CONSOLIDATED ANNUAL REPORT OF THE POL-AQUA CAPITAL GROUP

for the year ended on December 31, 2011

prepared in compliance with
International Financial Reporting Standards
Warsaw, March 20, 2012
TABLE OF CONTENTS

INTRODUCTION................................................................................................................... ...................................................................... 6

A. LETTER OF THE PRESIDENT OF THE MANAGEMENT BOARD OF PRZEDSIĘBIORSTWO ROBÓT
INŻYNIERYJNYCH „POL-AQUA” SPÓŁKA AKCYJNA IN WARSAW ......................................................... 7

B. SELECTED FINANCIAL DATA OF THE POL-AQUA CAPITAL GROUP ................................................................. 9

C. CONSOLIDATED FINANCIAL STATEMENT of the POL-AQUA Capital Group ......................................................... 10

D. REPORT ON THE OPERATIONS OF THE POL-AQUA CAPITAL GROUP ....................................................... 11

D.I. DESCRIPTION OF THE POL-AQUA CAPITAL GROUP .......................................................................................... 11

1. Description of the organisation of the Issuer’s Capital Group and consolidated entities ................................................ 11

1.1. Przedsiębiorstwo Robót Inżynieryjnych „POL-AQUA” Spółka Akcyjna in Warsaw – the Parent Company .............. 12

1.2. PA CONEX Spółka z ograniczoną odpowiedzialnością, a limited liability company with its registered office in
Gostynin - subsidiary; ................................................................................................................................. 13

1.3. PA Wyroby Betonowe Sp. z o.o., a limited liability company with its registered office in Elbląg - subsidiary ............ 14

1.4. MOSTOSTAL POMORZE S.A., a joint-stock company with its registered office in Gdańsk - subsidiary ................. 15

1.5. TECO Sp. z o.o., a limited liability company with its registered office in Wrocław ................................................ 16

1.6. “WENEDA” Sp. z o.o., a limited liability company with its registered office in Opole - subsidiary; ...................... 17

1.7. POL-AQUA WOSTOK Sp. z o.o. with its registered office in Moscow - subsidiary .................................................... 17

1.8. Sarnia Dolina Spółka z ograniczoną odpowiedzialnością - affiliated company ..................................................... 18

2. Corporate governing bodies of the Issuer and the POL-AQUA Capital Group ...................................................... 19

3. Ownership changes in the Parent Company of the POL-AQUA Capital Group ..................................................... 20

3.1. Changes in share capital ........................................................................................................................................... 20

3.2. Public Offering of the Issuer’s shares ........................................................................................................................ 21

4. In the event of securities issue within the period covered by the present report - description of the use by the Issuer of
proceeds from the shares issue until the preparation of the report on operations ......................................................... 21

5. Specification of total number and nominal value of all stocks (shares) of the Issuer as well as shares and stocks in the
Issuer’s related entities held by persons tasked with management and supervision (separately for each person) .............. 22

6. Information on agreements known to the Issuer (including agreements concluded after the balance-sheet date) as a
result of which changes can occur in the future in the proportions of shares held by current Shareholders and
Bondholders...................................................................................................................................................... 24

7. Information regarding the purchase of own shares (stocks) and, in particular, on the objectives of such purchase and
the number and nominal value thereof, with indication of the part of the share capital represented by such own shares
(stocks), the purchase price thereof as well as the selling price of these shares (stocks) in the case of disposal thereof .... 24

8. Information on the employee share programme control system ................................................................................. 24

9. Changes in the basic principles of the Issuer’s Capital Group management .................................................................. 24

10. Agreements concluded by and between the Issuer and persons performing management functions, providing for
compensation in the event of their resignation or dismissal from the occupied position for no significant reason, or in
the event that their resignation or dismissal results from the Issuer being acquired by another entity .................................. 24

11. The value of remuneration, awards and benefits, including those resulting from motivational or bonus programmes
based on the Issuer’s equity, including programmes based on senior or convertible bonds, subscription warrants (in
cash, in kind or any other form), distributed or due, separately for each member of management and supervisory staff
of the Issuer, irrespective of whether they were applied towards costs or resulted from profit distribution; if the Issuer
is a parent entity, a partner of a co-subsidiary or a major investor – separate information on the value of remuneration
and awards received on account of performing function in the governing bodies of subordinate entities ................ 25

12. Information on concluded agreements significant for the activity of the Capital Group, including agreements between
shareholders (partners), insurance agreements and agreements on cooperation known to the Group ............................ 27
12.1. Major trade agreements ................................................................................................................................. 27
12.2. Change in equity participation and changes in the ownership structure of companies from the POL-AQUA Capital Group .......................................................................................................................... 36
12.3. Other events.................................................................................................................................................. 38
13. Information on organisational and capital relations with other entities and specification of the total number of shares in associated entities ........................................................................................................... 46
13.1 purchase of minority shareholdings ...................................................................................................................... 46
14. Information on significant transactions concluded by the Issuer or its subsidiary with associated entities on non-arm’s length terms, along with the amounts thereof and information specifying the nature of these transactions ........................................................................................................... 48
15. Proceedings pending before courts, competent arbitration bodies or public administration authorities, including the information regarding: .............................................................................................................................................. 49
D.II. DESCRIPTION OF ACTIVITIES OF THE POL-AQUA CAPITAL GROUP ........................................................................ 52
1. Information about basic products, goods or services, stating their value and quantity as well as the share of products, goods and services (if relevant) or groups thereof in the total sales volume of the Issuer as well as any changes in this regard .............................................................................................................................................. 52
2. Specification of policy related to Capital Group’s Issuer development directions, including elements of market strategy .................................................................................................................................................. 54
3. Information on markets including breakdown into domestic and international markets, information on dependence on one or more customers, or if the share of a single customer equals or exceeds 10% of total sales revenues – specification of the name of the supplier or customer, its share in the sales volume or supply and its formal relations with the Issuer’s Capital Group .................................................................................................................................................. 55
4. Information on sources of production material, goods and services supply, including information about dependency on one or more suppliers, and if the share of one supplier equals or exceeds 10% of total sales revenues – supplier (company) name, the supplier’s share in total supply and the supplier’s formal relations with the Issuer .................................................................................................................................................. 55
5. Information on the most significant achievements in the area of research and development .................................................................................................................................................. 56
6. Information on environment-related issues .................................................................................................................................................. 56
7. Description of internal and external factors significant for the development of the Capital Group and description of significant risk factors and the degree of exposure of the Capital Group to such risk factors .................................................................................................................................................. 57
7.1. Internal and external factors influencing the development of the POL-AQUA Capital Group .................................................................................................................................................. 57
7.2. Risks and concerns .................................................................................................................................................. 58
8. Structure of assets and liabilities of the non-consolidated balance sheet from the viewpoint of liquidity of the Issuer’s Capital Group. Presentation of key economic and financial figures along with basic indicators .................................................................................................................................................. 61
8.1. Financial Results .................................................................................................................................................. 61
8.2. Analysis of assets of the POL-AQUA Capital Group .................................................................................................................................................. 63
8.3. Analysis of the sources of financing of the assets of the POL-AQUA Capital Group .................................................................................................................................................. 63
8.4. Analysis of basic economic indicators .................................................................................................................. 64
8.5. Cash flow statement analysis .............................................................................................................................................. 65
9. Description of factors and events, in particular factors and events of unusual nature, which had a major impact on the Issuer’s activities as well as its profits or losses made/incurred during the reporting period .................................................................................................................................................. 66
10. Explanation of differences between financial results presented in the report, and the previously published financial result forecasts for the given year .................................................................................................................................................. 66
11. Description of significant off-balance sheet entries, sorted by contracting party, subject and value .................................................................................................................................................. 66
12. Description of the structure of main capital deposits or investments made within the Capital Group in the given reporting period .................................................................................................................................................. 67
13. Evaluation of capability to achieve investment goals, including capital investments, in comparison to amount of funds held, including possible changes in the structure of financing of such activity .................................................................................................................................................. 67
14. Evaluation (along with statement of reasons) regarding financial resources management, with particular emphasis on the capability to fulfill obligations, as well as the specification of possible risks and activities undertaken or contemplated by the Issuer in order to counteract those risks................................................................. 68

15. Information about loan agreements concluded and terminated, along with an indication, in the very least, of the amount, type, interest rate, currency and maturity date of the loans in question................................................................. 68

16. Information on loans granted in the given financial year, with particular emphasis on loans granted to Issuer’s associated entities, including, in the very least, information on the amount, type, interest rate, currency and maturity date thereof................................................................. 72

17. Information on sureties and guarantees granted and received in the given financial year, with particular emphasis on sureties and guarantees granted to the Issuer’s associated entities................................................................. 73

17.2. Sureties received and granted - other entities...................................................................................................................................... 74

D.III OTHER INFORMATION........................................................................................................ .......................................................... 77

1. Information on employment ....................................................................................................................................................... 77

2. Information about agreements concluded with an entity authorised to audit financial statements (date of the agreement, subject matter of the agreement, amount of remuneration) ........................................................................................................................................ 77

2.1. Agreements concluded in 2011....................................................................................................................................................... 77

2.2. Agreements concluded in 2010....................................................................................................................................................... 79

E. STATEMENT OF THE MANAGEMENT BOARD ON THE APPLICATION OF CORPORATE GOVERNANCE........ 82

1. Specification: ........................................................................................................................................................................................................ 82

2. 2. Scope of divergence from corporate governance principles. Specification of the provisions and explanation of reasons for divergence ........................................................................................................................................ 82

3. Description of main features of internal control and risk management systems applied in the Issuer's enterprise with regard to the process of preparation of financial statements and consolidated financial statements ........................................................................................................................................ 87

4. 4. Specification of shareholders who directly or indirectly hold substantial blocks of shares along with indication of numbers of shares held by these entities, their percentage share in the share capital, number of votes stemming therefrom and percentage share in the general number of votes on the general shareholders meeting ........................................................................................................................................ 88

5. Specification of holders of all securities which confer special control authorisations in relation to the Issuer, along with the description of the authorisations in question........................................................................................................................................ 89

6. Specification of all restrictions with respect to the exercise of voting rights, such as limitations of voting rights imposed by holders of a specific part or amount of votes, time restrictions with respect to the exercise of voting rights or provisions according to which, subject to the cooperation of the company, the capital rights associated with securities are separated from the ownership of the said securities ........................................................................................................................................ 90

7. Specification of all restrictions concerning the transfer of ownership right to the Issuer's securities ........................................................................................................................................ 90

8. Description of rules concerning the appointment and dismissal of managers and the rights of the said managers, with particular emphasis on the right to adopt decisions on the issuance or redemption of shares ........................................................................................................................................ 90

9. Description of the principles governing the introduction of amendments to the Issuer's Articles of Association or Deed of Incorporation ........................................................................................................................................ 90

10. The manner of conducting the General Shareholders Meeting, the general powers thereof as well as the description of the rights of shareholders and the manner of exercise thereof, in particular the principles stemming from the General Shareholders Meeting regulations (if such regulations were adopted), provided that the above rules are not imposed by the provisions of applicable laws ........................................................................................................................................ 91

11. Personal composition and changes in that regard which occurred within the last financial year and the description of the operations of management, supervisory or administrative bodies of the Issuer and their respective committees ........................................................................................................................................ 91


G. DECLARATION OF THE MANAGEMENT BOARD ON THE SELECTION OF THE ENTITY AUTHORIZED TO AUDIT FINANCIAL STATEMENTS................................................................. 98

H. OPINION AND REPORT of the entity authorised to audit financial statements ........................................................................................................................................ 99
SCHEDULE OF TABLES

Table No. 1: Selected financial data of the POL-AQUA Capital Group ........................................................................................................................ 9
Table No. 2: Persons performing management and supervision tasks with respect to the Issuer who remain in possession of shares as at the day of publication of the present report ................................................................................................................. 22
Table No. 3: Persons performing management and supervision tasks with respect to the Issuer who remain in possession of shares as at the day of publication of the present report ................................................................................................................. 23
Table No. 4: Remuneration of P.R.I. „POL-AQUA” S.A. Management Board Members in 2011 ................................................................................................................. 25
Table No. 5: Remuneration of P.R.I. „POL-AQUA” S.A. Management Board Members in 2011 ................................................................................................................. 25
Table No. 6: Remuneration of P.R.I. „POL-AQUA” S.A. Management Board Members in 2010 ................................................................................................................. 26
Table No. 7: Remuneration of P.R.I. „POL-AQUA” S.A. Management Board Members in 2010 ................................................................................................................. 26
Table No. 8: Organisational and capital relations between the Issuer and its subsidiaries and affiliated entities (balance sheet value of shares and stocks of subsidiaries and affiliated companies of the POL-AQUA Capital Group as at December 31, 2011) ................................................................................................................. 46
Table No. 9: Selected items from the income statement of the POL-AQUA Capital Group ................................................................................................................. 61
Table No. 10: Structure and dynamics of sales revenues of the Capital Group .......................................................................................................................... 62
Table No. 11: Structure and dynamics of operating costs of the POL-AQUA Capital Group ............................................................................................................. 62
Table No. 12: Assets of P.R.I. „POL-AQUA” S.A. as at December 31, 2011 and December 31, 2010 ............................................................................................... 63
Table No. 13: Sources of financing of the assets of the POL-AQUA Capital Group as at December 31, 2011 and December 31, 2010 ................................................................................................................................. 64
Table No. 14: Return ratios ................................................................................................................................................................................................. 64
Table No. 15: Debt ratios ................................................................................................................................................................................................. 65
Table No. 16: Liquidity ratios ................................................................................................................................................................................................. 65
Table No. 17: Cash flow statement of the Capital Group ................................................................................................................................. 65
Table No. 18: Off-balance sheet items of the POL-AQUA Capital Group ............................................................................................................................. 66
Table No. 19: Contingent liabilities of the Issuer’s Capital Group sorted by categories ........................................................................................................ 67
Table No. 20: Liabilities related to loans as at December 31, 2011 ................................................................................................................................. 69
Table No. 21: Liabilities related to loans as at December 31, 2010 ................................................................................................................................. 70
Table No. 22: Loans granted ................................................................................................................................................................................................. 72
Table No. 23: Sureties (including avals) granted to associated entities ................................................................................................................................. 73
Table No. 24: Sureties (including avals) received from associated entities ................................................................................................................................. 73
Table No. 25: Sureties received from other entities ................................................................................................................................................ 74
Table No. 26: List of contingent liabilities, including guaranties and sureties (such as avals) granted by the Issuer’s Capital Group ................................................................................................................................. 75
Table No. 28: Shareholders holding at least 5% of the general number of votes on the General Meeting of Shareholders as at December 31, 2011 ................................................................................................................. 88
Table No. 29: Share capital and General Meeting vote structure as at the day of report publication ................................................................................................................................. 89

SCHEDULE OF CHARTS

Chart No. 1: Composition of the POL-AQUA Capital Group as at December 31, 2011 ................................................................................................................................. 11
INTRODUCTION

1. The Consolidated Annual Report of the POL-AQUA Capital Group for the year ended on December 31, 2011 includes:

A. Letter of the President of the Management Board of Przedsiębiorstwo Robót Inżynieryjnych „POL-AQUA” Spółka Akcyjna in Warsaw.
B. Selected financial data of the POL-AQUA Capital Group
C. The Consolidated Annual Statements of the POL-AQUA Capital Group for the year ended on December 31, 2011.
D. Report on the operations of the POL-AQUA Capital Group.
E. Statement of the Management Board on the application of the corporate governance principles.
G. Declaration of the Management Board on the selection of the entity authorised to audit financial statements.
H. Opinion and report of the entity authorised to audit the financial statements.

2. Period covered by the report and comparable data:

- Consolidated Financial Statements of the POL-AQUA Capital Group cover the period of 12 months, i.e. from January 1, 2011 to December 31, 2011
- For the data presented in the Consolidated Report on financial condition, comparable financial data was presented as at December 31, 2010.
- For the data presented in the Consolidated Income Statement, Consolidated Statement of comprehensive income, Consolidated Statement of changes in equity and Consolidated Statement of cash flows, comparable financial data were presented for the period from January 1, 2010 to December 31, 2010

3. Description of designations pertaining to the organisation of the POL-AQUA Capital Group

As at 31.12.11 the POL-AQUA Capital Group consisted of the following subsidiaries and affiliates:

- Przedsiębiorstwo Robót Inżynieryjnych “POL-AQUA” S.A., a joint-stock company with its registered office in Warsaw along with its branch offices - the Parent Company;
- PA CONEX Spółka z ograniczoną odpowiedzialnością, a limited liability company with its registered office in Gostynin - subsidiary;
- PA Wyroby Betonowe Spółka z ograniczoną odpowiedzialnością, a limited liability company with its registered office in Elblag - subsidiary;
- Mostostal Pomorze Spółka Akcyjna, a joint-stock company with its registered office in Gdańsk - subsidiary;
- TECO Spółka z ograniczoną odpowiedzialnością, a limited liability company with its registered office in Wrocław - subsidiary;
- Weneda Spółka z ograniczoną odpowiedzialnością, a limited liability company with its registered office in Opole - subsidiary;
- POL-AQUA WOSTOK Spółka z ograniczoną odpowiedzialnością, a limited liability company with its registered office in Moscow - subsidiary

The POL-AQUA Capital Group holds shares in Sarnia Dolina Spółka z.o.o., a limited liability company with registered office in Warsaw (the affiliated company).
A. LETTER OF THE PRESIDENT OF THE MANAGEMENT BOARD OF PRZEDSIĘBIORSTWO ROBÓT INŻYNIERYJNYCH „POL-AQUA” SPÓŁKA AKCYJNA IN WARSAW.

Dear Colleagues,

On behalf of the Management Board of the Company, I have the pleasure to present to you the Consolidated Report of the POL-AQUA Capital Group for year 2011.

The year 2011 was yet another year during which we have implemented the plan for sustainable development of our Company, our eyes set on a specific goal – to establish a lasting competitive advantage through a consistent implementation of organizational change, a professional human capital, the introduction of new technologies and the use of innovative solutions in the course of our projects.

We have taken actions aimed at optimizing the process of management of the entire Capital Group in order to prepare it for the challenges posed by the market as well as for the complex process of implementation of various investment projects within the next few years.

During last year we have performed an in-depth analysis of the risks associated with new projects that have appeared on the market, persuading specific investors to relinquish such contractual clauses which would result in the risks in question being transferred upon the Contractor for no valid reason. Wherever our proposals have met with an approval from the Investors, we have submitted our offers, some of which have later led to contracts being concluded. In other instances we have refrained from submitting our offers, thereby reducing contractual risks to a minimum.

Owing to the commitment of all employees of the POL-AQUA Capital Group - corporate officers, construction workers operating on building sites across the country as well as auxiliary services operatives, we have made consistent improvements to our cost control and financial reporting system, perfecting our quality management procedures in order to provide our Clients and Partners with the highest level of satisfaction from our common operations.

The reinforcement of our cooperation with our majority shareholder DRAGADOS S.A. as well as with companies from the Madrid-based ACS Group has allowed us to gain the capacity to submit our offers in large-size projects in the field of transport infrastructure, the energy industry and the general construction industry. As a result, we have established a project portfolio which allows for a stable operation of our Company and the sustainable development thereof.
Having regard to the satisfaction of our Shareholders, we shall carry on with our strategy of participation in a variety of investment projects for both public-sector clients and private investors as well as under Public-Private Partnership, so that the POL-AQUA Capital Group may play a significant role among the leading players in the Polish construction industry.

