-tax profit (loss)	2,894	17,731	49,865

7. Property, Plant and Equipment

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

Item	as at Jun 30 2010	as at Jun 30 2009	as at Dec 31 2009
Land	2,754	3,480	2,727
Buildings and structures	22,004	23,074	22,290
Plant and equipment	30,605	36,136	33,157
Vehicles	16,107	17,831	16,901
Other	1,926	2,010	2,052
Net carrying value	73,396	82,531	77,127
Property, plant and equipment under construction	1,818	3,379	1,287
Prepayments for property, plant and equipment	57	57	68
Total property, plant and equipment	75,271	85,967	78,482
Property, plant and equipment classified as held for sale	-	-	-
Property, plant and equipment	75,271	85,967	78,482

Name of the entity:	HYDROBUDOWA POLSKA SPÓŁKA AKCYJNA		
Period covered by the financial statements:	January 1st–June 30th 2010	Reporting currency:	Polish złoty (PLN)
Rounding:	All figures in PLN '000 (unless stated otherwise)		

The table below presents movements in and impairment losses on property, plant and equipment:

Item	Land	Buildings and structures	Plant and equipment	Vehicles	Other	Property, plant and equipment under construction	Prepayments for property, plant and equipment	Total
<i>January 1st–June 30th 2010</i>								
Net carrying value as at Jan 1 2010	2,727	22,290	33,157	16,901	2,052	1,287	68	78,482
Increase attributable to acquisitions	38		230	248	45	531	(11)	1,081
Increase attributable to construction								-
Increase attributable to executed lease agreements				195				195
Increase attributable to reclassification from another asset category								-
Decrease attributable to disposal (-)	(11)		(6)		(6)			(23)
Decrease attributable to liquidation (-)			(139)	(99)	(7)			(245)
Decrease attributable to reclassification to another asset category (-)								-
Impairment losses (-)								-
Reversal of impairment losses								-
Depreciation (-)		(286)	(2,637)	(1,138)	(158)			(4,219)
Other changes								-
Net carrying value as at Jun 30 2010	2,754	22,004	30,605	16,107	1,926	1,818	57	75,271
<i>January 1st– June 30th 2009</i>								
Net carrying value as at Jan 1 2009	3,490	23,414	38,391	18,362	2,137	2,171	137	88,102
Increase attributable to acquisitions		6	590	162	53	1,324	(80)	2,055
Increase attributable to construction								-
Increase attributable to executed lease agreements				472				472
Increase attributable to reclassification from another asset category								-
Decrease attributable to disposal (-)	(10)	(9)	(4)	(5)				(28)
Decrease attributable to liquidation (-)			(20)	(21)	(2)			(43)
Decrease attributable to reclassification to another asset category (-)								-
Impairment losses (-)						(116)		(116)
Reversal of impairment losses								-
Depreciation (-)		(337)	(2,821)	(1,139)	(178)			(4,475)
Other changes								-

Name of the entity:	HYDROBUDOWA POLSKA SPÓŁKA AKCYJNA		
Period covered by the financial statements:	January 1st–June 30th 2010	Reporting currency:	Polish złoty (PLN)
Rounding:	All figures in PLN '000 (unless stated otherwise)		

Item	Land	Buildings and structures	Plant and equipment	Vehicles	Other	Property, plant and equipment under construction	Prepayments for property, plant and equipment	Total
Net carrying value as at Jun 30 2009	3,480	23,074	36,136	17,831	2,010	3,379	57	85,967
<i>January 1st– December 31st 2009</i>								
Net carrying value as at Jan 1 2009	3,490	23,414	38,391	18,362	2,137	2,171	137	88,102
Increase attributable to acquisitions	36	842	841	370	266	1 640	(69)	3,926
Increase attributable to construction								-
Increase attributable to executed lease agreements				570				570
Increase attributable to reclassification from another asset category								-
Decrease attributable to disposal (-)	(799)	(1,375)	(404)	(73)				(2,651)
Decrease attributable to liquidation (-)			(122)	(63)	(2)			(187)
Decrease attributable to reclassification to another asset category (-)						(3,283)		(3,283)
Impairment losses (-)						(134)		(134)
Reversal of impairment losses						893		893
Depreciation (-)		(591)	(5,549)	(2,265)	(349)			(8,754)
Other changes								-
Net carrying value as at Dec 31 2009	2,727	22,290	33,157	16,901	2,052	1,287	68	78,482

In the periods covered by these financial statements, the Company did not incur any liabilities to purchase property, plant and equipment.

Name of the entity:	HYDROBUDOWA POLSKA SPÓŁKA AKCYJNA		
Period covered by the financial statements:	January 1st–June 30th 2010	Reporting currency:	Polish złoty (PLN)
Rounding:	All figures in PLN '000 (unless stated otherwise)		

8. Intangible Assets

The table below presents intangible assets by type:

Item	as at Jun 30 2010	as at Jun 30 2009	as at Dec 31 2009
Trademarks			
Patents and licences	113	122	137
Computer software	161	330	246
Costs of development work			
Other intangible assets			
Net carrying value	274	452	383
Intangible assets under construction			
Prepayments for intangible assets			
Total intangible assets	274	452	383
Intangible assets classified as held for sale			
Intangible assets	274	452	383

In H1 2010, the Company acquired intangible assets totalling PLN 23 thousand (H1 2009: PLN 36 thousand, 2009: PLN 145 thousand).

