

**REPORT OF THE SUPERVISORY BOARD
ON ASSESSMENT OF
THE MANAGEMENT BOARD'S REPORT ON OPERATIONS OF THE
COMPANY
(THE ISSUER)
AND
FINANCIAL STATEMENTS OF
Przedsiębiorstwo Robót Inżynieryjnych "POL-AQUA" SA
with the registered office in Piaseczno
ul. Dworska 1
*for the year 2008***

The Management Board's Report on Operations of the Company (the Issuer) and the Financial Statements for the period from 01 January 2008 to 31 December 2008 of PRI "POL-AQUA" SA have been examined and audited by the audit company Korycka Budziak & Audytorzy Sp. z o.o. with the registered office in Warsaw at ul. Solec 22. The auditors who examined the Balance Sheet and the Profit and Loss Account presented their assessment in the opinion and report on the audit, by expressing their view on accuracy, correctness and fairness of the financial statements, as well as accuracy of the accounting records used as a basis for preparation of the financial statements. The audit included in particular assessment of the accounting principles (policies) and material estimates applied by the Company, examination of the accounting evidence and records supporting the figures and disclosures in the financial statements, as well as overall assessment of the financial statements. On the basis of the documents referred to above, as well as by performing its supervisory function during the financial year, i.e. from 1 January to 31 December 2008, the Supervisory Board of PRI "POL-AQUA" SA presents its assessment of the Management Board's Report on Operations of the Company (the Issuer) and assessment of the Financial Statements as to their consistency with the accounting records, documents, and actual state.

I. Organisation of accounting and accuracy of accounting records

1. The basis for opening the accounting records as of 01 January 2008 was the closing balance as at 31 December 2007 audited and approved by the General Meeting of Shareholders held on 30 June 2008.
2. The accounting records are maintained in a manner which ensures accurate and correct recording of all business transactions.
3. The manner and scope of internal audit at the Company ensures, in terms of content and formal compliance, full and complete presentation and documentation of all accounting operations.
4. The Balance Sheet and the Profit and Loss Account were prepared in accordance with the principles set forth in:
 - a) The Accounting Act of 29 September 1994 (consolidated text: Journal of Laws of 2002 No 76, item 694, as subsequently amended)
 - b) Regulation of the Minister of Finance of 19 February 2009 on current and periodical information disclosed by issuers of securities and conditions for recognising as equivalent the information required by the laws of a non-member state.

- c) Regulation of the Council of Ministers of 18 October 2006 on the scope of information disclosed in financial statements and consolidated financial statements, required to be included in an issue prospectus by the issuers which have their registered office in the Republic of Poland and are subject to Polish accounting standards (Journal of Laws of 2005 No. 209, item 1743).
5. The balance sheet total disclosed in the Balance Sheet as at 31 December 2008 amounted to PLN 1,125,531 thousand.
6. The Profit and Loss Account for the period from 1 January to 31 December 2008 shows a net loss of PLN 4,729 thousand.
7. The Statement of Changes in Equity of PRI "POL-AQUA" SA as at 31 December 2008 shows the equity of PLN 572,764 thousand.
8. The Cash Flow Statement for the period from 1 January 2008 to 31 December 2008 shows a decrease in cash by PLN 4,399 thousand.

II. Economic and financial standing of PRI "POL-AQUA" SA

In the period from 1 January to 31 December 2008, the Company's operations generated the following changes, volumes, and ratios determined on the basis of the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement:

1. The value of the Company's assets disclosed in the Balance Sheet increased from PLN 1,004,169k to PLN 1,125,531k, i.e. by 12.1%. The structure of the Company's assets does not show any significant changes except for long-term financial assets, which increased from PLN 118,837k at the year beginning to PLN 190,324k as at 31 December 2008. The aforementioned change was the result of acquiring the 79.99% shareholding at Mostostal Pomorze SA in Gdańsk and the 100% shareholding at TECO Sp. z o.o. in Wrocław.
2. The financing structure showed a significant increase of current liabilities to other entities from PLN 247,616k to PLN 402,061k, which are mainly driven by trade creditors and other financial liabilities. Other provisions increased from PLN 4,083k at the end of the previous year, to PLN 11,755k, and they include mainly provisions for corrective works and provisions for costs. At the same time, the Company recorded a decrease in long-term liabilities which decreased from PLN 86,519k to PLN 53,879k.
3. Sales revenues totalled PLN 951,228k for 2008 and were 50.4% higher than in the previous year. The structure of revenues did not change comparing to 2007 as it was dominated by revenues from sales of services. Other operating revenues of PLN 8,881k for 2008 represented 32.3% of the revenues disclosed last year, as the previous year's figure was strongly affected by the sale of receivables (PLN 19,980k). Financial revenues totalled PLN 5,711k in 2008 and were 27.3% higher than in 2007. In 2008, the financial revenues were shaped by two items: gains on disposal of investments and interest. All gains on disposal of investments were generated from transactions on financial instruments.
4. The sales costs totalled PLN 864,105k in 2008 and were 54.% up on the last year, i.e. the sales costs grew analogically to revenues. Other operating expenses amounted to PLN 37,105k and their most significant item (PLN 23,550k) was the goodwill

charge following the acquisition of the General Contractor Division in 2007. The operating expenses, which were PLN 16,282k in 2008, mostly represented revaluations of investments - financial instruments (PLN 10,057k) and interest (PLN 4,653k)..

5. Despite the significant increase of sales revenues in 2008, the Company recorded an operating loss of PLN 6,863k. The reasons for such loss were not the higher operating expenses, as their growth rate remained at a level similar to growth of revenues. The primary reason for the loss was the PLN 1,057k revaluation of forward contracts.
6. Due to the recorded operating loss and net loss, profitability ratios calculated on their basis showed negative values. The exceptions were the profit margin and the operating profit margin which are calculated based on the profit on sales of goods and products and the operating profit. The profit margin decreased from 11.7% in 2007 to 9.2% in 2008, while the operating profit margin went down from 5.2% to 0.7% respectively.

III. In consideration of the presented assessment of the economic and financial standing, as well as the economic potential of the Company, the Supervisory Board does not see any material threats that may negatively impact business operations of PRI "POL-AQUA" SA in 2009.

On the basis of the presented opinion of statutory auditors, as well as its own assessment, the Supervisory Board concludes that:

- The financial statements of PRI "POL-AQUA" SA for 2008 have been prepared in accordance with the accounting standards and applicable laws, and present a true view of the Company,
- The Management Board's Report on Operations of the Issuer (the Company) is complete in the meaning prescribed in article 49 section 2 of the Accounting Act of 29 September 1994 (consolidated text: Journal of Laws of 2002 No. 76, item 694, as subsequently amended), complies with the Regulation of the Minister of Finance of 19 February 2009 on current and periodical information disclosed by issuers of securities and conditions for recognising as equivalent the information required by the laws of a non-member state (Journal of Laws No. 33, item 259), and the financial information presented in the report is consistent with disclosures in the Financial Statements.

The Supervisory Board's report on assessment of the Financial Statements for the period from 01 January 2008 to 31 December 2008 and the Management Board's Report on Operations of the Company (the Issuer) was concluded and signed.