Best Regards,

Piotr Stanislaw Chelkowski
President of the Management Board of P.R.I. “POL-AQUA” S.A. in Warsaw
B. SELECTED FINANCIAL DATA OF THE POL-AQUA CAPITAL GROUP

Selected financial data of the POL-AQUA Capital Group for the year ended on 31 December 2011 and 2010 are presented in the tables below.

Table No. 1: Selected financial data of the POL-AQUA Capital Group

<table>
<thead>
<tr>
<th>SELECTED FINANCIAL DATA</th>
<th>in thousands PLN</th>
<th>in thousands EUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>I. Sales revenues</td>
<td>733,864</td>
<td>327,059</td>
</tr>
<tr>
<td>II. Gross profit (loss) on sales</td>
<td>36,301</td>
<td>5,968</td>
</tr>
<tr>
<td>III. Profit (loss) on operating activity</td>
<td>33,957</td>
<td>70,630</td>
</tr>
<tr>
<td>IV. Gross profit (loss)</td>
<td>29,485</td>
<td>72,590</td>
</tr>
<tr>
<td>V. Net profit (loss)</td>
<td>25,266</td>
<td>71,082</td>
</tr>
<tr>
<td>VI. Net cash flows on operating activities</td>
<td>(131,989)</td>
<td>2,088</td>
</tr>
<tr>
<td>VII. Net cash flows on operating activities</td>
<td>5,294</td>
<td>(341)</td>
</tr>
<tr>
<td>VIII. Net cash flows on operating activities</td>
<td>12,623</td>
<td>8,127</td>
</tr>
<tr>
<td>IX. Total net cash flows</td>
<td>(114,072)</td>
<td>(6,379)</td>
</tr>
<tr>
<td>X. Total assets</td>
<td>642,060</td>
<td>207,624</td>
</tr>
<tr>
<td>XI. Long-term and short-term liabilities</td>
<td>374,318</td>
<td>146,846</td>
</tr>
<tr>
<td>XII. Share capital</td>
<td>27,500</td>
<td>6,944</td>
</tr>
<tr>
<td>XIII. Equity</td>
<td>267,742</td>
<td>60,777</td>
</tr>
<tr>
<td>XIV. Number of shares</td>
<td>27,500,100</td>
<td>27,500,100</td>
</tr>
<tr>
<td>XV. Profit (loss) per one ordinary share</td>
<td>0,92</td>
<td>(2,58)</td>
</tr>
<tr>
<td>XVI. Average weighted number of shares</td>
<td>27,500,100</td>
<td>27,500,100</td>
</tr>
<tr>
<td>XVII. Accounting value per one share</td>
<td>9,74</td>
<td>2,21</td>
</tr>
</tbody>
</table>

Financial figures presented in EUR were converted based on the following principles:

1. individual asset and liability items - based on the average exchange rate of the National Bank of Poland valid as at the balance sheet date, i.e. December 31, 2011 – 4.4168; comparable data - based on the average exchange rate of the National Bank of Poland valid as at the balance sheet date, i.e. December 31, 2010 – 3.9603.

2. Individual items of the income statement and statement of cash flows were based on the exchange rate expressed as the arithmetic mean of the exchange rates of the National Bank of Poland valid as at the last day of each closed month, i.e. from January 1, 2011 to December 31, 2011 – 4.1401; comparable data were based on the exchange rate expressed as the arithmetic mean of the exchange rates of the National Bank of Poland valid as at the last day of each closed month, i.e. from January 1, 2010 to December 31, 2010 – 4.0044.

Piotr Stanisław Chełkowski
President of the Management Board

Eduardo Martínez Martínez
First Vice-President of the Management Board

Marek Sobiecki
Second Vice-President of the Management Board

Robert Stefan Molo
Member of the Management Board

Mario Serrano Villate
Member of the Management Board

Servando Sierra Martí
Member of the Management Board

Warsaw, March 20, 2012

Prepared on March 20, 2012
C. CONSOLIDATED FINANCIAL STATEMENT OF THE POL-AQUA CAPITAL GROUP

- presented in a separate file – Appendix No. 1, containing:

1. Consolidated income statements
2. Consolidated statement of comprehensive income
3. Consolidated statements of financial condition
4. Consolidated statements of cash flows
5. Consolidated statements of changes in equity
6. Accounting principles (policy) and additional explanatory notes.
D. REPORT ON THE OPERATIONS OF THE POL-AQUA CAPITAL GROUP

D.I. DESCRIPTION OF THE POL-AQUA CAPITAL GROUP

1. Description of the organisation of the Issuer’s Capital Group and consolidated entities

Przedsiębiorstwo Robót Inżynieryjnych “POL–AQUA” Spółka Akcyjna is the Parent Company in the POL-AQUA Capital Group. On December 31, 2011, the POL-AQUA Capital Group consisted of the following subsidiary entities:

*Chart No. 1: Composition of the POL-AQUA Capital Group as at December 31, 2011.*

Przedsiębiorstwo Robót Inżynieryjnych “POL–AQUA” S.A. in Warsaw

- PA Conex Sp. z o.o. in Gostynin
- PA Wyroby Betonowe Sp. z o.o. in Elbląg
- Mostostal Pomorze S.A. in Gdańsk
- TECO Sp. z o.o. in Wrocław
- Weneda Sp. z o.o. in Opole
- POL-AQUA WOSTOK Sp. z o.o. in Moscow

Przedsiębiorstwo Robót Inżynieryjnych „POL–AQUA” Spółka Akcyjna holds shares in Sarnia Dolina Spółka z o.o., a limited liability company with registered office in Warsaw (the affiliated company).
1.1. Przedsiębiorstwo Robót Inżynieryjnych „POL-AQUA” Spółka Akcyjna in Warsaw – the Parent Company

Przedsiębiorstwo Robót Inżynieryjnych „POL-AQUA” S.A., a joint-stock company with registered office in Warsaw, is entered into the National Court Register maintained by the District Court for the Capital City of Warsaw, 13th Commercial Division, under the number 0000044166.

Entity name
Przedsiębiorstwo Robót Inżynieryjnych „POL-AQUA” Spółka Akcyjna

Company Address 02-972 Warsaw, ul. Adama Branickiego 15

NIP (Tax Identification Number) 775-00-01-125

REGON No. 012783671

Contact details:
Phone number: (22) 201 73 00
Fax: (22) 201 73 10

Website: www.pol-aqua.com.pl

Przedsiębiorstwo Robót Inżynieryjnych “POL-AQUA” S.A. in Warsaw (hereinafter referred to as “P.R.I. ‘POL-AQUA’ S.A.”, “the Company”, “the Issuer”, “the Parent Entity”, “the Parent Company”) has the following branch offices:

➢ POL-AQUA S.A. General Contracting Works Branch
  ul. Na Piaskach 10, Flat 211
  80-846 Gdańsk;

➢ POL-AQUA S.A. General Contracting Works Branch – South
  No. Z 51, flat 48
  46-021 Brzezie n/Opole.

The Company started its business operations in July 1990 as a limited liability company under the name of Przedsiębiorstwo Robót Inżynieryjnych “POL–AQUA” Spółka z ograniczoną odpowiedzialnością.

On 1 October 1997, the Extraordinary General Meeting of Shareholders of P.R.I. “POL-AQUA” Sp. z o.o. adopted a resolution on changing the company’s legal form to a Joint-Stock Company and since that day the Company has been operating under the name of Przedsiębiorstwo Robót Inżynieryjnych “POL–AQUA” S.A. The share capital of the transformed Company amounted to PLN 10,493,400, divided into 104,934 shares with a nominal value of PLN 100 each, currently designated as A series shares.

By decision dated September 17, 2001, the Company was entered into the National Court Register maintained by the District Court for the Capital City of Warsaw, 14th Commercial Division of the National Court Register, under KRS number 0000044166.
On September 1, 2011, the District Court for the Capital City of Warsaw, 4th Commercial Division of the National Court Register, has made an entry concerning the merger of Przedsiębiorstwo Robót Inżynieryjnych „POL-AQUA” Spółka Akcyjna (the Acquiring Company) and PA ENERGOBUDOWA Sp. z o.o., a limited liability with registered office in Opole (the Acquired Company).

The composition of the corporate governing bodies of the Parent Company and the POL-AQUA Capital Group as at December 31, 2011 is presented under item E.11 of the report.

The Company provides services in the area of civil engineering, general, environmental and road construction as well as construction of fuel infrastructure (transportation pipelines for oil and gas). The Company provides complete underground utilities and road works for commercial facilities, housing developments, logistics centres, etc. In the area of construction works, P.R.I. “POL-AQUA” S.A. performs construction and engineering works related to the construction of infrastructure for land earmarked for development as well as the extension of existing municipal or communal infrastructure (e.g. water and sewage networks, heating networks, power supply networks, telecommunication networks). The Company carries out operations as a general contractor responsible for comprehensive implementation of construction projects and certain auxiliary activities. The Company also provides its services in the capacity of general contractor for projects covering residential/commercial/industrial buildings, public utility facilities, shopping centres, industrial and auxiliary plants, as well as services in the area of residential building and energy facility construction.

The Company has been listed on the Warsaw Stock Exchange since July 30, 2007.

The Parent Company of Przedsiębiorstwo Robót Inżynieryjnych „POL-AQUA” S.A. and the POL-AQUA Capital Group is DRAGADOS S.A., a company established under Spanish law with its registered office in Madrid, which owns 18,150,066 shares of the Issuer, i.e. 66% of the total number of votes at the General Meeting of P.R.I. “POL-AQUA” S.A.

DRAGADOS S.A. constitutes part of the Capital Group of ACS Actividades de Construcción y Servicios Sociedad Anónima (ACS S.A.) - a Spanish joint-stock company. ACS S.A. directly holds more than 99.9% of the shares in the share capital of DRAGADOS S.A. and, indirectly, less than 0.1% of DRAGADOS S.A. shares through its subsidiary named Comunidades Gestionadas S.A.

1.2. PA CONEX Spółka z ograniczoną odpowiedzialnością, a limited liability company with its registered office in Gostynin - subsidiary;

PA CONEX Sp. z o.o. (hereinafter referred to as “the company” or “PA CONEX Sp. z o.o.”) with its registered office in Gostynin, ul. Ziejkowa 2a

The company has been entered into the Register of Entrepreneurs of the National Court Register under KRS number 0000227327 pursuant to the decision dated January 28, 2005, issued by the District Court for the Capital City of Warsaw in Warsaw, 14th Commercial Division.

The company was incorporated into the POL–AQUA Capital Group on June 23, 2005.

The company performs its activities in the following fields:

- manufacture and installation of steel structures,
- manufacture of metal structural elements,
- construction works and repairs of industrial facilities and machinery.

The core activities of the company include the manufacture of steel structures and pressure equipment for the energy industry and fuel industry.
The share capital of PA CONEX Sp. z o.o. as at 31 December 2011 amounted to PLN 19,400,000 and consisted of 38,800 shares with nominal value of PLN 500.00 per share. As at the balance sheet date, P.R.I. “POL-AQUA” S.A. with its registered office in Warsaw was the sole owner of all shares in the company.

The Company's governing bodies are:

- The General Meeting of Shareholders,
- The Supervisory Board,
- The Management Board.

As at December 31, 2011, the composition of the Company's Supervisory Board was as follows:

- Mr Eduardo Martinez Martinez - Chairman of the Supervisory Board,
- Mr Marek Sobiecki - Vice-Chairman of the Supervisory Board,
- Mr Piotr Chełkowski - Member of the Supervisory Board.

As at December 31, 2011, the composition of the Company's Management Board was as follows:

- Mr Robert Soboń - President of the Management Board,
- Mr Krzysztof Nowak - First Vice-President of the Management Board.

1.3. PA Wyroby Betonowe Sp. z o.o., a limited liability company with its registered office in Elbląg - subsidiary

PA Wyroby Betonowe Sp. z o.o. (hereinafter referred to as “the company” or “PA Wyroby Betonowe Sp. z o.o.”) with its registered office in Elbląg, ul. Plk. Dąbka 215, was established on December 16, 2005. On December 22, 2005, PA Wyroby Betonowe Sp. z o.o. was entered into the Register of Entrepreneurs of the National Court Register maintained by the District Court in Olsztyn, 8th Commercial Division, under KRS number 0000247665.

PA Wyroby Betonowe Sp. z o.o. was incorporated into the POL–AQUA Capital Group on April 1, 2007.

The activities of the company include, among others:

- manufacture of ready-mix concrete,
- manufacture of FILIGRAN floor slabs,
- manufacture of round post-tensioned concrete tanks,
- manufacture of Żerań hollow core slabs, lintel bars.

The Company mostly sells its products in the Pomeranian and Warmian-Masurian Provinces. The aim of the Company is to strengthen its position on the local market and find possibilities of development within the structure of the Capital Group in the area of providing concrete products for the purposes of implementation of the executed projects.

As at the balance sheet date, the share capital of the company amounted to PLN 5,500,000 and was divided into 55 equal and indivisible shares with a nominal value of PLN 100,000 per share. As at December 31, 2011, P.R.I. “POL-AQUA” S.A. with its registered office in Warsaw, was the sole owner of all shares in the company.
The Company's governing bodies are:

- The General Meeting of Shareholders,
- The Supervisory Board,
- The Management Board.

As at December 31, 2011, the composition of the Company's Supervisory Board was as follows:

Mr Marek Sobiecki - Chairman of the Supervisory Board,
Mr Eduardo Martínez Martínez - Vice-Chairman of the Supervisory Board,
Mr Piotr Stanisław Chelkowski - Member of the Supervisory Board.

As at December 31, 2011, the Management Board was composed of the following individuals:

Mr Jan Wiśniewski - President of the Management Board,
Mr Józef Harasim - First Vice-President of the Management Board.

1.4. MOSTOSTAL POMORZE S.A., a joint-stock company with its registered office in Gdańsk - subsidiary

MOSTOSTAL POMORZE S.A. (hereinafter referred to as "the company" or "Mostostal Pomorze S.A.") with its registered office in Gdańsk, ul. Marynarki Polskiej 59, was established under the notarial deed dated November 5, 1998. Repertory A No. - 12494/98). The company was entered into Section B of the Commercial Register under number RHB 1330 pursuant to the decision of the District Court in Gdańsk on November 20, 1998. The company was entered into the National Court Register pursuant to the decision of the District Court in Gdańsk, 7th Commercial Division of the National Court Register dated October 24, 2001, under KRS number 0000055123.

The company was incorporated into the POL–AQUA Capital Group on January 2, 2008.

The activities of the company include, among others:

- comprehensive investment, modernisation and repair works in the mechanical and construction industry for the petrochemical and petroleum sector, fuel sector, energy sector and industrial construction sector,
- manufacture of structures, assembly of cranes and gantry cranes, both onshore and ship-mounted,
- prefabrication, assembly, anti-corrosion protection and loading of large-size oil rig components onto various types of watercraft.

From January 15, 2011, P.R.I. “POL-AQUA” S.A. holds 89.99% of shares in the share capital of the company.

The share capital as at December 31, 2011, amounted to PLN 5,700,000 and was divided into 570,000 shares with a nominal value of PLN 10.00 per share.

The Company's governing bodies are:

- The General Meeting,
- The Supervisory Board,
- The Management Board.
As at December 31, 2011, the composition of the Company's supervisory authority - the Supervisory Board - was as follows:

- Mr Marek Sobiecki - Chairman of the Supervisory Board,
- Ms Ewelina Popławsk - Secretary of the Supervisory Board,
- Mr Eduardo Martínez Martínez - Member of the Supervisory Board,

As at December 31, 2011, the composition of the Company's Management Board was as follows:

- Mr Józef Popławski - President of the Management Board,
- Mr Tomasz Pietrewicz - Vice President of the Management Board,
- Mr Eugeniusz Szubzda - Member of the Management Board.

1.5. **TECO Sp. z o.o., a limited liability company with its registered office in Wrocław**

**TECO Sp. z o.o.** (hereinafter referred to as “TECO Sp. z o.o.”) with its registered office in Wrocław, ul. Mydlana 1, was established pursuant to a Notarial Deed (Repertory A No. 2616/2001) as a result of the transformation of Teco Technical Consulting, a civil law partnership. By decision of the District Court for Wrocław-Fabryczna in Wrocław, 6th Commercial Division of the National Court Register dated May 23, 2001, the company was entered into the National Court Register under KRS number 0000014131.

The company was incorporated into the POL–AQUA Capital Group on July 21, 2008.

As at December 31, 2011, the share capital of the company amounted to PLN 1,247,000 and was divided into 2,494 equal and indivisible shares with a nominal value of PLN 500 per share. As at the balance sheet date, P.R.I. “POL-AQUA” S.A. with its registered office in Warsaw was the sole owner of all shares in the company.

TECO Sp. z o.o. primarily deals with: diagnostics and trenchless repairs of sanitary and rainwater channels, water pipes, deep water wells, pipelines, gas pipes and oil pipes.

The Company's governing bodies are:

- The General Meeting,
- The Supervisory Board,
- The Management Board.

As at December 31, 2011, the composition of the Company's Supervisory Board was as follows:

- Mr Marek Sobiecki - Chairman of the Supervisory Board,
- Mr Eduardo Martínez Martínez - Vice-Chairman of the Supervisory Board,
- Mr Robert Stefan Molo - Member of the Supervisory Board.

As at December 31, 2011, the composition of the Company's Management Board was as follows:

- Mr Zygmunt Robert Szablowski - President of the Management Board.

By resolution dated December 30, 2011, the Supervisory Board appointed Mr Ireneusz Polezyk as First Vice-president of the Management Board and Ms Urszula Kołodziejczyk as Member of the Management Board. The resolution entered into force as of January 1, 2012.
1.6.  “WENEDA” Sp. z o.o., a limited liability company with its registered office in Opole - subsidiary;

“WENEDA” Sp. z o.o. with its registered office in Opole, ul. 1-go Maja 77/1 (hereinafter referred to as “the company” or “Weneda Sp. z o.o.”) is entered into the Register of Entrepreneurs maintained by the District Court in Opole, 8th Commercial Division of the National Court Register under number 0000169081.

Weneda Sp. z o.o. was incorporated into the POL–AQUA Capital Group on April 1, 2007.

The core and actual business of the company comprises hotel and catering services - the management of the "WENEDA" hotel and restaurant in Opole.

The operations of Weneda Sp. z o.o. constitute secondary activities of the Capital Group.

The share capital as at December 31, 2011 amounted to PLN 3,440,000 and was divided into 34,400 equal and indivisible shares with a nominal value of PLN 100.00 per share. As at the balance sheet date, P.R.I. “POL-AQUA” S.A. with its registered office in Warsaw was the sole owner of all shares in the company.

The Company's governing bodies are:
- The General Meeting of Shareholders,
- The Supervisory Board,
- The Management Board.

As at December 31, 2011, the composition of the Company's supervisory authority - the Supervisory Board - was as follows:

Mr Marek Sobiecki - Chairman of the Supervisory Board.