Amortisation for H1 2010 was PLN 132 thousand (H1 2009: PLN 150 thousand, 2009: PLN 328 thousand).

In the periods covered by these financial statements, the Company:

- did not dispose of intangible assets
- did not recognise any impairment losses on intangible assets,
- did not incur any liabilities to purchase intangible assets.

9. Impairment Losses on Assets

The table below presents impairment losses on loans and receivables:

	Jan 1-Jun 30 2010	Jan 1-Jun 30 2009	Jan 1-Dec 31 2009
Impairment losses at beginning of period	21,993	11,542	11,542
Impairment losses recognised as cost in period	13,124	1,894	14,252
Reversed impairment losses recognised as revenue in period (-)	(15,263)	(1,045)	(3,524)
Impairment losses used (-)	(120)	(161)	(277)
Impairment losses at end of period	19,734	12,230	21,993

In H1 2010, the Company recognised impairment losses of PLN 13,124 thousand. These receivables are past due for more than six months and the Management Board believes that there is a high risk that they would **not** be recovered.

In H1 2010, the Company reversed impairment losses of PLN 15,263 thousand as a result of the settlement of past due receivables recognised as impairment losses in previous periods.

In the presented periods the Company did not recognise impairment losses on inventories.

10. Share Capital

In H1 2010, the Company did not issue shares or any other instruments which would have an effect on its share capital.

The tables below present details regarding Company share issues.

Name of the entity:	HYDROBUDOWA POLSKA SPÓŁKA AKCYJNA		
Period covered by the financial statements:	January 1st–June 30th 2010	Reporting currency:	Polish złoty (PLN)
Rounding:	All figures in PLN '000 (unless stated otherwise)		

Item	as at June 30 2010	as at June 30 2009	as at Dec 31 2009
Number of shares	210,558,445	210,558,445	210,558,445
Par value per share (PLN)	1	1	1
Share capital	210,558	210,558	210,558

Shares by series / issue	Total par value of series/issue	No. of shares	Issue price (PLN)	Registration date
Share capital as at Jan 1 2009	138,673	138,673,200	X	X
Series K ordinary bearer shares	35,000	35,000,000	1	May 28 2008
Series L ordinary bearer shares	36,885	36,885,245	1	Sep 30 2008
Share capital as at Jun 30 2009	210,558	210,558,445	X	X
Share capital as at Dec 31 2009	210,558	210,558,445	X	X
Share capital as at Jun 30 2010	210,558	210,558,445	X	X

11. Share-Based Payment Programmes

The Company does not operate any share-based payment programmes.

12. Dividends

No dividends were paid by the Company in H1 2010 or in the comparative periods.

13. Issue and Redemption of Debt Securities

In H1 2010, the Company did not issue or redeem any debt securities.

14. Liabilities and Provisions for Employee Benefits

The table below presents liabilities and provisions for employee benefits:

Item	Non-current liabilities and provisions			Current liabilities and provisions		
	as at Jun 30 2010	as at Jun 30 2009	as at Dec 31 2009	as at Jun 30 2010	as at Jun 30 2009	as at Dec 31 2009
Wages and salaries payable				3,557	3,299	3,351
Social security contributions payable				3,593	3,493	3,434
Provision for retirement severance payments	784	416	840	-	40	-
Provision for length-of-service awards	536	274	554	-	24	-
Provision for holidays in arrears	-	-	-	1,836	2,220	1,373
Other provisions for employee benefits	-	-	-	622	-	-
Other liabilities under employee benefits					2,402	415
Total liabilities and provisions for employee benefits	1,320	690	1,394	9,608	11,478	8,573

Name of the entity:	HYDROBUDOWA POLSKA SPÓŁKA AKCYJNA		
Period covered by the financial statements:	January 1st–June 30th 2010	Reporting currency:	Polish złoty (PLN)
Rounding:	All figures in PLN '000 (unless stated otherwise)		

The table below presents the amounts of and movements in provisions for employee benefits in the respective periods:

Item	Provision for retirement severance payments	Provision for length-of-service awards	Provision for holidays in arrears	Total
<i>January 1st–June 30th 2010</i>				
Provisions as at Jan 1 2010	840	554	1,373	2,767
Increase in provisions recognised as expense in period (new provisions)				-
Increase in provisions due to changes in accounting estimates			1,836	1,836
Release of provisions recognised as income in period (-)		(18)		(18)
Provisions used (-)	(56)		(1,373)	(1,429)
Decrease in provisions attributable to changes in accounting estimates				
Provisions as at Jun 30 2010, including:	784	536	1,836	3,156
- non-current provisions	784	536		1,320
- current provisions	-	-	1,836	1,836
<i>January 1st–June 30th 2009</i>				
Provisions as at Jan 1 2009	490	329	1,836	2,655
Increase in provisions recognised as expense in period (new provisions)				-
Increase in provisions due to changes in accounting estimates			384	384
Release of provisions recognised as income in period (-)				-
Provisions used (-)	(34)	(31)		(65)
Decrease in provisions attributable to changes in accounting estimates				
Provisions as at Jun 30 2009, including:	456	298	2,220	2,974
- non-current provisions	416	274		690
- current provisions	40	24	2,220	2,284
<i>January 1st–December 31st 2009</i>				
Provisions as at Jan 1 2009	490	329	1,836	2,655
Increase in provisions recognised as expense in period (new provisions)	413	293	1,489	2,195
Increase in provisions due to changes in accounting estimates				
Release of provisions recognised as income in period (-)				-
Provisions used (-)	(63)	(68)	(1,952)	(2,083)
Decrease in provisions attributable to changes in accounting estimates				
Provisions as at Dec 31 2009, including:	840	554	1,373	2,767
- non-current provisions	840	554	-	1,394
- current provisions		-	1,373	1,373

15. Other Provisions

The table below presents current and non-current provisions:

Name of the entity:	HYDROBUDOWA POLSKA SPÓŁKA AKCYJNA		
Period covered by the financial statements:	January 1st–June 30th 2010	Reporting currency:	Polish złoty (PLN)
Rounding:	All figures in PLN '000 (unless stated otherwise)		

Item	Non-current provisions			Current provisions		
	as at Jun 30 2010	as at Jun 30 2009	as at Dec 31 2009	as at Jun 30 2010	as at Jun 30 2009	as at Dec 31 2009
Provisions for warranty maintenance	3,557	2,530	3,416	1,309	627	1,037
Provision for losses on construction contracts	-	-	-	9	-	26
Total other provisions for liabilities, including:	3,557	2,530	3,416	1,318	627	1,063

The table below presents the amounts of provisions disclosed in the condensed financial statements and movements in the provisions in the respective periods:

Item	Provision for losses on construction contracts	Provision for warranty maintenance	Total
<i>January 1st–June 30th 2010</i>			
Provisions as at Jan 1 2010	26	4,453	4,479
Increase in provisions recognised as expense in period (new provisions)		1,185	1,185
Increase in provisions attributable to changes in accounting estimates			
Release of provisions recognised as income in period (-)	(17)		(17)
Provisions used (-)		(772)	(772)
Decrease in provisions attributable to changes in accounting estimates			
Provisions as at Jun 30 2010	9	4,866	4,875
- non-current provisions		3,557	3,557
- current provisions	9	1,309	1,318
<i>January 1st–June 30th 2009</i>			
Provisions as at Jan 1 2009		2,674	2,674
Increase in provisions recognised as expense in period (new provisions)		1,074	1,074
Increase in provisions attributable to changes in accounting estimates			
Release of provisions recognised as income in period (-)		(590)	(590)
Provisions used (-)			-
Decrease in provisions attributable to changes in accounting estimates			
Provisions as at Jun 30 2009, including:	-	3,158	3,158
- non-current provisions		2,530	2,530
- current provisions	-	627	627
<i>January 1st– December 31st 2009</i>			
Provisions as at Jan 1 2009		2,674	2,674
Increase in provisions recognised as expense in period (new provisions)	26	2,595	2,621
Increase in provisions attributable to changes in accounting estimates			
Release of provisions recognised as income in period (-)			-
Provisions used (-)		(816)	(816)
Decrease in provisions attributable to changes in accounting estimates			

Name of the entity:	HYDROBUDOWA POLSKA SPÓŁKA AKCYJNA		
Period covered by the financial statements:	January 1st–June 30th 2010	Reporting currency:	Polish złoty (PLN)
Rounding:	All figures in PLN '000 (unless stated otherwise)		

Provisions as at Dec 31 2009	26	4,453	4,479
- non-current provisions		3,416	3,416
- current provisions	26	1,037	1,063

16. Contingent Liabilities

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

Item	Jun 30 2010	Jun 30 2009	Dec 31 2009
Guarantees:	213,617	244,944	222,533
To related undertakings:	-	-	-
To other undertakings:	213,617	244,944	222,533
- performance bonds	172,125	212,108	183,247
- defects liability bonds	19,813	12,083	16,282
- bid-bond guarantees	18,883	5,450	12,550
- prepayment guarantees	1,365	13,889	7,135
- retention bonds	1,031	300	2,919
- payment guarantees	400	1,114	400
Sureties:	1,374,530	1,187,469	1,371,131
To related undertakings:	1,322,210	1,181,672	1,368,624
- securing discharge of contractual guarantees	426,484	414,028	427,025
- securing repayment of loans and borrowings	386,756	215,221	159,155
- securing bond redemption	500,000	200,000	500,000
- securing repayment of amounts due under financial instruments trading facilities (treasury limits)	5,853	327,340	272,863
- other	2,560	24,871	8,844
- securing existing and future lease agreements	557	212	737
To other undertakings:	52,320	5,797	2,507
- securing discharge of contractual guarantees	33,212	3,462	931
- securing repayment of loans and borrowings	16,750	1,525	1,175
- securing bond redemption	-	-	401
- securing repayment of amounts due under financial instruments trading facilities (treasury limits)	1,764	-	-
- other	-	760	-
- securing payment of trade payables	-	50	-
- securing existing and future lease agreements	594	-	-
Promissory notes:	14,919	21,253	15,603
To related undertakings:	13,293	19,387	15,543
- securing discharge of contractual obligations	13,293	19,387	15,543
To other undertakings:	1,626	1,866	60
- securing discharge of contractual obligations	1,626	1,866	60
Total contingent liabilities	1,603,066	1,453,666	1,609,267

17. Discontinued Operations

Not applicable.