On January 16, 2012, the Extraordinary Meeting of Shareholders appointed Mr Robert Stefan Molo and Mr Piotr Stanislaw Chelkowski as Members of the Supervisory Board.

As at December 31, 2011, the composition of the Company's Management Board was as follows:

Mr Lech Jan Kobluk - President of the Management Board.

1.7.  POL-AQUA WOSTOK Sp. z o.o. with its registered office in Moscow – subsidiary

On 21 September 2007, the company POL-AQUA WOSTOK Sp. z o.o. (hereinafter referred to as "the company" or "POL-AQUA WOSTOK Sp. z o.o.") was established by P.R.I. “POL-AQUA” S.A. and its business partners, in order to pursue activities comprising:
- extraction of oil and gas;
- engineering and general construction works.

The company was registered on October 12, 2007 and on the same day it was incorporated in the POL–AQUA Capital Group.

The registered office of the company is located in the Russian Federation - Moscow, ul. Nowokuzneckaja 9 b. 2.
The company is a subsidiary of the Issuer.
The share capital of the company amounts to RUB 10,000 (according to the valuation as at December 31, 2011, the aforementioned sum is the equivalent of PLN 1,046). The share of P.R.I. “POL–AQUA” S.A. in the share capital of the company amounts to PLN 533.46 (51%).

As at December 31, 2011, the operations of the company were controlled by:
Mr Dmitrijew Władysław Konstantinowicz - General Director.

On October 24, 2011 a resolution of the Meeting of Shareholders concerning the dissolution of POL-AQUA WOSTOK Sp. z o.o. with registered office in Moscow was adopted.

1.8. Sarnia Dolina Spółka z ograniczoną odpowiedzialnością - affiliated company
Sarnia Dolina Spółka z ograniczoną odpowiedzialnością (hereinafter referred to as “the company” or „Sarnia Dolina Sp. z o.o.”) with registered office in Warsaw, ul. Mokotowska 1 was established pursuant to the Notarial Deed dated October 6, 2006, and entered into Register No. 6189/2006. On 30 October 2006, the Company was entered into the Register of Entrepreneurs of the National Court Register maintained by the District Court, 12th Commercial Division of the National Court Register, under KRS number 0000266693.

The company was incorporated into the POL–AQUA Capital Group on September 24, 2009.

As at December 31, 2011, the share capital of the company amounted to PLN 50,000 and was divided into 100 equal and indivisible shares with a nominal value of PLN 500 per share. The Issuer holds 44% of shares in the company’s capital.

Sarnia Dolina Sp. z o.o. primarily deals with:
- general construction works,
- sale of houses and flats.

The Company's governing bodies are:
- The General Meeting,
- The Supervisory Board,
- The Management Board.

As at December 31, 2011, the composition of the Company's Supervisory Board was as follows:
Mr Leszek Piotr Nałęcz - Chairman of the Supervisory Board,
Mr Piotr Stanisław Chełkowski - Vice-Chairman of the Supervisory Board,
Mr Robert Badziak - Member of the Supervisory Board.

As at December 31, 2011, the composition of the Company's Management Board was as follows:
Mr Jarosław Wyszkowski - President of the Management Board,
Ms Grażyna Barańska - Vice-president of the Management Board.

PKO BP INWESTYCJE - Sarnia Dolina sp. z o.o. has changed its business name to: Sarnia Dolina Spółka z ograniczoną odpowiedzialnością. The other shareholder of the company in question - PKO BP
Inwestycje Spółka z ograniczoną odpowiedzialnością, has also changed its business name, which is now QUALIA Development Spółka z ograniczoną odpowiedzialnością.

2. Corporate governing bodies of the Issuer and the POL-AQUA Capital Group

Supervisory Board

As at the report publication date, the Management Board of P.R.I. “POL–AQUA” S.A. in Warsaw was composed of the following members:

<table>
<thead>
<tr>
<th>First and last names</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Piotr Stanisław Chelkowski</td>
<td>President of the Management Board</td>
</tr>
<tr>
<td>Eduardo Martinez Martinez</td>
<td>First Vice-President of the Management Board</td>
</tr>
<tr>
<td>Marek Sobiecki</td>
<td>Second Vice-President of the Management Board</td>
</tr>
<tr>
<td>Robert Stefan Molo</td>
<td>Member of the Management Board</td>
</tr>
<tr>
<td>Mario Serrano Villate</td>
<td>Member of the Management Board</td>
</tr>
<tr>
<td>Servando Sierra Martí</td>
<td>Member of the Management Board</td>
</tr>
</tbody>
</table>

Supervisory Board

As at the publication date of the present report, the Supervisory Board was composed of the following members:

<table>
<thead>
<tr>
<th>First and last names</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alfonso Costa Caudrench</td>
<td>Chairman of the Supervisory Board</td>
</tr>
<tr>
<td>Alberto Laverón Simavilla</td>
<td>Member of the Supervisory Board</td>
</tr>
<tr>
<td>Janusz Steinhoff</td>
<td>Member of the Supervisory Board</td>
</tr>
<tr>
<td>Krzysztof Gerula</td>
<td>Member of the Supervisory Board</td>
</tr>
</tbody>
</table>

General Meeting

According to the information held by the Management Board of P.R.I. „POL-AQUA” S.A., as at December 31, 2011 and as at the publication date of the present report, the data concerning shareholders holding substantial blocks of shares along with the indication of the number of shares held by such entities, their percentage stake in the share capital, number of votes stemming therefrom and their percentage share in the general number of votes on the General Meeting is presented in tables No. 28 and 29, item E. 4.
3. Ownership changes in the Parent Company of the POL-AQUA Capital Group

3.1. Changes in share capital

Since October 3, 1997 when the company’s legal form was transformed into a joint-stock company, P.R.I. “POL–AQUA” S.A. has been operating with a share capital in the amount of PLN 10,493,400, represented by 104,934 shares with a nominal value of PLN 100 each, currently designated as A series shares.

On January 12, 1998, the Extraordinary General Meeting of Shareholders, on the basis of the notarial deed prepared by Marek Majchrzak, Notary Public (Repertory no. A-70/98) adopted a resolution on increasing the Company’s equity up to PLN 16,000,000 by issuing 55,066 B series shares with a nominal value of PLN 100 each. Subsequently, on December 22, 1998, the Extraordinary General Meeting of Shareholders, on the basis of the notarized deed prepared by Marek Majchrzak, Notary Public (Repertory no. A-6287/98) adopted a resolution on increasing the Company’s share capital up to PLN 16,000,100 by issuing 1 C series share with a nominal value of PLN 100.

On February 27, 2006 the Extraordinary General Meeting of Shareholders adopted a resolution on changing the division of shares (stock split), as a result of which the share capital was divided into 16,000,100 (sixteen million one hundred) ordinary bearer shares with a nominal value of PLN 1.00 each. The amendment of the Company’s Articles of Association in this regard was registered by the District Court on March 15, 2006.

On August 1, 2006, the Extraordinary General Meeting of Shareholders of P.R.I. “POL–AQUA” S.A. adopted a resolution on increasing the Company’s share capital up to PLN 20,000,100 by issuing 4,000,000 preferred D series shares earmarked for Prokom Investments S.A. The adopted increase in share capital was registered on October 16, 2006. Subsequently, on May 28, 2007, the General Meeting of Shareholders adopted a resolution on the annulment of the preferred status of D series shares by amending the relevant provisions of the Company’s Articles of Association. On June 21, 2007 the District Court has adopted a decision on the registration of the amendments of the relevant provisions of the Company’s Articles of Association, including the annulment of the preferred status of D series shares.

On March 19, 2007, the Court entered into the register of entrepreneurs of the National Court Register the conditional increase of the Company’s equity performed by issuance of 5,000,000 ordinary E series bearer shares as well as issuance of 5,000,000 bearer subscription warrants in the form of private subscription earmarked in whole for Prokom Investments S.A. with the exclusion of subscription rights of the existing Shareholders. The conditional increase of share capital and the issuance of bearer subscription warrants were carried out on the basis of a resolution adopted by the Extraordinary General Meeting of Shareholders held on March 7, 2007. On April 23, 2007, 2,500,000 E series shares were issued and subsequently purchased by Prokom Investments S.A. in performance of the conditional equity increase and the rights resulting from A series subscription warrants. Subsequently, 500,000 B series subscription warrants were redeemed, while the remaining 2,000,000 B series subscription warrants were subscribed by Prokom Investments S.A. pursuant to the amended and unified contract dated March 30, 2007, which made the issuance and the subscription of shares mandatory. On June 6, 2007, in performance of its rights stemming from the B series warrants, Prokom Investments S.A. subscribed 2,000,000 E series shares.

On March 7, 2007 the Extraordinary General Meeting of Shareholders of P.R.I. “POL–AQUA” S.A. adopted a resolution on increasing the Company’s share capital by means of issuance of 3,000,000 ordinary F series bearer shares with a nominal value of PLN 1.00 each under public offer. On August 31, 2007 the District Court registered the share capital increase of the Company up to the amount of PLN 27,500,100.
In the first half of 2011 no changes in the share capital of the Company occurred. Therefore the share capital of P.R.I. „POL-AQUA” S.A. as at December 31, 2011 amounted to PLN 27,500,100, divided into 27,500,100 shares, including shares of the following series:

- A series: 10,493,400,
- B series: 5,506,600,
- C series: 100,
- D series: 4,000,000,
- E series: 4,500,000,
- F series: 3,000,000.

3.2. Public Offering of the Issuer’s shares

The Company has been listed on the Warsaw Stock Exchange since July 30, 2007.

The subject of the Public Offering announced in July 2007 was the subscription of 3,000,000 F series shares and the sale of 1,000,000 B series shares.

Gross receipts from the issue of 3,000,000 F series shares amounted to PLN 231,000,000.


On August 31, 2007, the District Court for the Capital City of Warsaw, 14th Commercial Division of the National Court Register, registered an increase in Company’s share capital carried out by means of issue of 3,000,000 ordinary F series bearer shares with a nominal value of PLN 1.00 each. The F series shares were admitted to public trading on August 31, 2007.

No public offering for the sale of shares was made by P.R.I. „POL-AQUA” S.A. in 2010 or 2011.

4. In the event of securities issue within the period covered by the present report - description of the use by the Issuer of proceeds from the shares issue until the preparation of the report on operations

As a result of the public offering for the sale of shares, carried out in 2007, the Company received proceeds in the amount of PLN 231,000,000 (net value: PLN 222,645,000).

For the purposes related to the financing of assumed investment and capital projects linked to the implementation of development strategy aimed at keeping the position of a leader in the construction industry, by the end of 2011 the Issuer has allocated funds in the amount of PLN 177,577,000.
5. Specification of total number and nominal value of all stocks (shares) of the Issuer as well as shares and stocks in the Issuer’s related entities held by persons tasked with management and supervision (separately for each person)

The total number and nominal value of all the shares of the Issuer held by members of the Issuer’s Management and Supervisory Board, as at 31.12.2011 and the publication date of these financial statements, are presented in the table below:

Table No. 2: Persons performing management and supervision tasks with respect to the Issuer who remain in possession of shares as at the day of publication of the present report

<table>
<thead>
<tr>
<th>First and last names</th>
<th>Position</th>
<th>Number of shares and stocks</th>
<th>Nominal value [in PLN]</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Persons performing management functions</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Piotr Chełkowski</td>
<td>President of the Management Board</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Eduardo Martínez Martínez</td>
<td>First Vice-President of the Management Board</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Marek Sobiecki</td>
<td>Second Vice-President of the Management Board</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Robert Stefan Molo</td>
<td>Member of the Management Board</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Mario Serrano Villate</td>
<td>Member of the Management Board</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Servando Sierra Martí</td>
<td>Member of the Management Board</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Persons performing supervisory functions</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Alfonso Costa Caudrench</td>
<td>Chairman of the Supervisory Board</td>
<td>indirectly, through links with DRAGADOS S.A., a shareholder of Company 1</td>
<td>indirectly, through links with DRAGADOS S.A., a shareholder of Company 1</td>
</tr>
<tr>
<td>José Puente García</td>
<td>Vice-Chairman of the Supervisory Board</td>
<td>indirectly, through links with DRAGADOS S.A., a shareholder of Company 1</td>
<td>indirectly, through links with DRAGADOS S.A., a shareholder of Company 1</td>
</tr>
<tr>
<td>Alberto Laverón Simavilla</td>
<td>Member of the Supervisory Board</td>
<td>indirectly, through links with DRAGADOS S.A., a shareholder of Company 1</td>
<td>indirectly, through links with DRAGADOS S.A., a shareholder of Company 1</td>
</tr>
<tr>
<td>Janusz Steinhoff</td>
<td>Member of the Supervisory Board</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Krzysztof Gerula</td>
<td>Member of the Supervisory Board</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

1. DRAGADOS S.A. owns 18,150,066 shares of P.R.I. “POL-AQUA” S.A., which constitutes 66% of the total number of votes on the Company’s General Meeting. For the above reason, DRAGADOS S.A., a Spanish company with its registered office in Madrid, pursuant to art. 4 § 1 item 4 letter A of the Commercial Companies Code has become the Parent Company of P.R.I. “POL-AQUA” S.A., which is now its subsidiary. Members of the Supervisory Board are linked – due to the positions they occupy – with the majority shareholder of the Company, i.e. DRAGADOS S.A. or with the Parent Company of DRAGADOS S.A. - ACS S.A., a leading company in the Spanish construction sector. The companies of the ACS S.A. Capital Group (Parent Entity of DRAGADOS S.A. which in turn is the main shareholder of P.R.I. “POL-AQUA” S.A.) carry out activities which to some extent are competitive in relation to the Issuer’s operations.

According to the information known to the Management Board of P.R.I. „POL-AQUA” S.A., the persons managing and supervising the Issuer’s operations did not hold shares or stocks in any related entities as at December 31, 2011.
The total number and nominal value of all the shares of the Issuer held by members of the Issuer’s Management and Supervisory Boards, as at the day of publication of the present report, are presented in the table below:

**Table No. 3: Persons performing management and supervision tasks with respect to the Issuer who remain in possession of shares as at the day of publication of the present report**

<table>
<thead>
<tr>
<th>First and last names</th>
<th>Position</th>
<th>Number of shares and stocks</th>
<th>Nominal value [in PLN]</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Persons performing management functions</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Piotr Chełkowski</td>
<td>President of the Management Board</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Eduardo Martínez Martínez</td>
<td>First Vice-President of the Management Board</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Marek Sobiecki</td>
<td>Second Vice-President of the Management Board</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Robert Stefan Molo</td>
<td>Member of the Management Board</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Mario Serrano Villate</td>
<td>Member of the Management Board</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Servando Sierra Martí</td>
<td>Member of the Management Board</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Persons performing supervisory functions</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Alfonso Costa Caudrench</td>
<td>Chairman of the Supervisory Board</td>
<td>indirectly, through links with DRAGADOS S.A., a shareholder of Company 1</td>
<td>indirectly, through links with DRAGADOS S.A., a shareholder of Company 1</td>
</tr>
<tr>
<td>Alberto Laverón Simavilla</td>
<td>Member of the Supervisory Board</td>
<td>indirectly, through links with DRAGADOS S.A., a shareholder of Company 1</td>
<td>indirectly, through links with DRAGADOS S.A., a shareholder of Company 1</td>
</tr>
<tr>
<td>Janusz Steinhoff</td>
<td>Member of the Supervisory Board</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Krzysztof Gerula</td>
<td>Member of the Supervisory Board</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

1 DRAGADOS S.A. owns 18,150,066 shares of P.R.I. “POL-AQUA” S.A., which constitutes 66% of the total number of votes on the Company’s General Meeting. For the above reason, DRAGADOS S.A., a Spanish company with its registered office in Madrid, pursuant to art. 4 § 1 item 4 letter A of the Commercial Companies Code has become the Parent Company of P.R.I. “POL-AQUA” S.A., which is now its subsidiary. Members of the Supervisory Board are linked – due to the positions they occupy – with the majority shareholder of the Company, i.e. DRAGADOS S.A. or with the Parent Company of DRAGADOS S.A. - ACS S.A., a leading company in the Spanish construction sector. The companies of the ACS S.A. Capital Group (Parent Entity of DRAGADOS S.A. which in turn is the main shareholder of P.R.I. “POL-AQUA” S.A.) carry out activities which to some extent are competitive in relation to the Issuer’s operations.

According to the information known to the Management Board of P.R.I. „POL-AQUA” S.A., the persons managing and supervising the Issuer’s operations did not hold shares or stocks in any related entities as at December 31, 2011.
6. **Information on agreements known to the Issuer (including agreements concluded after the balance-sheet date) as a result of which changes can occur in the future in the proportions of shares held by current Shareholders and Bondholders**

According to P.R.I. „POL-AQUA” S.A., there are no valid agreements that can lead to changes in the proportions of shares held by current Shareholders.

In 2011, the Parent Company has issued no bonds.

7. **Information regarding the purchase of own shares (stocks) and, in particular, on the objectives of such purchase and the number and nominal value thereof, with indication of the part of the share capital represented by such own shares (stocks), the purchase price thereof as well as the selling price of these shares (stocks) in the case of disposal thereof**

In 2011 and as at report publication date, P.R.I. “POL-AQUA” S.A. in Warsaw did not purchase any own stocks.

8. **Information on the employee share programme control system**

As at 31.12.2010 the Company did not have any employee share programmes.

9. **Changes in the basic principles of the Issuer’s Capital Group management**

The year 2011 saw many organizational and management changes in the POL-AQUA Capital Group.

The changes that were introduced were aimed at increasing the efficiency of operations and the competitiveness of the Group in the construction sector as well as in new construction-related fields of activity, while at the same time reducing the level of general costs.

10. **Agreements concluded by and between the Issuer and persons performing management functions, providing for compensation in the event of their resignation or dismissal from the occupied position for no significant reason, or in the event that their resignation or dismissal results from the Issuer being acquired by another entity**

P.R.I „POL-AQUA” S.A. in Warsaw did not sign agreements with members of the managing staff which would provide for any compensation in the event of their resignation or dismissal from the occupied position for no significant reason, or in the event that their resignation or dismissal results from the Issuer being acquired by another entity.
11. The value of remuneration, awards and benefits, including those resulting from motivational or bonus programmes based on the Issuer’s equity, including programmes based on senior or convertible bonds, subscription warrants (in cash, in kind or any other form), distributed or due, separately for each member of management and supervisory staff of the Issuer, irrespective of whether they were applied towards costs or resulted from profit distribution; if the Issuer is a parent entity, a partner of a co-subsidiary or a major investor – separate information on the value of remuneration and awards received on account of performing function in the governing bodies of subordinate entities.

The gross remuneration of the Members of the Management and Supervisory Boards of P.R.I. „POL-AQUA” S.A. in 2011 and 2010 is presented in the tables below.

**Table No. 4: Remuneration of P.R.I. „POL-AQUA” S.A. Management Board Members in 2011 (in thousands PLN).**

<table>
<thead>
<tr>
<th>First and last names, function occupied</th>
<th>for the year ended on December 31, 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Piotr Stanislaw Chelkowski - President of the Management Board</td>
<td>810</td>
</tr>
<tr>
<td>Eduardo Martínez Martínez – First Vice-President of the Management Board</td>
<td>1 400</td>
</tr>
<tr>
<td>Marek Sobiecki – Second Vice-President of the Management Board</td>
<td>600</td>
</tr>
<tr>
<td>Robert Stefan Molo - Member of the Management Board</td>
<td>445</td>
</tr>
<tr>
<td>Mario Serrano Villate - Member of the Management Board</td>
<td>-</td>
</tr>
<tr>
<td>Servando Sierra Marti - Member of the Management Board</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total gross remuneration</strong></td>
<td><strong>3 255</strong></td>
</tr>
</tbody>
</table>

**Table No. 5: Remuneration of P.R.I. „POL-AQUA” S.A. Management Board Members in 2011 (in thousands PLN).**

<table>
<thead>
<tr>
<th>First and last names, function occupied</th>
<th>for the year ended on December 31, 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alfonso Costa Caudrench- Chairman of the Supervisory Board</td>
<td>-</td>
</tr>
<tr>
<td>José Puente García - Vice-Chairman of the Supervisory Board</td>
<td>-</td>
</tr>
<tr>
<td>Alberto Laverón Simavilla – Member of the Supervisory Board</td>
<td>-</td>
</tr>
<tr>
<td>Janusz Steinhoff - Member of the Supervisory Board</td>
<td>76</td>
</tr>
<tr>
<td>Krzysztof Gerula - Member of the Supervisory Board</td>
<td>8</td>
</tr>
<tr>
<td>Józef Okolski – Chairman of the Supervisory Board</td>
<td>81</td>
</tr>
<tr>
<td>Ignacio Segura Suríñach – Vice-Chairman of the Supervisory Board</td>
<td>-</td>
</tr>
<tr>
<td>Ricardo Cuesta Castiñeysra – Secretary of the Supervisory Board</td>
<td>-</td>
</tr>
<tr>
<td>Krzysztof Rafał Gadkowski – Member of the Supervisory Board</td>
<td>68</td>
</tr>
<tr>
<td><strong>Total gross remuneration</strong></td>
<td><strong>233</strong></td>
</tr>
</tbody>
</table>
Table No. 6:  Remuneration of P.R.I. „POL-AQUA” S.A. Management Board Members in 2010  
(in thousands PLN).

<table>
<thead>
<tr>
<th>First and last names, function occupied</th>
<th>For the year ended on December 31, 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Piotr Stanisław Chelkowski – President of the Management Board</td>
<td>780</td>
</tr>
<tr>
<td>Eduardo Martínez Martínez – First Vice-President of the Management Board</td>
<td>1 296</td>
</tr>
<tr>
<td>Marek Sobiecki – Second Vice-President of the Management Board</td>
<td>567</td>
</tr>
<tr>
<td>Iwona Rudnikowska – Vice-President of the Management Board</td>
<td>173</td>
</tr>
<tr>
<td>Robert Stefan Molo – Member of the Management Board</td>
<td>420</td>
</tr>
<tr>
<td>Andrzej Napieralski – Member of the Management Board</td>
<td>150</td>
</tr>
</tbody>
</table>

| Total gross remuneration | 3 386 |

Table No. 7:  Remuneration of P.R.I. „POL-AQUA” S.A. Management Board Members in 2010  
(in thousands PLN).

<table>
<thead>
<tr>
<th>First and last names, function occupied</th>
<th>For the year ended on 31 December 2010.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Józef Okolski – Chairman of the Supervisory Board</td>
<td>32</td>
</tr>
<tr>
<td>Marek Stański - Chairman of the Supervisory Board</td>
<td>14</td>
</tr>
<tr>
<td>Marek Sobiecki - Chairman of the Supervisory Board</td>
<td>-</td>
</tr>
<tr>
<td>Ignacio Segura Suriñach – Vice-Chairman of the Supervisory Board</td>
<td>-</td>
</tr>
<tr>
<td>Ricardo Cuesta Castiñeira – Secretary of the Supervisory Board</td>
<td>-</td>
</tr>
<tr>
<td>Mariusz Ambroziak – Member of the Supervisory Board</td>
<td>12</td>
</tr>
<tr>
<td>Krzysztof Rafał Gadkowski – Member of the Supervisory Board</td>
<td>62</td>
</tr>
<tr>
<td>Leon Stanisław Komornicki - Member of the Supervisory Board</td>
<td>7</td>
</tr>
<tr>
<td>Alberto Laverón Simavilla – Member of the Supervisory Board</td>
<td>-</td>
</tr>
<tr>
<td>Janusz Steinhoff - Member of the Supervisory Board</td>
<td>60</td>
</tr>
<tr>
<td>Adolfo Valderas Martinez – Member of the Supervisory Board</td>
<td>-</td>
</tr>
<tr>
<td>Mariusz Wierzbicki – Member of the Supervisory Board</td>
<td>7</td>
</tr>
</tbody>
</table>

| Total gross remuneration | 194 |

In 2011, the Members of the Management Board and Supervisory Board of P.R.I. „POL-AQUA” S.A. have received no remuneration in exchange for the performance of any functions in the governing bodies of any entities controlled by the Issuer.
12. Information on concluded agreements significant for the activity of the Capital Group, including agreements between shareholders (partners), insurance agreements and agreements on cooperation known to the Group

12.1. Major trade agreements

✓ Selection of the offer for the construction of the headquarters of the Gdańsk Shakespeare Theatre

On February 14, 2011, the Company received a letter from the Gdańsk Shakespeare Theatre with its registered office in Gdańsk. The letter informed that in the proceedings conducted within the limited tender procedure related to the construction works for "the Construction of the headquarters of the Gdańsk Shakespeare Theatre" the offer of P.R.I. „POL-AQUA” S.A. was deemed to be the most favourable one.

Value of the agreement amounts to PLN 66,696,434.71 gross.

Detailed information was published in the Current Report no. 5/2011 dated February 14, 2011.

✓ Public opening of tender offers for modification and extension of the sewage treatment plant in Maszewo

On February 23, 2011 in the registered office of Wodociagi Płockie Sp. z o.o., tender offers were opened for the execution of the Project designated as "Extension and conversion of the sewage treatment plant in Maszewo - stage II of the project designated as “Enhancement of sewage management operations in the city of Płock”, stage I co-financed by the European Union from the Cohesion Fund within the Infrastructure and Environment Operational Programme 2007-2013”.

The most favourable offer for the execution of the said investment project was placed by P.R.I. "POL-AQUA" S.A. in the amount of PLN 51,275,915.92 net.

Detailed information was published in the Current Report no. 6/2011 dated 23 February, 2011.

✓ Conclusion of the agreement for the construction of the headquarters of the Gdańsk Shakespeare Theatre.

A major agreement between P.R.I. “POL-AQUA” S.A. and the Gdańsk Shakespeare Theatre with registered office in Gdańsk was signed on March 1, 2011.

The subject of the agreement is the „Construction of the headquarters of the Gdańsk Shakespeare Theatre”, which shall be co-financed from the European Regional Development Fund within the Infrastructure and Environment Operational Programme 2007-2013, Activity 11.2: Development and enhancement of cultural infrastructure of supra-regional significance, Priority XI: Culture and cultural heritage.

The execution of this project will consist in the performance of all construction works (including in-building installations, technical infrastructure, passageways (entrances and exits)) necessary for the delivery and commissioning of the building, as well as all necessary construction and coordination works (including the coordination of works with the Equipment Supplier).

The construction works are to be completed by November 30, 2012.

The date on which the Company is to be released from the responsibility for the coordination of the works carried out by the Supplier and on which the General Contractor is to ensure that the project is ready for acceptance is set at December 31, 2012.

The lump-sum remuneration of the Contractor shall amount to PLN 66,696,434.71 gross, including VAT.

For detailed information, see Current Report No. 9/2011 dated March 2, 2011.
The public opening of tender offers for the modernisation of the Warsaw – Łódź railway line, stage II.

On April 8, 2011, at the registered office of PKP Polskie Linie Kolejowe S.A., the tender offers were opened publicly for the execution of the project designated as “Modernisation of the Warsaw – Łódź railway line, stage II, Lot B2 – the Łódź-Widzew - Łódź Fabryczna section, including Łódź Fabryczna station, and the construction of the underground part of the Łódź Fabryczna railway station intended to accommodate train arrivals and departures and passenger service. Redevelopment of the road and infrastructure system surrounding the multimodal railway station Łódź Fabryczna – construction of an integrated transfer node above and below Węgowa Street.”

The most favourable offer for the execution of the said project was submitted by the consortium formed by P.R.I. “POL-AQUA” S.A. (consortium leader), DRAGADOS S.A. (consortium partner) and amounted to PLN 1,253,385,820 net. Estimated scope of works to be conducted by P.R.I. “POL-AQUA” S.A. amounts to 50% of the entire scope of work. The investment completion deadline indicated in course of tender proceedings is 42 months from the day of conclusion of the agreement.

For detailed information, see Current Report No. 13/2011 dated April 8, 2011.

Decision of PKP PLK on tender offers for the modernisation of the Warsaw – Łódź railway line, stage II.

On May 24, 2011, the management Board of P.R.I. „POL-AQUA” S.A. received from PKP Polskie Linie Kolejowe S.A. the decision on excluding the consortium formed by P.R.I. "POL-AQUA” S.A. and DRAGADOS S.A. from the tender procedure and the decision on the rejection of the offer for the modernisation of the Warsaw-Łódź railway line Stage II; The Company provided information of this fact in Current Report No. 13/2011 dated April 8, 2011.

The reason for such decision has been the fact that the management of PKP PLK S.A. was obligated to implement the judgement of the Regional Court for Warsaw-Praga in Warsaw dated April 11, 2011, which ordered the exclusion of the POL-AQUA - DRAGADOS consortium from the tender procedure.

The management of P.R.I “POL-AQUA” shall undertake activities aimed at protecting the interests of the Company and its shareholders, taking into account the significance of this case and the impact it had on public opinion.

According to the legal opinion provided by Prof. Michal Kulesza, an expert in Public Procurement Law, the tender procedure cannot be carried on with the participation of only four bidders, therefore after the announcement of the decision of PKP PLK S.A. on the rejection of the offer of the excluded contractor, pursuant to the provisions of applicable laws the procedure should have been annulled.

The information specified above was published in the Current Report no. 21/2011 dated May 24, 2011.

Extension and conversion of the sewage treatment plant in Maszewo - stage II – information update

With reference to Current Report No. 6/2011 dated February 23, 2011, in which the Management Board undertook to provide information about the tender procedure on an ongoing basis, and Current Report No. 9/2011 dated March 2, 2011, which altered the criteria according to which contracts are accorded the status of "major agreements", the Management Board of Przedsiębiorstwo Robót Inżynieryjnych “POL-AQUA” S.A. with its registered office in Warsaw (hereinafter referred to as “the Company”) hereby informs that on April 28, 2011 the Company signed an agreement with Wodociągi Płockie Sp. z o.o. with its registered office in Płock.

The subject of the contract is the “Extension and conversion of the sewage treatment plant in Maszewo - stage II”, implemented within the framework of the Project designated as “Enhancement of sewage management operations in the City of Płock, stage I”, co-financed by the European Union from the Cohesion Fund within the Infrastructure and Environment Operational Programme 2007-2013”.

Remuneration for the performance of the agreement was stipulated at PLN 51,275,915.92 net and does not exceed 10% of the sales revenues of the Issuer’s Capital Group for the previous four financial quarters.

The information specified above was published in the Current Report no. 15/2011 dated April 29, 2011.
Selection of the most favourable offer for construction of the S8 expressway

On June 20, 2011, the Company received a letter from the General Directorate for Roads and Motorways, Department in Łódź.

The letter provided that in the course of the limited tender procedure for the "Construction of the S8 expressway, section Walichnowy junction - Łódź (A1), section 6 (Lask junction - Róża junction) from km 174+200 to km 183+350, section 7 (Dobroń junction – Róża junction) from km 76+479.94 to km 79+800.00", the offer submitted by the consortium consisting of the following entities was considered to be the most favourable:
- Przedsiębiorstwo Robót Inżynieryjnych „POL-AQUA” Spółka Akcyjna, Piaseczno - Leader,
- DRAGADOS S.A., Madrid - Partner.

Value of the agreement amounts to PLN 549,575,323 gross. Estimated scope of works to be conducted by P.R.I. „POL-AQUA” S.A. amounts to 50% of the entire scope of work.

Detailed information was published in the Current Report no. 26/2011 dated June 20, 2011.

Public opening of offers relating to the construction of another section of the S8 expressway

On July 22, 2011, the General Directorate for Roads and Motorways, Department in Opole, announced the public opening of offers relating to the investment designated as “the Construction of the S8 expressway, section Syców - Kępno - Sieradz - A1 (Łódź), section 3: Wieruszów - Walichnowy, length -13.1 km”.

The most favourable offer for the execution of the said investment was placed by the consortium consisting of:
- DRAGADOS S.A., Madrid – Leader,
- Przedsiębiorstwo Robót Inżynieryjnych “POL-AQUA” Spółka Akcyjna, Piaseczno – Partner.

The value of the agreement totals PLN 189,809,096.75 net. Estimated share of P.R.I. „POL-AQUA” S.A. in the consortium amounts to approximately 50%.

Detailed information was published in the Current Report no. 31/2011 dated July 22, 2011.

Public opening of offers relating to the construction of another section of the S8 expressway

On July 27, 2011, the General Directorate for Roads and Motorways, Department in Łódź, announced the public opening of offers with respect to the project designated as "the Construction of the S8 expressway, section from Walichnowy junction – Wroclaw (A1) section 5 (Sieradz Południe junction [excluding the junction itself] - Lask junction [excluding the junction itself]) from km 140+552.05 to km 174+200.00."

The most favourable offer for the execution of the said project was placed the consortium formed by:
- Przedsiębiorstwo Robót Inżynieryjnych „POL-AQUA” Spółka Akcyjna, Piaseczno - Leader,
- DRAGADOS S.A., Madrid - Partner.

The value of the agreement totals PLN 1,129,185,628.45 net. Estimated share of P.R.I. „POL-AQUA” S.A. in the consortium amounts to approximately 50%.


Execution of an annex to the agreement for multi-purpose credit line with Bank Pekao S.A.

On August 1, 2011 the Company received an annex dated July 29, 2011, submitted by Bank Polska Kasa Opieki S.A., relating to the agreement for multi-purpose credit line dated July 3, 2006

Under credit limit 1, the Company may incur debt in a total amount of up to PLN 100 million - revolving credit (overdraft).

Under credit limit 2, the Bank shall grant bank guarantees, with the exception of guarantees intended to secure the repayment of credit or other transactions of a similar nature, where obligations are incurred vis-a-vis other banks or financial institutions (consolidated text - Dziennik Ustaw [the Journal of Laws] for 2002, no.72, item 665, as amended) for an amount of up to PLN 70 million (bank guarantee limit).
The Parties agreed that the maximum credit limit of PLN 170 million has been extended to July 31, 2012, and may in the future be renewed for subsequent periods.

The remaining contractual conditions are substantially the same as the conditions usually applied in such agreements.

For detailed information, see Current Report No. 33/2011 dated August 1, 2011.

- ✔ Selection of the most favourable offer for construction of the S8 expressway

On August 23, 2011, the Company received a letter from the General Directorate for Roads and Motorways, Department in Opole (see Current Report No. 31 dated July 22, 2011).

The letter provided that in the course of limited tender procedure for the “Construction of the S8 expressway, section Syców - Kępno - Sieradz - A1 (Łódź) section 3: Wieruszów - Walichnowy, length - 13.1 km” the offer submitted by the consortium consisting of the following entities was considered as the most favourable:

- DRAGADOS S.A., Madrid – Leader,
- Przedsiębiorstwo Robót Inżynieryjnych “POL-AQUA” Spółka Akcyjna, Piaseczno – Partner.

The value of the agreement totals PLN 189,809,096.75 net (PLN 223,465,189 gross). Estimated share of P.R.I. „POL-AQUA” S.A. in the consortium amounts to approximately 50%.

Detailed information was published in the Current Report no. 34/2011 dated August 23, 2011.

- ✔ Selection of the most favourable offer for construction of the S8 expressway


The letter notified that in the course of the limited tender procedure for the “Construction of the S8 expressway, section from Walichnowy junction – Wrocław (A1) section 5 (Sieradz Południe junction [excluding the junction itself] - Łask junction [excluding the junction itself]) from km 140+552.05 to km 174+200.00”, the most favourable offer for execution of the said investment was placed by the consortium formed by:

- Przedsiębiorstwo Robót Inżynieryjnych „POL-AQUA” Spółka Akcyjna, Piaseczno - Leader,
- DRAGADOS S.A., Madrid - Partner.

Value of the agreement amounts to PLN 1,388,807,374.68 gross. Estimated share of P.R.I. „POL-AQUA” S.A. in the consortium amounts to approximately 50%.

Detailed information was published in the Current Report no. 35/2011 dated August 24, 2011.

- ✔ Agreement for the construction of sections no. 6 and no. 7 of the S8 expressway

On October 5, 2011, a major contract has been concluded between the consortium formed by P.R.I. „POL-AQUA” S.A. (leader) and DRAGADOS S.A. (partner) and the State Treasury - The General Directorate for Roads and Motorways, Department in Łódź.

The subject of the agreement is “the construction of the S8 expressway, section from Walichnowy junction – Łódź (A1) section 6 (Łask junction - Różyca junction) from km 174+200 to km 183+350, section 7 (Dobroń junction - Różyca junction) from km 76+479,94 to km 79+800,00”.

The value of the agreement amounts to PLN 446,809,205.69 net (PLN 549,575,323 gross). The share of P.R.I. „POL-AQUA” S.A. in the consortium amounts to 51%.

The execution of this project will consist in the performance of comprehensive construction works, including: road and engineering works, the construction of storm water drainage including pre-treatment installations as well as water-pipe networks, the construction of traffic safety installations and lighting, the development of environmental protection installations, including road wastewater treatment devices,
acoustic panels, storage reservoirs and wildlife crossings. Additionally, the project also covers the modification of the existing technical infrastructure, including: natural watercourses and water installations, electric power lines, telecommunication lines and water-pipe networks.

The commencement of works shall take place no later than 14 days from the day on which access to the construction site is granted.

The completion of the subject of the agreement is to take place 27 months following the date of conclusion thereof, including winter periods.

The works which form the subject of the agreement shall be performed in accordance with Contract Terms for construction and engineering works planned by the Ordering Party, English-Polish edition 2000 (translation of the first edition of FIDIC 1999). The contractor's quality assurance period shall amount to 60 months, calculating from the date specified in the Certificate of Acceptance.

The contractor's period of warranty for defects shall amount to 12 months, calculating from the date specified in the Certificate of Acceptance.

Payments shall be made in 30 days from the date of delivery of the relevant invoice to the ordering party.

The minimum amount for Interim Payment Certificates shall amount to 2% of the approved contract amount.

The Consortium presented an insurance performance bond in the amount of 5% of the gross contractual amount.

The minimum performance requirements are as follows:

a) the performance within a period of 10 months from the date of conclusion of the agreement of no less than 20% of the approved contractual amount; and

b) the performance within a period of 15 months from the date of conclusion of the agreement of no less than 40% of the approved contractual amount.

The Contractor shall be under an obligation to satisfy both of the above requirements.