18. Related-Party Transactions

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

AMOUNTS PAID TO KEY PERSONNEL

Item			
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Name of the entity:	HYDROBUDOWA POLSKA SPÓŁKA AKCYJNA		
Period covered by the financial statements:	January 1st–June 30th 2010	Reporting currency:	Polish złoty (PLN)
Rounding:	All figures in PLN '000 (unless stated otherwise)		

	Jan 1-Jun 30 2010	Jan 1-Jun 30 2009	Jan 1-Dec 31 2009
Amounts paid to management staff			
Current employee benefits	1,031	803	1,625
Benefits for employment termination	-	-	-
Post-employment benefits	-	-	-
Share-based payments	-	-	-
Other benefits	-	-	-
Total	1,031	803	1,625

TRANSACTIONS WITH RELATED UNDERTAKINGS – SALES AND RECEIVABLES

	Operating income			Receivables		
	Jan 1–Jun 30 2010	Jan 1–Jun 30 2009	Jan 1– Dec 31 2009	Jun 30 2010	Jun 30 2009	Dec 31 2009
Sales to:						
Parent undertaking	188	46,919	65,522	1,091	71,525	4,908
Subsidiary undertaking	8,286	10,612	31,542	27,588	52,714	26,943
Consolidated undertaking of the PBG Group	8,735	10,358	59,486	4,442	41,534	40,212
Associated undertaking						
Joint venture						
Key management staff						
Other non-consolidated related parties	588	5,338	25,338	31,644	27,616	50,905
Total	17,797	73,227	181,888	64,765	193,389	122,968

TRANSACTIONS WITH RELATED UNDERTAKINGS – PURCHASES AND LIABILITIES

	Operating income			Receivables		
	Jan 1–Jun 30 2010	Jan 1–Jun 30 2009	Jan 1– Dec 31 2009	Jun 30 2010	Jun 30 2009	Dec 31 2009
Purchases from:						
Parent undertaking	1,042	10,398	109,062	23,237	46,919	48,606
Subsidiary undertaking	4,175	1,582	3,587	899	10,612	547
Consolidated undertaking of the PBG Group	73,611	39,318	101,383	30,727	10,358	33,814
Associated undertaking						
Joint venture						
Key management staff						
Other non-consolidated related parties	14,204	9,856	23,162	602	13,594	1,450
Total	93,032	61,154	237,194	55,465	81,483	84,417

TRANSACTIONS WITH RELATED UNDERTAKINGS – LOANS ADVANCED

	Jun 30 2010		Jun 30 2009		Dec 31 2009	
	Amount as per contact	Amount outstanding as at balance- sheet date	Amount as per contact	Amount outstanding as at balance- sheet date	Amount as per contact	Amount outstanding as at balance- sheet date
Loans advanced to:						
Parent undertaking						
Subsidiary undertaking	10,700	11,602	28,000	28,551	10,700	11,602
Consolidated undertaking of the						

Name of the entity:	HYDROBUDOWA POLSKA SPÓŁKA AKCYJNA		
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PBG Group						
Associated undertaking						
Joint venture						
Key management staff						
Other non-consolidated related parties	20,839	21,216			20,839	21,216
Total	31,539	32,818	28,000	28,551	31,539	32,818

19. Events Subsequent to the Balance-Sheet Date

The following events occurred subsequent to June 30th 2010, which were not required to be disclosed in these condensed financial statements for the first six months of 2010:

July 6th 2010

Material Agreement with Bank Pekao S.A. on Financing Construction of the Tarnów–Rzeszów Section of the A4 Motorway

On July 6th 2010, HBP S.A. jointly with other members of the of the PBG Group, i.e.: PBG S.A. and APRIVIA S.A. (several and joint debtors) executed a credit facility agreement with Bank Polska Kasa Opieki S.A. of Warsaw to finance the performance of the contract for construction of the Tarnów–Rzeszów Section of the A4 Motorway from the Krzyż Interchange to the Dębica Pustynia Interchange (from km 502+797.96 to approx. km 537+550).

The Parties agreed a maximum total credit facility limit of **PLN 220m**, which was divided into the following individual banking limits:

- Performance bond limit – up to PLN 44m, with expiry date falling not later than two months after the end of the construction period, but in any case not later than December 31st 2012, and after the performance bond is replaced with a defects liability bond – up to PLN 13,200,000 for a period of 62 months after the end of the construction period, but in any case expiring not later than December 31st 2017;
- Credit limit – up to PLN 176m, under which guarantees and letters of credit in the złoty or the euro may be issued up to a total amount equivalent to PLN 40m. The amount drawn under the credit facility and other issued guarantees and letters of credit may not exceed the outstanding amount payable under the contract and attributable to the PBG Group, and the final settlement date may not exceed two months after the end of the construction period, but in any case (including in the case of exercising the extension option) may not fall later than on December 31st 2012.