The Contractor shall pay contractual penalties to the ordering party:

a) for failure to complete the works within the designated timeframe – 0.02% of the approved gross amount for each day of delay,

b) for failure to attain the minimum performance requirements within the designated timeframe – 0.02% of the approved gross amount for each day of delay. Contractual penalties for the failure to comply with the minimum performance requirements shall be calculated separately,

c) for withdrawal from the agreement caused by reasons attributable to the contractor - 10% of the approved gross amount,

d) for failure to comply with the period allocated for the removal of defects and the performance of small-scale outstanding works specified in the Certificate of Acceptance, or for failure to comply with the period allocated for the removal of defects and to perform small-scale outstanding works within the period of warranty for defects according to the deadlines specified by the Engineer or the Ordering Party - PLN 5000 for each day of delay.

The Ordering Party shall pay contractual penalties to the contractor in the event of withdrawal from the agreement for reasons attributable to the Ordering Party - 10% of the approved gross amount. The penalty shall not apply in cases where the said withdrawal is caused by reasons specified in Sub-clause 15.2 of the FIDIC (excluding item e of Sub-clause 15.2) or in the event of a material change in circumstances resulting in the performance of the agreement no longer being in the public interests, which could not have been foreseen at the time of conclusion of the agreement (art. 145 of the Public Procurement Law).

The Parties have stipulated in the Contract that in the event that the amount of loss sustained exceeds the amount of contractual penalty, the Ordering Party may seek supplementary damages on general terms, as provided by the applicable provisions of the Civil Code. The Agreement has been concluded on the terms commonly applied in contracts of this type.

The agreement has been classified as a major agreement based on the criterion of the amount of revenue on sales of the Issuer's Capital Group for the period of the last four financial quarters.

For detailed information, see Current Report No. 39/2011 dated October 5, 2011.
Execution of a guarantee limit agreement with Societe Generale S.A.

On October 19, 2011 a guarantee limit agreement no. 2011/008 has been concluded with Societe Generale S.A. ("the Bank"), Polish branch.

Within the allocated limit for bank guarantees with a validity period not exceeding 60 months, the Bank shall give the following guarantees:

- customs guarantees,
- performance bonds, including performance bonds which guarantee the performance of the contract within the period of warranty and surety,
- bid guarantees,
- advance repayment guarantees,
- retention bonds.

Within the credit limit, the Bank shall give bank guarantees for a total amount which may not exceed PLN 100 million (the limit applicable between 36 and 60 months is PLN 20 million).

The limit referred to above has been granted for a period from the date of execution of the agreement to August 31, 2012.

Additionally, the Bank, on the basis of a separate agreement no. 2011/055 dated October 19, 2011, has granted a short-term renewable credit in the maximum amount of PLN 25 million (from the date of execution of the agreement to August 31, 2012).

The aggregate amount of the allocated guarantee limit and short-term renewable credit may not exceed PLN 100 million.

The remaining contractual conditions are substantially the same as the conditions usually applied in such agreements.

The information specified above was published in the Current Report no. 41/2011 dated October 19, 2011.

Execution of an annex to the contract for the construction of the Northern Bridge Route in Warsaw

On November 4, 2011, annex no. 6 to the agreement for "the Construction of the Northern Bridge Route, task 1, stage i - from the intersection with Pułkowa street to the intersection with Modlińska street" in Warsaw was executed by the Capital City of Warsaw represented by the Road Investments Management Authority and the Consortium consisting of the following companies: P.R.I. "POL-AQUA" S.A., SANDO Budownictwo Polska Sp. z o.o., CONSTRUCCIONES SANCHEZ DOMINGUEZ - SANDO S.A. and KROMISS-BIS Sp. z o.o. represented by P.R.I. "POL-AQUA" S.A. (Consortium leader).

The annex referred to above provides for an increase in the number of works in relation to the number of works specified in the Tender Documentation supplied by the Ordering Party as well as for a substantial increase in the contract amount by adding an additional net amount of PLN 89,572,218.92. The aggregate Approved Contract Price agreed upon in the agreement and the annexes thereto amounts to PLN 897,075,609.47 net (1,103,402,999.64 gross). The remaining material terms and conditions of the agreement remain unchanged.

For detailed information, see Current Report No. 43/2011 dated November 4, 2011.

Public opening of tender offers for the construction of the Świnoujście - Szczecin gas pipeline.

On November 15, 2011 tender offers were opened for implementation of the project designated as "the Construction of the Świnoujście - Szczecin DN 800 gas pipeline" - a high pressure gas pipeline with a total length of 80 km.

The most favourable offer for the execution of the said project was submitted by P.R.I. „POL-AQUA” S.A., the offer amount being PLN 146,950,000 (with the option designated as "the construction of a fibre optic line alongside the gas pipeline route" priced at PLN 2,850,000 net). The investment completion term indicated in course of the tender proceedings amounts to 15 months from the day of conclusion of the agreement.

Detailed information was published in the Current Report no. 44/2011 dated November 15, 2011.
Selection of the most favourable offer for the construction of the Świnoujście - Szczecin gas pipeline.

On November 24, 2011, the Company received a letter from Operator Gazociągów Przesyłowych GAZSYSTEM S.A. (GAZ SYSTEM S.A. Gas Transmission Pipeline Operator), stating that in the course of the public procurement proceedings related to the construction of the DN 800 Świnoujście - Szczecin gas pipeline (high pressure gas pipeline with a total length of 80 km), the tender offer submitted by Przedsiębiorstwo Robót Inżynieryjnych „POL-AQUA” Spółka Akcyjna was considered to be the most favourable offer.

The total value of the agreement amounts to PLN 146,950,000 net (with the option designated as "the construction of a fibre optic line alongside the gas pipeline route" priced at PLN 2,850,000 net).

The investment completion term indicated in the course of the tender proceedings is 15 months.

Detailed information was published in the Current Report no. 45/2011 dated November 24, 2011.

Conclusion of an annex to the agreement for contractual insurance guarantees entered into with InterRisk Towarzystwo Ubezpieczeń S.A. Vienna Insurance Group

On November 29, 2011, an annex to the general agreement for contractual insurance guarantees no. GG26/0086, dated March 11, 2011 (as amended) was concluded with InterRisk Towarzystwo Ubezpieczeń S.A. Vienna Insurance Group. Within the guarantee limit under all guarantees provided, the total liability amount of InterRisk S.A. Vienna Insurance Group has been increased to PLN 113,000,000.00. Within the allocated limit, the following insurance guarantees shall be granted:

a) tender bond guarantees,

b) performance bonds,

c) retention bonds.

The limit referred to above has been allocated for a period until April 19, 2012. The remaining contractual conditions are substantially the same as the conditions usually applied in such agreements. The guarantee limit amount exceeds 10% of the value of revenue on sales of the Issuer's Capital Group.

The information specified above was published in the Current Report no. 52/2011 dated November 30, 2011.

Agreement for the construction of section no. 3 of the S8 expressway

On December 28, 2011, a major contract has been concluded between the consortium formed by DRAGADOS S.A. (leader) and P.R.I. „POL-AQUA” S.A. (partner) and the State Treasury - The General Directorate for Roads and Motorways, Department in Opole.

The subject of the agreement is “the Construction of the S8 expressway, section Syców - Kępno - Sieradz - A1 (Łódź), section 3: Wieruszów - Walichnowy, length -13.1 km”.

The value of the agreement totals PLN 189,809,096.75 net (PLN 223,465,189 gross). The share of P.R.I. „POL-AQUA” S.A. in the consortium amounts to 51%.

The execution of this project will consist in the performance of comprehensive construction works, including: road and engineering works, including: engineering structures, culverts under the S8 expressway, pipe culverts under transverse roads, internal roads and exit ramps; the construction of environmental protection facilities, modification of drainage systems, construction of road water and rain drainage systems, modification and construction of water pipe network and the construction of sanitary sewers, modification of power line and telecommunications facilities.

The commencement of works shall take place no later than 14 days from the day on which access to the construction site is granted. The completion of the subject of the agreement is to take place 22 months following the date of conclusion thereof, including winter periods. The works which form the subject of the agreement shall be performed in accordance with Contract Terms for construction and engineering works planned by the Ordering Party, English-Polish edition 2000 (translation of the first edition of FIDIC 1999).
The contractor's quality assurance period shall amount to 60 months, calculating from the date specified in the Certificate of Acceptance.

The contractor's period of warranty for defects shall amount to 12 months, calculating from the date specified in the Certificate of Acceptance.

Payments shall be made in 30 days from the date of delivery of the relevant invoice to the ordering party.

The minimum amount for Interim Payment Certificates shall amount to 2% of the approved contract amount. The Consortium presented an insurance performance bond in the amount of 5% of the gross contractual amount.

The minimum performance requirements are as follows:

a) the performance within a period of 10 months from the date of conclusion of the agreement of no less than 30% of the approved contractual amount;

The Contractor shall pay contractual penalties to the Contracting Party:

a) for failure to complete the works within the designated timeframe – 0.02% of the approved gross contractual amount for each day of delay,

b) for failure to attain the minimum performance requirements within the designated timeframe – 0.02% of the approved gross contractual amount for each day of delay.

c) for withdrawal from the agreement caused by reasons attributable to the contractor - 10% of the approved gross contractual amount,

d) for failure to comply with the period allocated for the removal of defects and the performance of small-scale outstanding works specified in the Certificate of Acceptance, or for failure to comply with the period allocated for the removal of defects and to perform small-scale outstanding works within the period of warranty for defects according to the deadlines specified by the Engineer or the Ordering Party - PLN 5000 for each day of delay.

In the event of withdrawal from the agreement caused by reasons attributable to the Ordering Party, the Ordering Party shall pay a contractual penalty to the Contractor in the amount of 10% of the approved gross contractual amount. The penalty shall not apply in cases where the said withdrawal is caused by reasons specified in Sub-clause 15.2 of the FIDIC or in the event of a material change in circumstances resulting in the performance of the agreement no longer being in the public interest, which could not have been foreseen at the time of conclusion of the agreement (art. 145 of the Public Procurement Law).

The Parties have stipulated in the Contract that in the event that the amount of loss sustained exceeds the amount of contractual penalty, the Ordering Party may seek supplementary damages on general terms, as provided by the applicable provisions of the Civil Code.

The Contractor shall be under an obligation to pay the contractual penalty even where the Ordering Party has sustained no loss.

The Agreement has been concluded on the terms commonly applied in contracts of this type.

The agreement has been classified as a major agreement based on the criterion of the amount of revenue on sales of the Issuer's Capital Group for the period of the last four financial quarters.

The value of the agreement exceeds 10% of the value of the revenue on sales of the Issuer's Capital Group.

The information specified above was published in the Current Report no. 56/2011 dated December 28, 2011.
Agreement for the construction of the Świnoujście - Szczecin gas pipeline

On December 29, 2011, a major agreement was executed between P.R.I. “POL-AQUA” S.A. and Operator Gazociągów Przesyłowych GAZ-SYSTEM S.A. with its registered office in Warsaw (hereinafter referred to as "the Contracting Party").

The subject of the agreement is the comprehensive implementation of the project on a General Contracting basis (including the performance of all Works and obtaining a permit for the use of the erected structures), the project in question being the construction of the Świnoujście - Szczecin DN 800 high-pressure gas pipeline along with auxiliary infrastructure. The pipeline shall be 80 kilometres long, intersecting the following communes: Świnoujście, Międzyzdroje, Wolin, Stepnica and Goleniów. The project encompasses the construction of the pipeline, installations, facilities, buildings and roads as well as any other Works which shall be necessary to obtain the necessary permit for the usage of the pipeline.

The value of the agreement (lump-sum remuneration) amounts to PLN 146,950,000 net, i.e. PLN 180,748,500 gross. Additionally, the Ordering Party reserves the right, exercisable for the duration of the agreement at its sole discretion, to entrust the Company, as General Contractor, with the construction of a fibre optic line along the gas pipeline route for the stipulated amount of lump-sum remuneration amounting to PLN 2,850,000, i.e. PLN 3,505,500 gross, unless the Parties, in the course of negotiations, agree upon a lower amount of remuneration. In the event of exercise of the above option, the provisions of the agreement shall apply accordingly to the extended scope of works.

The completion of the works carried out under the agreement (Practical Completion Inspection) shall take place on January 31, 2013.

The works shall commence without delay, and in any case no later than 30 days from the day of conclusion of the agreement.

Payments shall be effected after Construction Milestones are reached, within the period of 30 days following the date on which a correctly issued invoice has been delivered to the Ordering Party.

For the purposes of securing the claims of the Ordering Party with respect to non-performance or improper performance of the Agreement, the Company provides a collateral for the proper performance of the Agreement, including the removal of any Faults and Defects within the period of warranty for defects, in the amount of 10% of gross Remuneration.

The company grants a guarantee of quality and a warranty for defects with respect to the performance of the subject of the Agreement, including the Materials applied and the Devices and Equipment provided, for a period ending within 36 months from the date of completion (Practical Completion Inspection).

The Contractor shall pay contractual penalties to the Contracting Party:

a) for any delays in the completion of works (Practical Completion Inspection):
   - within the first four weeks of delay - 0.05% of gross remuneration for each commenced day of delay;
   - in cases where the period of delay exceeds four weeks - 0.1% of gross remuneration for each commenced day of delay;

b) for delays in the removal of faults identified in the course of Practical Completion Inspection or detected during the period of guarantee or warranty for defects - in the amount of 0.01% of gross Remuneration for each commenced day of delay, calculating from the lapse of the period allocated by the Ordering Party for the removal of the Faults in question;

c) for withdrawal from the agreement caused by reasons attributable to the Contractor - 10% of the approved gross amount.

The Parties have agreed that the aggregate amount of contractual penalties referred to above shall be limited to 25% of the amount of gross remuneration.

The Ordering Party shall be entitled to seek supplementary damages in cases where the losses sustained exceed the amount of contractual penalties referred to above.
In the event of withdrawal from the agreement caused by reasons attributable to the Ordering Party, the Ordering Party shall pay a contractual penalty to the Contractor in the amount of 10% of the approved gross contractual amount.

The Agreement has been concluded on the terms commonly applied in contracts of this type.

The agreement has been classified as a major agreement based on the criterion of the amount of revenue on sales of the Issuer's Capital Group for the period of the last four financial quarters.

The value of the agreement exceeds 10% of the value of the revenue on sales of the Issuer's Capital Group.

The information specified above was published in the Current Report no. 57/2011 dated December 29, 2011.

12.2. Change in equity participation and changes in the ownership structure of companies from the POL-AQUA Capital Group

✔ Conclusion of the agreement on the disposal of 100% of the share capital of Vectra S.A. by PRI "POL-AQUA" S.A.

On April 1, 2011, the agreement on the disposal of 13,200,000 shares constituting 100% of the share capital of Vectra S.A. to Mr Marek Graczykowski (President of the Management Board of Vectra S.A.) was concluded. The purchased shares confer an entitlement to 100% of votes at the General Meeting of Vectra S.A. Previously, P.R.I. "POL-AQUA" held 13,200,000 shares constituting 100% of the share capital of Vectra S.A. and conferring an entitlement to 100% of votes at the General Meeting of Vectra S.A.

Until now, P.R.I. “POL-AQUA” S.A. held 13,200,000 shares constituting 100% of the share capital of Vectra S.A. conferring the entitlement to 100% of votes at the General Meeting of Vectra S.A.

The information specified above was published in the Current Report no. 12/2011 dated April 1, 2011.

✔ Merger of P.R.I. „POL-AQUA” S.A. and PA ENERGOBUDOWA Sp. z o.o. (a subsidiary)

➢ Adoption of the decision on the intention to merge with the subsidiary PA Energobudowa Sp. z o.o.

On May 18, 2011, the decision on the intention to merge P.R.I. „POL-AQUA” S.A. with PA ENERGOBUDOWA Sp. z o.o. was adopted.

The merger of the companies P.R.I. “POL-AQUA” S.A. and PA ENERGOBUDOWA SP. z o.o. was to be carried out by assigning the entire property of the company PA ENERGOBUDOWA (the acquired company) to P.R.I. “POL-AQUA” S.A. (the acquiring company) – merger by acquisition pursuant to art. 492 § 1 section 1 in connection with Article 516 § 6 of the Commercial Companies Code (hereinafter referred to as “the CCC”).

Due to the fact that the Acquiring Company is the owner of all 243,520 shares in the Acquired Company, the merger by acquisition was to be carried out pursuant to art. 516 § 6 of the CCC, whereby:

- pursuant to art. 516 § 5 of the CCC in connection with art. 503 of the CCC, it is not necessary to present a statutory auditor’s report and opinion on the merger plan,

- pursuant to art. 516 in conjunction with art. 501, in the manner specified in art. 516 § 5 of the CCC, it is not required to draft Management Board Reports for each of the merging companies which would justify the merger, its legal basis and economic justification as well as, in particular, the exchange ratio of shares or stocks,

- the merger shall be carried out without increasing the share capital of the Acquiring Company pursuant to art. 515 §1 of the CCC.
Due to the fact that the Merging Company is a public company pursuant to art. 516 § 1 of the CCC, it was be necessary, pursuant to art. 506 of the CCC, for the General Meeting of Shareholders of the Acquiring Company to adopt a resolution on the contemplated merger.

For detailed information, see Current Report No. 18/2011 dated May 19, 2011.

- Notification of the shareholders on the intention to perform a merger of P.R.I. „POL-AQUA” S.A and PA Energobudowa Sp. z o.o., a subsidiary of the Company


- Position of the Management Board regarding the intention to merge P.R.I. „POL-AQUA” S.A. with its subsidiary, PA Energobudowa Sp. z o.o., including statement of reasons

The Management Board of Przedsiębiorstwo Robót Inżynieryjnych “POL-AQUA” S.A. with its registered office in Piaszczno (hereinafter referred to as the “Company”), pursuant to the provisions of § 19.3 of the Regulation of the Minister of Finance dated February 19, 2009 on the current and periodical information disclosed by issuers of securities and the conditions for recognising as equivalent the information required by the laws of a non-member state, hereby presents its opinion on the plan of the merger between P.R.I. „POL-AQUA” S.A. and its subsidiary, PA ENERGOBUDOWA, including the statement of reasons.

The Management Board of Przedsiębiorstwo Robót Inżynieryjnych „POL-AQUA” S.A. has approved the merger of P.R.I. „POL-AQUA” S.A. with its subsidiary, PA Energobudowa Sp. z o.o.

PA ENERGOBUDOWA Sp. z o.o. provides construction services in the field of sanitary engineering: wastewater sewerage, water pipe systems, water treatment systems, sewage treatment plants, engineering structures as well as residential/commercial/industrial buildings. These areas of activity are analogous to the two main pillars of the business activity of P.R.I. „POL-AQUA” S.A, i.e. engineering and general construction.

The decision to merge the Companies was brought about by the restructuring process carried out within the Capital Group, as well as the process of introducing long-term cost reductions of its business activities and increasing the effectiveness of obtaining and performing contracts. The merger plan did not provide for any special benefits for the members of the corporate governing bodies of the Companies or any other persons participating in the merger.

In the opinion of the Management Board, the result of the merger will have a positive influence on the increase of competitive advantage of the Company on the Polish market.

The Management Board expects the merger to result in:
- the reduction of operational costs of the Capital Group;
- increased efficiency with respect to human resources;
- increase in the efficiency of obtaining and performing contracts;
- strengthening areas of internal control;
- the simplification of management structure.

For detailed information, see Current Report No. 25/2011 dated June 16, 2011.
Decision of the court concerning the merger between P.R.I. „POL-AQUA” S.A. and PA ENERGOBUDOWA Sp. z o.o.

On September 2, 2011, the Company has received a decision of the court issued on September 1, 2011 by the District Court for the capital city of Warsaw in Warsaw, 14th Commercial Division of the National Court Register, concerning the entry made in the National Court Register regarding the merger between Przedsiębiorstwo Robót Inżynieryjnych „POL-AQUA” S.A. - the Acquiring Company, and PA ENERGOBUDOWA Sp. z o.o. - the Acquired Company. The merger was effected by way of acquisition pursuant to art. 492 § 1 section 1 in conjunction with art. 516 § 6 of the CCC, i.e. by transferring the entirety of assets of PA ENERGOBUDOWA Sp. z o.o. to Przedsiębiorstwo Robót Inżynieryjnych „POL-AQUA” S.A.

PA ENERGOBUDOWA Spółka z ograniczoną odpowiedzialnością, a limited liability company with registered office in Opole, ul. J. Cygana 5, 45-131 Opole, was registered in the National Court Register maintained by the District Court in Opole, 8th Commercial Division, with the KRS number 0000054580, NIP tax identification number 754-25-37-792, with a fully paid-up share capital in the amount of PLN 12,419,520.

Detailed information was published in the Current Report no. 36/2011 dated September 2, 2011.

12.3. Other events

✓ Court decision on the declaration of bankruptcy with the possibility to enter into a composition agreement with respect to PLACIDUS INVESTMENTS Sp. z o.o., a subsidiary of the Company

With reference to Current Report No. 56/2010 dated December 28, 2010, the Company received a decision on the declaration of bankruptcy of its subsidiary, PLACIDUS INVESTMENTS Sp. z o.o., with a possibility to enter into composition agreement.

In accordance with the decision adopted at a closed hearing, on January 4, 2011 the District Court for the Capital City of Warsaw, 10th Commercial Division for bankruptcy and reorganization announced the bankruptcy of PLACIDUS INVESTMENTS Sp. z o.o., a subsidiary of the Company, with a possibility of entering into a composition agreement, allowing the bankrupt company to retain the management of all its assets. The decision of January 4, 2011 is not a final and binding decision.

Mr Wojciech Makuc was appointed as court supervisor, with Mr Emil Szczepanik being appointed as official receiver.

Liabilities submitted to the composition agreement amount to PLN 27,074,800.18.

Main points of composition proposals include:

1. 25% reduction of liabilities,
2. 12-month grace period in repayment of liabilities,
3. 5-year period for the repayment of liabilities (as of the date of the ruling becoming final and binding with respect to the court's approval of the composition),
4. repayment of liabilities every 6 months.

Detailed information was published in the Current Report no. 2/2011 dated January 11, 2011.

✓ The commencement by the Polish Financial Supervision Authority of proceedings concerning the imposition of a penalty in connection with the suspicion of a breach of disclosure requirements on part of the Company

On February 10, 2011, the Company received the decision of the Polish Financial Supervision Authority regarding the commencement of proceedings for the imposition of an administrative penalty in connection with the suspicion of a breach by the Company of the provisions of art. 56 of the Act of July 29, 2005 on Public Offering and Conditions Governing the Introduction of Financial Instruments to Organised Trading and on Public Companies.

The information specified above was published in the Current Report no. 4/2011 dated February 10, 2011.
✓ **Creditor’s bankruptcy petition encompassing the liquidation of the assets of the debtor - Vectra S.A.**

On February 25, 2011, the Management Board of the company Vectra S.A. with its registered office in Plock (“Vectra”) has become aware of the fact that Mr Wiesław Jabłoński, pursuing business activity under the trading name “Usługi Elektryczne” W. Jabłoński (the creditor) on February 24, 2011 submitted a motion for the declaration of bankruptcy involving the liquidation of the assets of the debtor Vectra S.A. to the District Court in Plock, 5th Commercial Division.

The information specified above was published in the Current Report no. 8/2011 dated February 25, 2011.

✓ **Creditor’s bankruptcy petition encompassing the liquidation of the assets of the debtor - Vectra S.A.**

The Management Board of the company operating under the business name Vectra S.A. with its registered office in Płock (“Vectra”) has become aware of the fact that a registered partnership operating under the name of TEMAX M. Kopcińska i J. Lipczewski s.j. (the creditor) on February 10, 2011 submitted a motion for the declaration of bankruptcy involving the liquidation of the assets of the debtor Vectra S.A. to the District Court in Płock, 5th Commercial Division.

The information specified above was published in the Current Report no. 10/2011 dated March 9, 2011.

✓ **Amendment of major contract criteria**

On March 2, 2011, the criterion for classifying an agreement or asset as material has been altered. The criterion which allows for an evaluation of the significance of a given agreement or asset is now the amount of sales revenues of the Issuer's Capital Group for the previous four financial quarters.

The information specified above was published in the Current Report no. 9/2011 dated March 2, 2011.

✓ **Letter of VECTRA S.A. regarding the creditor motion for the declaration of bankruptcy**

On March 16, 2011, the Management Board of Przedsiębiorstwo Robót Inżynieryjnych “POL-AQUA” S.A. received confirmation of the submission of the letter regarding the creditor motion of TEMAX M. Kopcińska i J. Lipczewski S. j., (the creditor) for the declaration of bankruptcy (in accordance with Current Report No. 10/2011 dated March 9, 2011) to the District Court in Płock, 5th Commercial Division. The document was filed by the Management Board on behalf of the company Vectra S.A. with its registered office in Płock.

The Management Board of VECTRA S.A. has applied for a declaration of bankruptcy with the possibility of entering into a composition agreement with the creditors. The company included a justification for entering into such composition agreement in the said letter.

Detailed information was published in the Current Report no. 11/2011 dated March 16, 2011.

✓ **The commencement of court proceedings, the value of which equals or exceeds 10% of the Issuer's equities.**

On May 18, 2011, the company received two actions for payment, the value of each equalling or exceeding 10% of the Issuer's equity.

The first action for the payment of PLN 78,877,197 was filed on March 14, 2011 by KBP - 5 Sp. z o.o. with its registered office in Brzeź (hereinafter referred to as “the Claimant”) to the Regional Court in Cracow, 9th Division of the Commercial Court in Cracow, against P.R.I. „POL-AQUA” S.A. (hereinafter referred to as “the Defendant”).

The proceedings have been commenced in order to obtain a court ruling imposing upon the Defendant an obligation to repay PLN 78,877,197 to the Claimant, together with statutory interest calculated from March 9, 2011 until the repayment date, i.e. the repayment of amounts transferred to the Defendant on account of the agreement signed by the parties, due to the Claimant's withdrawal from the agreement owing to a number of defects in the building, including both irreparable and repairable defects; alternatively – should this claim not be taken into account – to obtain a court ruling imposing upon the Defendant an obligation to repay PLN 34,224,849 together
with statutory interest calculated from the date of filing the claim until the repayment date due to the reduction of the remuneration of the Defendant.

The second action for the payment of PLN 77,555,120 was filed on March 14, 2011 by KBP - 6 Sp. z o.o. with its registered office in Brzeź (hereinafter referred to as “the Claimant”) to the Regional Court in Cracow, 9th Division of the Commercial Court in Cracow, against P.R.I. „POL-AQUA” S.A. (hereinafter referred to as “the Defendant”).

The proceedings have been commenced in order to obtain a court ruling imposing upon the Defendant an obligation to repay PLN 77,555,120 to the Claimant, together with statutory interest calculated from March 9, 2011 until the repayment date, i.e. first and foremost, the repayment of the remuneration received by the Defendant on account of the performed construction works, amounting to a total of PLN 77,555,119 due to the withdrawal from the agreement caused by the fact that the subject of the agreement delivered by the Defendant exhibited significant defects – both reparable and irreparable, and the Defendant had not succeeded in repairing the defects despite numerous demands; alternatively – should this claim not be taken into account – to obtain the amount of PLN 34,559,275 together with the statutory interest calculated from the date of filing the claim until the repayment date, on account of a reduction in the amount of remuneration made on a pro-rata basis. In the opinion of the Management Board of P.R.I. “POL-AQUA” S.A., both claims are unjustified.

The information specified above was published in the Current Report no. 19/2011 dated May 19, 2011.

Selection of the entity authorised to audit financial statements

On May 24, 2011, the Supervisory Board adopted a resolution appointing Ernst & Young Audit Sp. z o.o., an audit company, to audit the financial statements of the Company for 2011 and the consolidated financial statements of the Capital Group for 2011, as well as to review the financial statements of the Company for the first half of 2011 and review the consolidated financial statements of the Capital Group for the first half of 2011.

For detailed information, see Current Report No. 22/2011 dated May 24, 2011.

Ordinary General Meeting of P.R.I. “POL-AQUA” S.A.

On June 21, 2011, the Ordinary General Meeting of Shareholders of P.R.I. “POL-AQUA” Sp. z o.o. adopted, among others, a resolution on the merger of the Company (as the Acquiring Company) with PA ENERGOBUDOWA Sp. z o.o., a limited liability company with its registered office in Opole (the Acquired Company).

Moreover, the Ordinary General Meeting of the Company did not adopt the following resolutions:

1. 1. Resolution no. 7/2011 – not adopted
2. 1. Resolution no. 8/2011 – not adopted
3. 1. Resolution no. 12/2011 – not adopted
4. 1. Resolution no. 13/2011 – not adopted
5. 1. Resolution no. 14/2011 – not adopted
6. Resolution no. 15/2011 – not adopted

Detailed information on resolutions passed at the Ordinary General Meeting of Shareholders are included in Current Report no. 28/2012 dated June 22, 2011.

Answers to shareholders’ questions stated in the manner specified in art. 428 of the CCC

On July 5, 2011, the Management Board of P.R.I. „POL-AQUA” S.A. made public the contents of answers provided pursuant to art. 428 of the Commercial Companies Code to the questions posed at the General Shareholders Meeting on June 21, 2011 by the proxy of DIM S.a.r.L., a Company shareholder – ALTUS TFI S.A. pursuant to art. 428 of CCC.

Question 1. The company created write-downs on loans amounting to PLN 9 million and receivables write-downs amounting to PLN 77 million. Since the majority of contracts is executed in favour of the State Treasury, where did these write-downs come from?
Answer: write-down for loans amounting to PLN 9,102,000 concerns the loans granted to subsidiaries – information in Note No. 13.5 to the non-consolidated financial statement of P.R.I. “POL-AQUA” S.A. for the year ended on 31 December 2010. Write-downs for receivables made in 2010 in the amount of PLN 77 million concern private counterparties, including subsidiaries – information in Note No. 13.3 to the non-consolidated financial statement of P.R.I. “POL-AQUA” S.A. for the year ended on December 31, 2010.

Question 2. The company recorded loss in the field of construction engineering, while its competitors on the market didn’t. What is the reason for the losses incurred by the Company with respect to this kind of activity? Which contracts generated these losses?

Answer: The net loss of the Company and the POL-AQUA Capital Group results both from unsatisfactory margins on many contracts signed in previous years and from a number of write-downs, including write-downs for receivables and goodwill. In the case of many contracts, their budgeted costs of execution were underestimated. Moreover, companies such as Vectra S.A. and PA Conex Sp. z o.o. have incurred significant net losses.

Question 3. Similar question concerning write-downs on the value of fixed assets for 2010. What do these write-downs include? Why is the amount so high? What are the reasons for these write-downs? Please state the reasons for making fixed asset write-downs and share value write-downs with respect to shares in associated entities in 2010.

Answer: The write-downs for other fixed assets amounting to PLN 8,437,000 concerned buildings and facilities, means of transport and fixed assets under construction, the accounting value of which was higher than market value. Information on the above issues is provided in Note No. 13.3 and No. 18 to the non-consolidated financial statements of P.R.I. “POL-AQUA” S.A. for the year ended on 31 December 2010.

Question 4. Is there a similar situation as regards write-downs on shares in associated companies?

Answer: The share value write-down with respect to shares in associated entities amounting to PLN 3,294,000 concerned the company PKO BP Inwestycje – Sarnia Dolina Sp. z o.o. and resulted from the business standing of the company Information on the above issue is provided in Note No. 13.5 to the non-consolidated financial statements of P.R.I. “POL-AQUA” S.A. for the year ended on December 31, 2010.

Question 5. Adjustment of errors from previous years. How did the company make these adjustments and what is the reason for these changes?

Answer: In the course of drafting the report for 2010, errors which concerned events occurring in 2009 as well as in earlier years were identified. In accordance with IAS 8, adjustment of errors from preceding years is not recorded in the income statement for the period in which the error was detected. All presented information relating to the earlier periods is adjusted from the earliest of all possible periods. The identified errors regarding the year 2009 have been included in comparable data of the profit and loss accounts for the period from 1 January 2009 to 31 December 2009, whereas errors made in periods preceding 2009 were included in the balance sheet for previous years. Error adjustments relating to the financial results for 2009 amounted to PLN 36,488,000. Detailed information on error adjustments is provided in Note No. 10 to the non-consolidated financial statements of P.R.I. “POL-AQUA” S.A. for the year ended on December 31, 2010.

Question 6. The company made changes in the scope of revenue and expenses – what are the reasons for these changes and why were they made in the context of acquiring new contracts?

Answer: In 2010, the Company did not make any amendments with respect to sales revenues and costs, except for changes in the presentation of costs and revenues from contracts performed within the consortia over which the Company does not have individual control. As stated in Note No. 10 to the non-consolidated financial statements of P.R.I. “POL-AQUA” S.A. for the year ended on 31 December 2010, the presentation of miscellaneous operational revenues and costs as well as financial revenues and costs has been changed to revenues and cost netting.

Question 7. What was the situation insofar as the independence of Supervisory Board Members is
Concerned? Who is an independent Member of the Supervisory Board? Do Supervisory Board Members meet the required independence criteria?

Answer: Mr Krzysztof Gadkowski and Mr Janusz Steinhoff are independent Members of the Supervisory Board. They were appointed in 2010. On the day of their appointment, the members of the Supervisory Board fulfilled the criteria applicable to independent Members of the Supervisory Board and according to the best knowledge of the Company, nothing has changed in that regard since the day of their appointment.

The information specified above was published in the Current Report no. 30/2011 dated May 5, 2011.

**PLACIDUS INVESTMENTS Sp. z o.o. - change of status: from bankruptcy with option to enter into composition agreement to liquidation bankruptcy**

On September 20, 2011, the Company has received a decision of the Court adopted on September 8, 2011 by the District Court for the capital city of Warsaw in Warsaw, 10th Commercial Division for Bankruptcy and Reorganization. The court has decided as follows:

- to change the manner in which bankruptcy proceedings are conducted, from proceedings with an option to enter into composition agreements to proceedings aimed at the liquidation of the assets of the bankrupt entity;
- to dismiss Mr Wojciech Makuć, the administrator in bankruptcy;
- appoint Mr Wojciech Makuć as receiver.

The reason for the change in the manner in which the bankruptcy proceedings are to be conducted is the fact that, in the view of the Court, PLACIDUS INVESTMENTS Sp. z o.o. in bankruptcy has no real capacity of entering into any composition agreement due to the lack of sources of financing for such composition agreement.

The information specified above was published in the Current Report no. 37/2011 dated September 20, 2011.

**Shareholder motion concerning the convening of Extraordinary General Meeting**

On September 30, 2011, the Company received a motion submitted by ALTUS Towarzystwo Funduszy Inwestycyjnych S.A., an investment fund association with registered office in Warsaw, acting on behalf of DIM S.a.r.L. with registered office in Luxembourg (a shareholder in possession of 10.65% of shares in the share capital of the company and the same percentage of votes on the General Meeting of Shareholders of the Company), concerning the request based on the provisions of art. 400 and 401 § 1 of the Commercial Companies Code for the convening of an Extraordinary General Meeting of Shareholders of the Company, along with a request for including in the agenda the issue of changes in the composition of the Supervisory Board (appointment or dismissal of Supervisory Board Members).

The request contained no statement of reasons.

The information specified above was published in the Current Report no. 38/2011 dated September 30, 2011.

**The convening of an Extraordinary Shareholders Meeting of P.R.I. „POL-AQUA” S.A. pursuant to shareholder request**

The Management Board of Przedsiębiorstwo Robót Inżynieryjnych „POL-AQUA” Spółka Akcyjna with its registered office in Piaścianko pursuant to art. 400 and 401 § 1 of the Commercial Companies Code ("the CCC") has, on the basis of the motion submitted by Altus Towarzystwo Funduszy Inwestycyjnych S.A. acting on behalf of DIM S. a.r.L. with registered office in Luxembourg (a shareholder in possession of 10.65% of shares in the share capital of the company and the same percentage of votes on the General Meeting of Shareholders of the Company), in accordance with §38.1.1 - 3 of the Regulation on the current and periodical information, convened an Extraordinary General Meeting of Shareholders of the Company ("the General Meeting"), which shall take place at 12.00 in the Company Office in Warsaw, ul. Adama Branickiego 15.

The session's agenda:

2. Election of the Chairman of the General Meeting

3. Establishing whether the General Meeting is duly convened and has the capacity to adopt resolutions.

4. Adoption of the agenda. Adoption of resolution on the amendment of the Company's Articles of Association

5. Adoption of Resolution on the adoption of a uniform text of the Company's Articles of Association

6. Adoption of a resolution on granting consent to the disposal of an organised part of enterprise

7. Adoption of a resolution on determining the number of Members of the Supervisory Board (Supervisory Board composition).

8. Adoption of resolutions on changes in the Company Supervisory Board composition

9. Adoption of a resolution on the allocation of costs of convening and holding the General Meeting.


Projected amendments to the Articles of Association

The Management Board hereby announces projected amendments to the contents of the Articles of Association:

The current wording of § 2 of the Articles of Association:
"The registered office of the Company is located in Piaseczno."

Proposed wording of § 2 of the Articles of Association:
"The registered office of the Company is located in Warsaw."

The Extraordinary General Meeting of the Company has been convened on the basis of a motion submitted by a shareholder who holds at least one twentieth of the Company share capital referred to in the Current Report No. 38/2011 dated September 30, 2011.


✓ Submission of a candidate for the position of Member of the Supervisory Board of P.R.I. “POL-AQUA” S.A.

On November 28, 2011 the Company received a letter from its shareholder, ING Otwarty Fundusz Emerytalny, stating that the said shareholder intends to announce the candidacy of Mr Krzysztof Gerula for the position of Supervisory Board Member during the Extraordinary Meeting of Shareholders of P.R.I. „POL-AQUA” S.A. which shall take place on November 29, 2011.

For detailed information, see Current Report No. 47/2011 dated November 28, 2011.

✓ Resignations of Members of Supervisory Board of P.R.I. “POL-AQUA” S.A.