The final repayment date of the credit facility was set at June 30th 2013.

Under the agreement, the Companies will be able to use the following banking products:

- long-term performance bond for the amount of 5% of the Contract value, which will be subsequently replaced with a defects liability bond for the amount of 1.5% of the Contract value,
- medium-term revolving credit facility in the form of an overdraft facility, and
- short-term and medium-term guarantees or letters of credit related to the performance of the contract, including prepayment guarantees.

The credit facility is secured with:

- assignments of claims;
- powers of attorney to the Companies' accounts held with the Bank;
- the Borrower's representation on voluntary submission to enforcement, joint and several surety;
- accession to the credit facility and surety issued by PBG S.A. and APRIVIA S.A. together with a representation on submission to enforcement or a joint and several surety;
- cash security deposit in the Bank's account, established in respect of other guarantees or letters of credit whose maturity would exceed, for any reason, the Construction Period or the outstanding balance under the Contract to be paid by the General Directorate for National Roads and Motorways.

July 7th 2010

Material Agreement for the Construction of the Krzyż–Dębica Pustynia Section of the Tarnów–Rzeszów A4 Motorway,

On July 7th 2010, HBP S.A., acting as a consortium partner, and the General Directorate for National Roads and Motorways, represented by the General Directorate for National Roads and Motorways, Rzeszów Branch (the Principal) executed an agreement for the construction of the Tarnów–Rzeszów A4

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Motorway (from the Krzyż interchange to the Dębica Pustynia interchange; km 502+797.96 to about km 537+550).

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

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

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

1) PBG S.A., APRIVIA S.A. and HBP S.A. deliver and are responsible for 50% of the scope of work under the project;

2) SIAC Construction Ltd delivers and is responsible for 50% of the scope of work under the project.

July 22nd 2010

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

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

The contract price was agreed at **PLN 144,771,027.99 (VAT exclusive)** and the completion date at December 31st 2011.

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

- P.R.G. METRO Sp. z o.o. as the consortium leader will deliver 40% of the scope of work under the project and will be responsible for work coordination,

- HYDROBUDOWA 9 S.A. as a consortium partner will deliver 40% of the scope of work under the project,

- HBP S.A. as a consortium partner will deliver 15% of the scope of work under the project,

- INFRA S.A. as a consortium partner will deliver 5% of the scope of work under the project.

July 30th 2010

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

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

The accepted contract price is **PLN 777,239,570.60 (VAT exclusive)**; PLN 948,232,276.21 VAT inclusive).

The contract provides for a performance bond in the form of a bank guarantee with the value equal to 5% of the gross contract price.

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

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

1) ALPINE Bau GmbH as the consortium leader is obliged to deliver and is responsible for 60% of the scope of work under the project;

2) PBG S.A., APRIVIA S.A. and HBP S.A., as consortium partners, are obliged to deliver and are responsible for 40% of the scope of work under the project.

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20. Other Material Changes to Assets, Liabilities, Revenues and Costs

20.1. Trade and Other Receivables

NON-CURRENT RECEIVABLES

Item	as at Jun 30 2010	as at Jun 30 2009	as at Dec 31 2009
Financial assets			
Financial receivables	1,231	3,572	1,267
Trade receivables	1,276	3,683	1,312
Impairment losses on trade receivables (-)	(45)	(111)	(45)
Trade receivables (net)	1,231	3,572	1,267
Receivables on sale of property, plant and equipment			
Receivables under finance lease			
Other financial receivables			
Impairment losses on other receivables (-)			
Other financial receivables (net)			
Non-financial assets			
Non-financial receivables	-	-	-
Tax and other benefits receivable			
Prepayments and advances			
Other non-financial receivables			
Total non-current receivables	1,231	3,572	1,267

CURRENT RECEIVABLES

Item	as at Jun 30 2010	as at Jun 30 2009	as at Dec 31 2009
Financial assets			
Financial receivables	355,740	345,883	418,019
Trade receivables	373,766	354,611	437,752
Impairment losses on trade receivables (-)	(18,306)	(10,174)	(20,467)
Trade receivables (net)	355,460	344,437	417,285
Receivables on sale of property, plant and equipment	150	10	586
Receivables under court proceedings		213	60
Other financial receivables	130	1,436	148
Impairment losses on other receivables (-)		(213)	(60)
Other financial receivables, net	280	1,446	734
Non-financial receivables	35,421	25,846	23,665
VAT receivable	25,786		
Taxes, customs duties and subsidies receivable			
Prepayments and advances	8,820	18,379	23,242
Settlements with employees	318	1,545	1,596
Other non-financial receivables, gross	1,243	6,912	(389)
Impairment losses	(746)	(990)	(784)
Total receivables	391,161	371,729	441,684