On November 29, 2011, the Company received letters which stated that:

- Mr Józef Okolski has, as at November 29, 2011, announced his resignation from the position of the Chairman of the Supervisory Board of Przedsiębiorstwo Robót Inżynieryjnych „POL-AQUA” Spółka Akcyjna;

- Mr Ignacio Segura Suriñach has, as at November 29, 2011, announced his resignation from the position of Vice-chairman of the Supervisory Board of Przedsiębiorstwo Robót Inżynieryjnych „POL-AQUA” Spółka Akcyjna;
- Mr Ricardo Cuesta Castiñeyra has, as at November 29, 2011, announced his resignation from the position of Secretary of the Supervisory Board of Przedsiębiorstwo Robót Inżynieryjnych „POL-AQUA” Spółka Akcyjna;
- Mr Alberto Laverón Simavilla has, as at November 29, 2011, announced his resignation from the position of Member of the Supervisory Board of Przedsiębiorstwo Robót Inżynieryjnych „POL-AQUA” Spółka Akcyjna;
- Mr José Puente García has, as at November 29, 2011, announced his resignation from the position of Member of the Supervisory Board of Przedsiębiorstwo Robót Inżynieryjnych „POL-AQUA” Spółka Akcyjna;
- Mr Alfonso Costa Cuadrench has, as at November 29, 2011, announced his resignation from the position of Member of the Supervisory Board of Przedsiębiorstwo Robót Inżynieryjnych „POL-AQUA” Spółka Akcyjna;
- Mr Janusz Steinhoff has, as at November 29, 2011, announced his resignation from the position of Member of the Supervisory Board of Przedsiębiorstwo Robót Inżynieryjnych „POL-AQUA” Spółka Akcyjna;
- Mr Krzysztof Rafał Gadkowski has, as at November 29, 2011, announced his resignation from the position of Member of the Supervisory Board of Przedsiębiorstwo Robót Inżynieryjnych „POL-AQUA” Spółka Akcyjna.

The information specified above was published in the Current Report no. 48/2011 dated November 29, 2011.

**Extraordinary General Meeting of P.R.I. “POL-AQUA” S.A.**

On November 29, 2011, an Extraordinary General Meeting of Shareholders of P.R.I. „POL-AQUA” S.A. was held. The Extraordinary General Meeting of P.R.I. „POL-AQUA” Spółka Akcyjna has, inter alia, adopted resolutions on the basis of which the following persons were appointed to the Supervisory Board of the Company for a new term:

- Mr Alfonso Costa Cuadrench – for the position of the Chairman of the Supervisory Board;
- Mr José Puente García – for the position of the Vice-chairman of the Supervisory Board;
- Mr Alberto Laverón Simavilla – for the position of Member of the Supervisory Board;
- Mr Janusz Steinhoff – for the position of Member of the Supervisory Board;
- Mr Krzysztof Gerula – for the position of Member of the Supervisory Board.

Information about the education, qualifications and previous positions of the newly appointed Members of the Supervisory Board, with a description of their professional work and description of other activities performed outside the Issuer’s enterprise was provided in Current Report no. 49/2011 dated November 29, 2010.

Additionally, the Extraordinary General Meeting has adopted a resolution concerning the amendment of the Articles of Association of the Company with respect to the relocation of the registered office of the Company from Piaseczno to Warsaw as well as a resolution concerning the uniform text of the Articles of Association of the Company.

Detailed information on resolutions passed at the Extraordinary General Meeting of Shareholders are included in Current Report no. 51/2011 dated November 30, 2011.

**Changes in the composition of the Management Board of P.R.I. “POL-AQUA” S.A.**

On November 29, 2011, the Supervisory Board of the Company has appointed the following persons to the Management Board of the Company:

- Mr Servando Sierra Martí - Member of the Management Board,
- Mr Mario Serrano Villate - Member of the Management Board.

The information specified above was published in the Current Report no. 50/2011 dated November 29, 2011.
Information about the education, qualifications and previous positions of the newly appointed Members of the Supervisory Board, with a description of their professional work and description of other activities performed outside the Issuer’s enterprise was provided in Current Report no. 53/2011 dated November 30, 2010.
13. Information on organisational and capital relations with other entities and specification of the total number of shares in associated entities

Organisational and capital relations with subsidiaries and affiliated entities are presented in the following table

Table No. 8: Organisational and capital relations between the Issuer and its subsidiaries and affiliated entities (balance sheet value of shares and stocks of subsidiaries and affiliated companies of the POL-AQUA Capital Group as at December 31, 2011).

<table>
<thead>
<tr>
<th>Company</th>
<th>Registered office</th>
<th>% of share capital held</th>
<th>Value of shares at purchase price</th>
<th>Balance sheet value of shares/stocks</th>
<th>Number of shares/stocks held by the Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>PA CONEX Sp. z o.o.</td>
<td>09-500 Gostynin ul. Ziejkowa 2a</td>
<td>100,00</td>
<td>19 400 000,00</td>
<td>-</td>
<td>38 800</td>
</tr>
<tr>
<td>PA Wyroby Betonowe S.A.</td>
<td>82-300 Elbląg ul. Płk. Dąbka 215</td>
<td>100,00</td>
<td>5 500 000,00</td>
<td>5 500 000,00</td>
<td>55</td>
</tr>
<tr>
<td>Mostostal Pomorze S.A.</td>
<td>80-557 Gdańsk ul. Marynarki Polskiej 59</td>
<td>89,99*</td>
<td>54 496 861,70</td>
<td>54 496 861,70</td>
<td>512 979</td>
</tr>
<tr>
<td>TECO Sp. z o.o.</td>
<td>51-502 Wrocław ul. Mydlana 1</td>
<td>100,00</td>
<td>18 809 870,00</td>
<td>18 809 870,00</td>
<td>2 494</td>
</tr>
<tr>
<td>Weneda Sp. z o.o.</td>
<td>45-355 Opole ul. 1-go Maja 77/1</td>
<td>100,00</td>
<td>3 300 000,00</td>
<td>3 300 000,00</td>
<td>34 400</td>
</tr>
<tr>
<td>POL-AQUA WOSTOK Sp. z o. o.</td>
<td>115184 Moscow ul. Nowokuznieckaja 9, building 2</td>
<td>51,00</td>
<td>5,100.00 roubles (PLN 533.46)</td>
<td>5,100.00 roubles (PLN 533.46)</td>
<td>51</td>
</tr>
<tr>
<td>Samnia Dolina Spółka z ograniczoną odpowiedzialnością</td>
<td>00-640 Warszawa Ul. Mokotowska 1</td>
<td>44,00</td>
<td>3 294 230,88</td>
<td>-</td>
<td>44</td>
</tr>
</tbody>
</table>

* * in connection with the agreement on the sale of shares owned by non-controlling shareholders that will transfer ownership rights to the said shares, the Group recognizes the shares as purchased and the Group's percentage share in the capital is 100%; furthermore, the Group does not recognize in its records the shares held by Non-controlling Shareholders.

As at December 31, 2011, the share in the total number of votes held by the Parent Company in associates is equal to the share of the Company in the share capitals of such entities.

In the analysed period, the Parent Company lost control over the following subsidiaries: PLACIDUS INVESTMENTS Sp. z o.o. and Vectra S.A. (details under item D.1.13.2. of the Report on the operations of the POL-AQUA Capital Group).

13.1 Purchase of minority shareholdings

The Group recognised the put option which arose in recent years for the purchase of shares held by non-controlling shareholders as a liability resulting in an appropriate increase in the value of goodwill. On November 30, 2010 the agreement governing the mode of sale of shares of Mostostal Pomorze S.A. in the years 2011-2015 was signed by the Parent Company of the Group and a non-controlling shareholder. In the opinion of the Parent Company, as a result of this agreement 20.01% of shares were acquired from non-controlling shareholders and the put option agreement with respect to the shares in question was concluded. The purchase price specified in the put option agreement contains a fixed portion and a variable portion, the latter being disbursed only if specific financial results are achieved by Mostostal Pomorze S.A. The payment amount referred to in the agreement has been divided, in accordance with the economic purpose thereof, into payment for the acquired non-controlling shares and payment for the work performed by the seller. The obligation due to the acquisition of the shares in question (including
discount) was thereby calculated, and the decrease in the amount of obligation by PLN 4,330,000, correspondingly to the amount of reserve capital, was included in the consolidated financial statement for 2010.

In performance of the above agreement, on January 13, 2011, an agreement for the assignment of shares in Mostostal Pomorze S.A. was concluded between P.R.I. „POL-AQUA” S.A. and a non-controlling shareholder. Pursuant to the agreement referred to above, the Parent Company acquired 56,980 shares for PLN 6,000,000.

13.2. Changes in the POL–AQUA Capital Group within the period between January 1, 2011 and December 31, 2011

PLACIDUS INVESTMENTS Sp. z o.o.

In accordance with the ruling issued at a closed hearing, the District Court for the Capital City of Warsaw, 10th Commercial Division for bankruptcy and reorganization, on January 4, 2011, announced the bankruptcy with a possibility of composition agreement of Placidus Investments Sp. z o.o., a subsidiary of the Company, allowing the bankrupt company to manage all of its assets on its own. The abovementioned court subsequently issued a decision on the manner in which the bankrupt entity was to be managed, under which it revoked the decision allowing the bankrupt company to manage its own affairs and appointed an administrator. On September 8, 2011, the District Court for the capital city of Warsaw in Warsaw, 10th Commercial Division for bankruptcy and reorganization issued a decision in which it resolved to:

- to change the manner in which bankruptcy proceedings are conducted, from proceedings with an option to enter into composition agreements to proceedings aimed at the liquidation of the assets of the bankrupt entity;
- dismiss Mr Wojciech Makuc, the manager in bankruptcy,
- appoint Mr Wojciech Makuc as receiver.

As a result, on January 4, 2011, the POL-AQUA Capital Group lost control over the assets and operating activities of the subsidiary.

In accordance with IAS 27, as at January 1, 2011 the balance sheet value of assets and liabilities of the company PLACIDUS INVESTMENTS SP. z o.o. were excluded.

Vectra S.A.

On April 1, 2011, the agreement on the disposal of 13,200,000 shares constituting 100% of share capital of Vectra S.A. to Mr Marek Graczynkowski (President of the Management Board of Vectra S.A.) was concluded. The purchased shares confer an entitlement to 100% of votes at the General Meeting of Vectra S.A. Previously, P.R.I. "POL-AQUA" held 13,200,000 shares constituting 100% of the share capital of Vectra S.A. and conferring an entitlement to 100% of votes at the General Meeting of Vectra S.A.

As a result, on April 1, 2011, the POL-AQUA Capital Group lost control over the assets and operating activities of the subsidiary.

In accordance with IAS 27, as at April 1, 2011, the balance sheet value of assets and liabilities of Vectra S.A. were excluded.

PA ENERGOBUODOWA Sp. z o.o.

On September 1, 2011, the District Court for the capital city of Warsaw in Warsaw, 4th Commercial Division of the National Court Register, issued a decision on making an entry in the National Court Register concerning the merger between Przedsiębiorstwo Robót Inżynieryjnych „POL-AQUA” Spółka Akcyjna (the acquiring company) and PA ENERGOBUODOWA Sp. z o.o. (the acquired company). The
merger was effected by way of acquisition pursuant to art. 492 § 1 section 1 in conjunction with art. 516 § 6 of the CCC, i.e. by transferring the entirety of assets of PA ENERGOBUDOWA Sp. z o.o. to Przedsiębiorstwo Robót Inżynieryjnych „POL-AQUA” S.A.

The decision of the Court was the result of the adoption of Resolution No. 20/2011 of the Ordinary General Meeting dated June 21, 2011, on the merger of the Company (acting in the capacity of Acquiring Company) with a company operating under the business name of PA ENERGOBUDOWA Sp. z o.o. with its registered office in Opole (the Acquired Company).

The changes referred to above had no impact on the consolidated financial statements of the POL-AQUA Capital Group.

Sarnia Dolina Sp. z o.o.

PKO BP INWESTYCJE - Sarnia Dolina sp. z o.o. has changed its business name to: Sarnia Dolina Spółka z ograniczoną odpowiedzialnością. The other shareholder of the company in question - PKO BP Inwestycje Spółka z ograniczoną odpowiedzialnością, has also changed its business name, which is now QUALIA Development Spółka z ograniczoną odpowiedzialnością.

POL-AQUA WOSTOK Sp. z o. o.

On October 24, 2011 a resolution of the Meeting of Shareholders concerning the dissolution of POL-AQUA WOSTOK Sp. z o.o. with registered office in Moscow was adopted. The above event had no impact on the consolidated financial statements of the POL-AQUA Capital Group for year 2011.

14. Information on significant transactions concluded by the Issuer or its subsidiary with associated entities on non-arm’s length terms, along with the amounts thereof and information specifying the nature of these transactions

In the reported period, P.R.I. “POL-AQUA” S.A., entered into transactions with associated entities that had typical features of a transactions resulting from current operating activity of the Issuer and its subsidiaries. Transactions were concluded on an arm’s length basis. In addition, some of the transactions result from existing agreements with financial institutions, where mutual sureties of the entities of the POL-AQUA Capital Group that are parties to the agreements are one of the applied collaterals.

The following types of transactions with associated entities were concluded most frequently:

- contracts for construction and assembly works
- loan agreements,
- advisory agreements.

Activities of POL-AQUA Capital Group are based on activities of highly specialised entities with operating profiles which include highly complementary types of services. The commencement of cooperation by the entities within the Capital Group is aimed at improving the usage of resources available to entities participating in the transaction and reducing the risks associated with the business activities pursued.

The allocation of risk and the division of the functions of the enterprise allow for a reduction of operating costs and an effective use of financial resources. Sureties for liabilities as well as collaterals for the repayment of liabilities for associated entities facilitate the faster performance of contracts, which may contribute to a more effective management of the entities within the Issuer’s Group.
15. Proceedings pending before courts, competent arbitration bodies or public administration authorities, including the information regarding:

a) proceedings relating to liabilities or receivables of the Issuer’s Capital Group or its subsidiary, the value of which amounts to at least 10% of the value of equity of the Issuer’s Capital Group, including information on: the subject of the proceedings, value of the subject of the dispute, date of the proceedings, parties to the proceedings and the position of the Issuer’s Capital Group,

b) two or more proceedings relating to liabilities or receivables the value of which amounts to at least 10% of the equity of the Issuer, stating the total value of proceedings individually within the group of liabilities and receivables along with the Issuer’s position on the case and with reference to the most substantial proceedings in the relevant group of liabilities and receivables – stating the subject matter of the proceedings, value of the subject of the dispute, date of commencement of the proceedings and parties to the proceedings.

The aggregate value of the proceedings concerning the liabilities and receivables as at December 31, 2011 which are pending before courts, competent arbitration bodies or public authorities amounts to: receivables - PLN 77,870,000, obligations - PLN 178,288,000.

Proceedings with the highest dispute value within the group of receivables and liabilities the value of which amounts to at least 10% of equity are presented below.
### The Group as Claimant

<table>
<thead>
<tr>
<th>Procedure commencement date</th>
<th>Defendant</th>
<th>Value of the subject of the dispute expressed in thousand PLN</th>
<th>Subject of the dispute</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>22.10.2010</td>
<td>„FED Poland” Sp. z o.o.</td>
<td>28 517</td>
<td>Receivables from guarantee deposits and interests</td>
<td>In the course of court proceedings, the Court awarded the payment by the Defendant of the deposit along with interest in the amount of PLN 25,579,000. Moreover, the Company was awarded the payment of PLN 107,000 on account of costs. The court decision is not final and binding. The write-down for receivables made in 2010 was not released due to considerable uncertainty of recovering the claimed amount.</td>
</tr>
<tr>
<td>15.01.2010</td>
<td>The Commune of Wroclaw</td>
<td>25 087</td>
<td>Contractual remuneration and damages</td>
<td>The subject of the dispute comprises court actions regarding: the amount of EUR 1,541,000 on account of additional payment for the performed construction works related to installation excavations, along with statutory interest calculated from the date of filing the statement of claims to the date of payment; - the amount of EUR 4,794,000 on account of damages caused by the contract performance period being prolonged by 9 months, with statutory interest calculated from March 5, 2008, to the date of payment;</td>
</tr>
<tr>
<td>28.01.2011</td>
<td>KBP 5 Sp. z o. o</td>
<td>9 195</td>
<td>Remuneration for performed works along with interest</td>
<td>The Company simultaneously claims reimbursement of statutory interest as of the date on which the action was brought before the court to the date of payment. With reference to the claims listed above, the Company filed petitions for securing the claims for payment on December 31, 2010. In both cases the Court issued a decision on securing Company’s claims by way of establishing a mortgage on property. Based on the principle of prudent valuation, appropriate write-downs for receivables were made.</td>
</tr>
<tr>
<td>28.01.2011</td>
<td>KBP 6 Sp. z o. o</td>
<td>7 497</td>
<td>Remuneration</td>
<td>The subject of the proceedings is an action for an aggregate amount of PLN 3,397,000 payable due to remuneration for the construction activities performed. The Company received an order for payment in the course of writ of payment proceedings; the defendant filed an objection against the said order for payment.</td>
</tr>
<tr>
<td>22.12.2011</td>
<td>MPWiK S.A.</td>
<td>3 397</td>
<td>Remuneration</td>
<td></td>
</tr>
</tbody>
</table>

### The Group as Defendant

<table>
<thead>
<tr>
<th>Procedure commencement date</th>
<th>Claimant</th>
<th>Value of the subject of the dispute expressed in thousand PLN</th>
<th>Subject of the dispute</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>14.03.2011</td>
<td>KBP 5 Sp. z o. o</td>
<td>78 877</td>
<td>Claim for repayment of disbursed remuneration for constructed building</td>
<td>In the opinion of the Management Board of the Company, there were no grounds for the said claim.</td>
</tr>
<tr>
<td>14.03.2011</td>
<td>KBP 6 Sp. z o. o</td>
<td>77 555</td>
<td>Claim for repayment of disbursed remuneration for constructed building</td>
<td>In the opinion of the Management Board of the Company, there were no grounds for the said claim.</td>
</tr>
</tbody>
</table>
Following the end of the financial year, on February 3, 2011, the Company received a claim for PLN 4,384,000 filed by KBP-2 Sp. z o.o. concerning the reduction in the remuneration payable to the Defendant.
In the opinion of the Management Board of the Company, there are no grounds for the said claim.
D.II. DESCRIPTION OF ACTIVITIES OF THE POL-AQUA CAPITAL GROUP

1. Information about basic products, goods or services, stating their value and quantity as well as the share of products, goods and services (if relevant) or groups thereof in the total sales volume of the Issuer as well as any changes in this regard

The basic scope of activities of the POL-AQUA Capital Group comprises service, manufacturing and trading activities in the construction sector.

The Group is also engaged in other types of activities, which are marginal to its core activities.

The Capital Group and the Issuer provide a wide range of services in the field of engineering construction works, general construction works, environmental construction works, road construction works, as well as construction of pipelines and auxiliary facilities. The Group provides complete underground utilities and road works for commercial facilities, housing developments, logistics centres, etc. In addition, the POL-AQUA Capital Group offers comprehensive service and execution of residential, commercial and industrial buildings, housing estates and power engineering structures.

The Company executes its projects in a comprehensive manner, acting both as general contractor in the scope of performed works, as well as a subcontractor in the scope of precisely determined tasks, utilising qualified managerial and technical staff and own equipment for these purposes.

Members of the Capital Group are also involved in manufacturing activities, mostly producing steel structures, including large-sized steel structural components, construction elements and materials.