Name of the entity:	HYDROBUDOWA POLSKA SPÓŁKA AKCYJNA		
Period covered by the financial statements:	January 1st–June 30th 2010	Reporting currency:	Polish złoty (PLN)
Rounding:	All figures in PLN '000 (unless stated otherwise)		

20.2. Trade and Other Liabilities

NON-CURRENT LIABILITIES

Item	as at Jun 30 2010	as at Jun 30 2009	as at Dec 31 2009
Financial liabilities	5,287	4,320	5,688
Trade payables	3	3	32
Liabilities under purchase of property, plant and equipment	-	-	-
Retained amounts (security deposits)	5,283	4,316	5,654
Other financial liabilities	1	1	2
Non-financial liabilities	-	-	-
Tax and other benefits payable	-	-	-
Prepayments and advances received for deliveries	-	-	-
Prepaid construction services	-	-	-
Other non-financial liabilities	-	-	-
Total liabilities	5,287	4,320	5,688

CURRENT LIABILITIES

Item	as at Jun 30 2010	as at Jun 30 2009	as at Dec 31 2009
Financial liabilities	249,122	153,192	299,164
Trade payables	232,978	137,689	278,591
Liabilities under purchase of property, plant and equipment	99	418	247
Liabilities under investment purchases	-	-	-
Retained amounts (security deposits)	15,709	14,342	19,499
Other financial liabilities	336	743	827
Non-financial liabilities	27,975	31,154	35,705
VAT payable	22,048	13,266	28,284
Tax, customs duties and subsidies payable	1,039	875	1,013
Prepayments and advances received for deliveries	-	-	-
Prepaid construction services	4,856	16,917	6,323
Other non-financial liabilities	32	96	85
Total liabilities	277,097	184,346	334,869

20.3. Construction Contracts

CONSTRUCTION CONTRACTS

Item	as at Jun 30 2010	as at Sep 30 2009	as at Jun 30 2010
Revenue as Initially agreed in the contracts	2,326,762	3,164,683	2,667,290
Change	28,420	37,233	6,812
Total revenue under the contracts	2,355,182	3,201,916	2,674,102
Costs incurred by the balance-sheet date	1,616,042	1,377,033	1,438,218
Costs to be incurred by the contract completion	516,889	1,619,281	930,393
Estimated total cost of the contracts	2,132,931	2,996,314	2,368,611
Estimated profit	222,251	205,602	305,491
Percentage of completion as at the balance-sheet date	75.77%	45.96%	60.72%

Name of the entity:	HYDROBUDOWA POLSKA SPÓŁKA AKCYJNA		
Period covered by the financial statements:	January 1st–June 30th 2010	Reporting currency:	Polish złoty (PLN)
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Prepayments received as at the balance-sheet date	-	17,638	10,401
Prepayments that can be set off with receivables under construction contracts	-	720	4,076
Retentions total	7,214	14,628	10,732
Costs incurred by the balance-sheet date related to the contract performance	1,616,042	1,377,033	1,438,218
Profit or loss recognised as at the balance-sheet date	184,122	106,432	218,582
Revenue estimated as at the balance-sheet date	1,800,164	1,483,465	1,656,800
Amounts invoiced as at the balance-sheet date	1,408,123	1,153,477	1,338,545
Receivables under the contracts as at the balance-sheet date	394,269	338,292	320,868
Receivables under the contracts payable to the consortium as at the balance-sheet date			
Receivables under the contracts payable to the consortium as a whole as at the balance sheet date, reduced by prepayments that can be set off	394,269	337,572	316,792
Payables under the contracts as at the balance-sheet date	2,228	8,304	2,613

ESTIMATES

Item	Jan 1–Jun 30 2010	Jan 1–Jun 30 2009	Jan 1–Dec 31 2009
Revenue as initially agreed in the contracts	2,326,762	3,164,683	2,667,290
Change in revenue under the contracts	28,420	37,233	6,812
Total revenue under the contracts	2,355,182	3,201,916	2,674,102
Costs incurred by the balance-sheet date	1,616,042	1,377,033	1,438,218
Costs to be incurred by the contract completion	516,889	1,619,281	930,393
Estimated total cost of the contracts	2,132,931	2,996,314	2,368,611
Estimated total profit (loss) under the construction contracts, including:	222,251	205,602	305,491
profit	226,891	205,637	310,147
loss (-)	(4,640)	(35)	(4,656)

20.4. Operating Income and Expenses

COSTS BY TYPE

Item	Jan 1–Jun 30 2010	Jan 1–Jun 30 2009	Jan 1–Dec 31 2009
Depreciation/amortisation	4,351	4,625	9,082
Materials and energy used	58,257	58,625	160,877
Contracted services	389,736	250,857	816,178
Taxes and charges	2,471	2,813	6,325
Employee benefits	35,364	33,255	66,939
Other costs by type	3,956	3,514	11,378
Total costs by type	494,135	353,689	1,070,779
Administrative expenses	(14,933)	(12,388)	(23,199)
Change in products, production in progress (-)	10,381	31,273	10,850
Cost of products and services for own needs			
Cost of sales	489,583	372,574	1,058,430

OTHER OPERATING INCOME

Name of the entity:	HYDROBUDOWA POLSKA SPÓŁKA AKCYJNA		
Period covered by the financial statements:	January 1st–June 30th 2010	Reporting currency:	Polish złoty (PLN)
Rounding:	All figures in PLN '000 (unless stated otherwise)		

Item	Jan 1-Jun 30 2010	Jan 1-Jun 30 2009	Jan 1-Dec 31 2009
Gain on disposal of non-financial non-current assets	-	44	660
Fair-value measurement of investment property	-	-	1,379
Reversals of impairment losses on receivables	15,263	1,025	3,164
Reversals of impairment losses on inventories	-	-	-
Fines and damages received	1,369	-	-
Reimbursement of court expenses	214	-	21
Revenue from investment property	577	-	-
Fines and damages obtained	-	741	2,555
Other	-	-	106
Total other operating income	17,423	1,810	7,885

OTHER OPERATING EXPENSES

Item	Jan 1-Jun 30 2010	Jan 1-Jun 30 2009	Jan 1-Dec 31 2009
Loss on disposal of non-financial non-current assets	111	-	-
Fair-value measurement of investment property	-	-	-
Impairment losses on property, plant and equipment and intangible assets	-	-	-
Impairment losses on receivables	12,794	1,156	13,287
Impairment losses on inventories	-	-	-
Provisions for fines and damages	-	-	-
Fines and damages paid	14,692	1,571	3,929
Donations granted	405	-	1,087
Other	445	281	319
Total other operating expenses	28,447	3,008	18,622

20.5. Finance Income and Expenses

FINANCE INCOME

Item	Jan 1-Jun 30 2010	Jan 1-Jun 30 2009	Jan 1-Dec 31 2009
<i>Interest income from financial instruments not measured at fair value through profit or loss:</i>			
Cash and cash equivalents (deposits)	275	225	405
Loans and receivables	4,208	1,220	2,212
Debt securities held to maturity	897	1,286	2,644
Interest income from financial instruments not measured at fair value through profit or loss	5,380	2,731	5,261
<i>Gains on valuation and settlement of financial instruments measured at fair value through profit or loss:</i>			
Derivatives held for trading	-	-	-
Derivative hedging instruments	-	1,094	1,109
Shares of listed companies	-	-	-
Debt securities	-	-	-
Investment fund units	-	-	-
Gains on valuation and settlement of financial instruments measured at fair value through profit or loss	-	1,094	1,109
<i>Foreign exchange gains/(losses):</i>			

Name of the entity:	HYDROBUDOWA POLSKA SPÓŁKA AKCYJNA		
Period covered by the financial statements:	January 1st–June 30th 2010	Reporting currency:	Polish złoty (PLN)
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Cash and cash equivalents	-	5,785	12,466
Loans and receivables	-	915	(10,409)
Financial liabilities measured at amortised cost	-	(1,665)	(1,162)
Foreign exchange gains/(losses)	-	5,035	895
Gains on available-for-sale assets transferred from equity	-	-	-
Dividend on available-for-sale financial assets	-	-	-
Reversals of impairment losses on loans	-	-	-
Reversals of impairment losses on held-to-maturity investments	-	-	-
Interest on financial assets covered by impairment charge	-	-	-
Other finance income	7	6	68
Other finance income (discount)	-	-	540
Total finance income	5,387	8,866	7,873

FINANCE EXPENSES

Item	Jan 1–Jun 30 2010	Jan 1–Jun 30 2009	Jan 1–Dec 31 2009
<i>Interest expense on financial instruments not measured at fair value through profit or loss:</i>			
Finance lease liabilities	56	-	-
Bank loans	2,632	3,679	5,799
Overdraft facilities	2,237	1,600	3,561
Loans other than bank loans	-	216	216
Debt securities	-	-	-
Trade and other payables	1,360	47	-
Interest expense on financial instruments not measured at fair value through profit or loss	6,285	5,542	9,576
<i>Losses on valuation and settlement of financial instruments measured at fair value through profit or loss:</i>			
Derivatives held for trading	-	-	-
Derivative hedging instruments	429	-	-
Shares of listed companies	23	-	-
Debt securities	-	-	-
Investment fund units	-	-	-
Losses on valuation and settlement of financial instruments measured at fair value through profit or loss	452	-	-
<i>Foreign exchange gains/(losses):</i>			
Cash and cash equivalents	(2,029)	-	-
Loans and receivables	3,567	-	-
Financial liabilities measured at amortised cost	(176)	-	-
Foreign exchange gains/(losses)	1,362	-	-
Losses on available-for-sale assets transferred from equity	-	-	-
Impairment losses on loans	-	-	696
Impairment losses on held-to-maturity investments	-	-	-
Impairment losses on available-for-sale financial assets	-	-	-
Other finance expenses	330	755	56
Other finance expenses (discount)	-	469	-
Total finance expenses	8,429	6,766	10,328

21. Other Legally Required Information (Key Items Translated into the Euro)

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

- exchange rate effective for the last day of the reporting period: June 30th 2010 – PLN/EUR 4.1458, June 30th 2009 – PLN/EUR 4.4696, December 31st 2009 – PLN/EUR 4.1082;

Name of the entity:	HYDROBUDOWA POLSKA SPÓŁKA AKCYJNA		
Period covered by the financial statements:	January 1st–June 30th 2010	Reporting currency:	Polish złoty (PLN)
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- average exchange rate for the period, calculated as the arithmetic mean of exchange rates effective for the last day of each individual month in the given period: January 1st – June 30th 2010: PLN/EUR 4.0042, January 1st – June 30th 2009: PLN/EUR 4.5184, January 1st – December 31st 2009: PLN/EUR 4.3406;
- The highest and the lowest exchange rate in the period: January 1st – June 30th 2010: PLN/EUR 3.8356 – 4.1735, January 1st – June 30th 2009: PLN/EUR 3.9170 – 4.8999, January 1st – December 31st 2009: PLN/EUR 3.9170 – 4.8999.

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

Name of the entity:	HYDROBUDOWA POLSKA SPÓŁKA AKCYJNA		
Period covered by the financial statements:	January 1st–June 30th 2010	Reporting currency:	Polish złoty (PLN)
Rounding:	All figures in PLN '000 (unless stated otherwise)		

Item	Jan 1–Jun 30 2010 PLN	Jan 1–Jun 30 2009 PLN	Jan 1–Dec 31 2009 PLN	Jan 1–Jun 30 2010 EUR	Jan 1–Jun 30 2009 EUR	Jan 1–Dec 31 2009 EUR
Income statement						
Sales revenue	508,044	391,314	1,125,755	126,878	86,605	259,355
Operating profit/(loss)	5,936	14,681	51,370	1,482	3,249	11,835
Pre-tax profit/(loss)	2,894	17,731	49,865	723	3,924	11,488
Net profit/(loss) from continuing operations	764	14,195	38,896	191	3,142	8,961
Net profit/(loss)	764	14,195	38,896	191	3,142	8,961
Earnings/(loss) per ordinary share (PLN / EUR)	0.0036	0.0674	0.1847	0.0009	0.0149	0.0426
Diluted earnings/(loss) per ordinary share (PLN / EUR)	0.0036	0.0674	0.1847	0.0009	0.0149	0.0426
PLN / EUR average exchange rate				4.0042	4.5184	4.3406
Statement of cash flows						
Net cash provided by/(used in) operating activities	(74,905)	(64,158)	41,384	(18,707)	(14,199)	9,534
Net cash provided by/(used in) investing activities	4,453	(28,933)	(38,008)	1,112	(6,403)	(8,756)
Net cash provided by/(used in) financing activities	80,986	85,938	(12,815)	20,225	19,020	(2,952)
Net change in cash and cash equivalents	10,426	(7,153)	(9,439)	2,631	(1,583)	(2,175)
PLN / EUR average exchange rate				4.0042	4.5184	4.3406

Item	Jun 30 2010 PLN	Jun 30 2009 PLN	Dec 31 2009 PLN	Jun 30 2010 EUR	Jun 30 2009 EUR	Dec 31 2009 EUR
Balance sheet						
Assets	1,376,804	1,291,746	1,348,017	332,096	289,007	328,128
Non-current liabilities	22,052	34,331	28,405	5,319	7,681	6,914
Current liabilities	519,442	479,716	489,133	125,294	107,329	119,063
Equity	835,310	777,699	830,479	201,483	173,997	202,152
Share capital	210,558	210,558	210,558	50,788	47,109	51,253
Number of shares	210,558,445	210,558,445	210,558,445	210,558,445	210,558,445	210,558,445
Weighted average number of ordinary shares	210,558,445	210,558,445	210,558,445	210,558,445	210,558,445	210,558,445
Diluted weighted average number of ordinary shares	210,558,445	210,558,445	210,558,445	210,558,445	210,558,445	210,558,445
Book value per share (PLN / EUR)	3.97	3.69	3.94	0.96	0.83	0.96
Dividend per share declared or paid (PLN / EUR)	-	-	-	-	-	-
PLN / EUR exchange rate as at end of period**				4.1458	4.4696	4.1082

Name of the entity:	HYDROBUDOWA POLSKA SPÓŁKA AKCYJNA		
Period covered by the financial statements:	January 1st–June 30th 2010	Reporting currency:	Polish złoty (PLN)
Rounding:	All figures in PLN '000 (unless stated otherwise)		

22. Approval for Publication

These interim condensed separate financial statements for the six months ended June 30th 2010 (along with comparative data) have been approved for publication by the Company's Management Board on August 20th 2010.

Signature of the person responsible for the preparation of these financial statements:

Date	Name	Position	Signature
August 20th 2010	Joanna Zwolak	Chief Accountant	

Signatures of all members of the Management Board:

Date	Name	Position	Signature
August 20th 2010	Jerzy Ciechanowski	President of the Management Board	
August 20th 2010	Edward Kasprzak	Vice-President of the Management Board	
August 20th 2010	Jarostaw Dusito	Vice-President of the Management Board	
August 20th 2010	Szymon Tamborski	Vice-President of the Management Board	
August 20th 2010	Rafał Damasiewicz	Member of the Management Board	
August 20th 2010	Andrzej Zwierzchowski	Member of the Management Board	