In 2011, the POL-AQUA Capital Group provided and continues to provide services in various fields, such as:

- **INFRASTRUCTURAL CONSTRUCTION WORKS (i.e. engineering structures, road and bridge construction works), including:**
  - sewage pumping stations;
  - wastewater treatment plants;
  - water treatment plants;
  - sewers and water mains;
  - ground works (excavations, embankments, soil exchange);
  - micro tunnelling and directional drilling;
  - basal reinforcement works utilising cement-stabilized sand and gravel columns;
  - retaining walls;
  - water networks and connections;
  - rainwater and sanitary sewage systems and connections;
  - heat distribution networks;
  - data transmission and telecommunication duct systems;
  - electrical and power networks;
  - rainwater pre-treatment plants and separators;
  - ramming and perforation;
  - comprehensive road and motorway construction works;
  - underground and aboveground passageways for pedestrians;
• replacement of soil for road and bridge structures;
• road embankments and substructures;
• road culverts and crossings;
• parking lots, pavements, hard shoulders;
• access roads and yards with surfaces of all available types.
• construction of local bridges and airports;
• bridge structures: flyovers, viaducts, tunnels etc.
• deconstruction works (demolitions, bituminous surface milling);
• recycling of materials obtained from deconstruction, etc.

• **POWER ENGINEERING CONSTRUCTION WORKS, such as:**
  • high-pressure gas transmission pipes;
  • pipelines for distribution of liquid fuels and oil;
  • reduction stations, reduction/metering stations;
  • pig launchers;
  • cut-off units;
  • distribution nodes, distribution and measurement nodes;
  • gas pumping stations;
  • fuel pumping stations;
  • steel vertical storage tanks;
  • technological installations for petrochemical, chemical and energy industry;
  • agricultural biogas plants etc.

• **GENERAL CONSTRUCTION WORKS, such as:**
  • comprehensive implementation of turnkey projects - apartment standard and enhanced standard;
  • public utility buildings;
  • shopping centres and buildings;
  • industrial and auxiliary structures;
  • housing developments etc.

• **STEEL STRUCTURES:**
  • manufacture of steel structures:
  • manufacture of pressure equipment for the power and fuel industry,
  • comprehensive investment works in the mechanical and construction sector for the petrochemical and petroleum industry,
  • prefabrication, assembly, anti-corrosion protection and loading of large-size oil rig components onto various types of watercraft.

In addition, the Companies of the Capital Group supply services relating to:
• diagnostics and trenchless repairs of sanitary and rainwater channels, water pipes, deep water wells, gas pipes and oil pipes.
• manufacture and wholesale of construction materials and other goods;
• manufacture of floor slabs;
• manufacture of round post-tensioned concrete tanks;
• manufacture of channel boards, lintel booms, ready-mix concrete;

The net value of sales revenues of the POL-AQUA Capital Group in 2011 and 2010 is presented in item No. 12.1. under additional explanatory notes to the Financial Statements of the POL-AQUA Capital Group (Appendix No. 1).

2. Specification of policy related to Capital Group’s Issuer development directions, including elements of market strategy

The POL-AQUA Capital Group pursues activity in the area of construction, manufacture of construction materials as well as construction and assembly of steel structures. The Capital Group adheres to the development policy both within the Parent Entity and its subsidiaries.

The directions of the Company’s development policy for upcoming years are as follows:

✓ strengthening market position in four basic areas: environmental engineering construction works, communication infrastructure construction works, power engineering construction works and general construction works;
✓ systematic increase in sales revenues and earned margins;
✓ maintenance of adequate diversification of contract portfolio.

The targets for further development of the Capital Group for the nearest future include:

✓ continuing systematic progress in the field of efficient solicitation and implementation of the contract portfolio;
✓ taking advantage of opportunities for further development in the field of road and bridge construction works;
✓ reduction of operational costs of the Capital Group;
✓ strengthening the position on the market of large infrastructural contracts;
✓ increase of the share of sales to clients from the industrial and power sector;
✓ in the scope of general construction works - focusing on comprehensive industrial investment projects and shopping malls construction;
✓ further extension of the scope of products offered and increasing the flexibility thereof as well as the development of cooperation with current clients;
✓ effective utilisation of competitive advantage (equipment, expertise, brand);
✓ utilisation of the potential which the Company’s subsidiaries may have for the development of the Company;
✓ increasing production efficiency;
✓ maintaining short delivery periods and high quality of performed services;
✓ Utilising synergy effects between entities executing construction contracts and manufacturing companies;
Consolidated Annual Report of the POL-AQUA Capital Group for year 2011

☑ increasing the efficiency of human resources;
☑ strengthening areas of internal control;
☑ simplification of management structure.

3. Information on markets including breakdown into domestic and international markets, information on dependence on one or more customers, or if the share of a single customer equals or exceeds 10% of total sales revenues – specification of the name of the supplier or customer, its share in the sales volume or supply and its formal relations with the Issuer’s Capital Group

In 2011 the Group sold its products mainly in the domestic market.

Customers of the POL-AQUA Capital Group:

- Local and central government units responsible for comprehensive investment projects involving sanitary sewage systems for urban and communal areas, sewage treatment plants, roads and other infrastructure.
- Commercial investors implementing projects that involve the construction of buildings, development of housing estates, office buildings and shopping centres.
- Industrial and power sector companies.
- Refineries, petrochemical companies, gas and liquid fuel transmission operators, companies which engage in the construction of transmission pipelines and supporting structures.
- Oil rig operators.
- Construction sector companies working in the field of specialised services or operating in development consortia.

In 2011, the only client of the Issuer who accounted for more than 10% of the Issuer's sales revenues was Zarząd Miejskich Inwestycji Drogowych Warszawa (Road Investments Management Authority for the city of Warsaw). The Issuer, as the leader of the Consortium, participated in the project designated as “Northern Bridge Route Construction”. The share of this company in the total sales revenues of the POL-AQUA Capital Group in 2011 amounted to 32.32% in total.

4. Information on sources of production material, goods and services supply, including information about dependency on one or more suppliers, and if the share of one supplier equals or exceeds 10% of total sales revenues – supplier (company) name, the supplier’s share in total supply and the supplier’s formal relations with the Issuer

In 2011, the POL-AQUA Capital Group purchased materials for specific investments based on the needs of the executed construction works. These requirements take into account the technical specifications of the projects and the requirements of investors and users. The largest group of materials are: warm mix asphalt, pipes, wells, fittings, track works, fuels, electric installation components, concrete components etc. Moreover, for the purposes of the manufacture of steel structures, members of the Capital Group purchase steel products, manufacturing equipment and power tools.

The main suppliers of goods and services of P.R.I. „POL-AQUA” S.A. are: SANDO Budownictwo Polska Sp. z o.o., a limited liability company with registered office in Warsaw, KROMISS BIS Sp. z o.o., a limited liability company with registered office in Częstochowa, MASFAŁT Sp. z o.o., a limited liability company with registered office in Pruszków, HOBAS POLSKA Sp. z o.o., a limited liability company with registered office in Dąbrowa Górnicza, WORLD ACOUSTIC GROUP S.A., a joint-stock company with
Suppliers are selected on an ongoing basis according to requirements of the Capital Group, based on an analysis of the criteria such as price, quality of offered services/products, ability to ensure timely deliveries, flexibility of deliveries, payment dates, etc.

In 2011, the share of only one Subcontractor exceeded 10% of the total revenue on sales. This Subcontractor is Sando Budownictwo Polska Sp. z o.o., a Partner of the Consortium in the Northern Bridge Route construction project in Warsaw. The share of this company in the total sales revenue of the Group amounted to 10.3% in total.

5. **Information on the most significant achievements in the area of research and development**

The POL-AQUA Capital Group does not carry out research and scientific activities due to the nature of its business activity. Therefore the Issuer has not developed a research and scientific strategy, nor has it allocated funds to research and scientific activities.

6. **Information on environment-related issues**

The POL-AQUA Capital Group fulfils its obligations resulting from environmental protection legislation and the relevant decisions issued by the competent authorities.

Members of the POL-AQUA Capital Group, in accordance with the applicable legal requirements provide the competent authorities every six months with a collective summary of information of environment-related activities. The summary includes information on the type of environment-related activity and the payments made within the scope of gas or dust emissions resulting from fuel combustion processes in internal combustion engines, combustion processes in central heating boilers, engine fuel handling as well as application of sewage to water or soil and waste storage.

All payments resulting from using the environment are settled in compliance with the applicable legal provisions.

In the course of performance of investment projects, P.R.I. „POL-AQUA” S.A. operates on the basis of the relevant legal requirements as well as other requirements. If the performed works require obtaining permits and decisions regarding:

- transporting hazardous waste and non-protected waste,
- the management programme concerning waste produced in the course of performance of construction, disassembly and renovation services and the cleaning of tanks or equipment;
- hazardous waste management programme;
- water intake (including: underground, surface inland waters, sea and inland waters);
- releasing sewage into waters or soil,

the members of the Group obtain such permits in accordance with the applicable legislative regulations.
To provide an example illustrating the special concern for the environment and the awareness of the negative environmental impact of some of the Group’s activities, the Parent Company implements and maintains the certified Environment Management System compliant with the PN-EN ISO 14001:2005 standard. Obtaining the abovementioned international standard obliges the company to perform all activities in accordance with the binding legal provisions and to guarantee that the highest environment protection standards are applied. The same obligation is imposed by P.R.I. “POL-AQUA” on its qualified sub-contractors in order to protect the environment more effectively.

7. Description of internal and external factors significant for the development of the Capital Group and description of significant risk factors and the degree of exposure of the Capital Group to such risk factors

7.1. Internal and external factors influencing the development of the POL-AQUA Capital Group

External factors influencing the development of the Group

Opportunities
- The development of infrastructural investments within central and local government programmes resulting from activities aimed at stimulating the economy,
- Influx of EU funds earmarked for infrastructural investments,
- Continuation of current infrastructural programmes connected with environmental protection,
- planned energy sector investments aimed at developing production capacity and distribution network,
- contemplated investments in the area of fuel sector construction (pipelines, terminals, gas storage facilities),
- Further development of commercial and industrial construction (logistics), opportunity of obtaining references and of cooperating with entities comprising the DRAGADOS and ACS Groups.

Concerns
- delays in the road and motorway construction programme,
- staunch price competition with respect to construction works - especially with respect to engineering construction works,
- Stricter credit policies,
- Notable fluctuation of fuel and raw material prices on global markets,
- incapacity of some companies to duly perform their obligations,
- increase in competition, especially of foreign companies, which may force a margin reduction,
- increase in labour costs,
- notable exchange rates fluctuations,
- unemployment level, the increase of which may lead to a reduction in demand for housing.

Internal factors influencing the development of the Group

Opportunities
• renowned brand,
• high quality of offered products and timely performance of services,
• experienced personnel and highly specialized implementation teams,
• unique permits and certificates in the area of specialist works,
• specialist equipment resources,
• appropriate diversification of contract portfolio,
• synergy effect within the POL-AQUA Capital Group,
• consistent streamlining of management processes.

Concerns
• loss of professional human capital,
• difficulties in finding high-quality subcontractors,
• failure on part of subcontractors to meet contractual deadlines for contract execution.

7.2. Risks and concerns

➢ Risk related to the solicitation of new contracts

The nature of economic activities pursued by the Company makes it necessary for contracts to be secured through a tender process. The Management Boards of entities belonging to the Group prepare bids, define and negotiate offer conditions, and prepare the companies to perform the tasks. The Management Boards have no influence on the criteria of bid selection used to choose the winning bid.

One of the main factors stimulating the development of the POL-AQUA Capital Group is the consistent expansion of its order portfolio. The Capital Group continues to enhance the system of contract valuation which, combined with a strict cost control, should ensure the achievement of the projected profitability. Still, the risk arises that changing market conditions might prevent the Capital Group from securing new contracts which enable the maintenance of current income level and the increase in the profitability of the Capital Group.

➢ Risk related to fluctuations in the costs of task execution

Most contracts implemented by the Group are fixed price contracts. One of the risks is that the initial estimate proves insufficient to achieve the expected financial result. The economic situation in the construction industry may rapidly change, and the factors affecting this situation are often unpredictable and lie beyond the Company’s control. If the costs are different from the initial calculation following an error in estimation of the value of works, then the risk is limited to the given contract and is diversified owing to the execution by the Company of more than a dozen tasks at the same time. If the change in costs stems from change in market conditions in the industry (an increase in material prices, increase in prices of subcontractors’ services), then the economic risk may apply to all performed contracts.

➢ Risk related to the loss of subcontractors

Variable availability of qualified subcontractors may result in the inability to guarantee timely contract performance, resulting in loss of revenues or increase in costs. The use of qualified subcontractors is also a major factor in the expansion of the Company's activities. The Group uses services of qualified subcontractors, in particular when the Group acts as the general contractor.

➢ Risk of non-performance or improper performance of contractual provisions
Because of the nature of the market in which the Company operates, if the Group does not perform contractual provisions or performs such provisions improperly, the counterparty may demand contractual penalties and additional damages or even withdraw from the contract.

The contracts performed by the Company, in particular contracts for works in the capacity of general contractor, require the hiring of subcontractors and the assumption of full responsibility towards investors for such subcontractors. The Group intends to reduce this risk by expanding its own potential and by demanding deposits or other security from its subcontractors.

However, it cannot be ruled out that the aforementioned collaterals fail to cover the claims filed by investors in connection with the non-performance or improper performance of contractual provisions. Failure to meet contractual conditions may therefore increase the operating costs of the Company and restrict its opportunities to obtain new contracts.

- Risk related to the estimation of costs of long-term contracts

Estimated costs of long-term contracts are exposed to the risk of an increase in prices of materials and construction services and the risk of extending the completion dates of the contracts resulting from unexpected events. Both the increase in prices and the longer completion dates of the contract may result in a considerable increase in costs, thereby causing a reduction in the profit margin achieved.

- Risk of overdue or bad debts

The Group monitors the solvency of its customers and controls the current level of receivables. However, it cannot be ruled out that in the future the customers will be unable to repay their debts in time, which may increase the amount of overdue receivables.

- Risk related to the accountability for members of the Consortium to which the POL-AQUA Capital Group belongs

In case of contracts fulfilled within a consortium, the Company runs the risk of incurring liability not only for its own actions and actions of its subcontractors, but also joint and several liability for actions of other Consortium members. This is a typical risk related to the performance of contracts by a consortium. Performance of contracts within a consortium is a major element of the Group’s activities. If an investor files claims against the consortium members, it cannot be ruled out that the Capital Group may end up being forced to pay potentially high contractual penalties or other damages.

Because of the risk that potential recourse claims may prove unsuccessful (e.g. in case of bankruptcy of a consortium member or members), the Company might not be able to recover all or part of the amounts paid under the aforementioned penalties.

- Risk related to the dependence on key customers

The development of the Capital Group and the expansion of the comprehensive services offer for construction projects results in changes in the order portfolio which increase the unit value of implemented contracts. At present, the Company is not dependent on any key customers. However, its further development may involve the risk of dependence on key customers.

- Risk related to the seasonal nature of sales

Much like most entities operating in the construction industry, the Company also suffers from the seasonal nature of sales, with most of the sales revenues recorded in the second half of the calendar year and a much lower level of revenues in the first quarter. This seasonal nature is the result of the dependence on weather conditions and contract schedules resulting from technological circumstances. Consequently, most construction works are performed from April to
November. This risk applies particularly in the case of atypical weather conditions, due to which work schedules have to be altered or the project deadline has to be extended. Because of the seasonal nature of activities of the Group, proper assessment of the financial situation of the Group is possible only through an analysis of financial data for the whole financial year.

Risk of accidents at work and other damage caused by the Group

The Group is responsible for proper preparation and maintenance of the construction site so that safety of its staff is ensured. The Company is also directly liable for the safety of its own employees and, as a rule, third parties on the construction site. The risk of accidents at work applies to two areas: the first one is the requirement to satisfy claims for damages, the other one being delays in construction works as a result of accidents.

Because of the specific nature of Company’s operations, there is also the risk of unintentional property damage resulting from the scope and specific nature of the works performed.

Risk of liability for environmental pollution

In accordance with the provisions of Polish law, entities which use real property on which hazardous substances or other pollutants are stored or where the natural landscape has been adversely transformed, may be obliged to remove such substances, cover the costs of land reclamation or pay administrative penalties. Therefore, one cannot exclude the risk that the Capital Group may be obliged in the future to pay damages, administrative penalties or cover the costs of land reclamation as a result of environmental pollution on land owned or purchased by the Capital Group.

Risk of severe competition

The Group operates in the highly competitive market of construction services. Apart from the competition from other Polish construction and engineering construction companies, the Group competes against members of capital groups of large international corporations. When Poland joined the European Union, a number of major European construction companies commenced their operations in Poland which have founded their operations on local enterprises, leading to the creation of a number of major new entities in this sector. This phenomenon considerably increased the level of competition, which, if it continues to grow, may adversely affect the value of earned profit margins and the number of obtained contracts.

Risk related to economic conditions in Poland

Factors such as economic growth rate, investment expenses, tax policy and interest rates have a major impact on the level of investments in the construction industry. Adverse changes in macroeconomic factors may reduce planned revenues or increase operating costs. These, however, are external factors beyond the Company's control. It cannot be guaranteed that the growth in demand in those market segments remains at a constant level. Available market analyses and trends show that the upcoming years will probably witness continued strong development of the engineering construction services industry. However, the slower pace of economic growth, lower investment expenses, higher taxes and higher interest rates may adversely affect the level of investments in the construction industry in Poland.
FX risk

The Company operates mostly on the domestic market, however some of the contracts (most of all due to financing sources) may be indexed to foreign currencies (e.g. contracts co-financed by European Union Funds are indexed to EUR).

The Capital Group intends to transfer part of the FX risk to the subcontractors and suppliers of materials and equipment; it also takes steps to limit the FX risk by using typical financial instruments designed for that purpose.

Although currently contracts denominated in foreign currencies do not constitute a major part of the Group’s contract portfolio, in the future an increase of the share of such contracts in the portfolio might affect the profitability of the signed contracts.

Risk of adverse changes in tax provisions

Frequent changes of legal provisions which govern the taxation of economic activities might prove unfavourable to the Group, its customers and subcontractors. Consequently, this may directly or indirectly damage the financial results of the Group.

8. Structure of assets and liabilities of the non-consolidated balance sheet from the viewpoint of liquidity of the Issuer’s Capital Group. Presentation of key economic and financial figures along with basic indicators

8.1. Financial Results

Selected economic and financial data regarding the profits and losses of the POL-AQUA Capital Group are shown in the table below.

**Table No. 9: Selected items from the income statement of the POL-AQUA Capital Group**

<table>
<thead>
<tr>
<th>Item</th>
<th>for the year ended on December 31, 2011</th>
<th>for the year ended on December 31, 2011</th>
<th>Dynamics 2011/2010 (in %)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales revenues</td>
<td>733 864</td>
<td>1 309 677</td>
<td>56,0</td>
</tr>
<tr>
<td>Own cost of sales</td>
<td>697 563</td>
<td>1 333 577</td>
<td>52,3</td>
</tr>
<tr>
<td>Gross profit (loss) on sales</td>
<td>36 301</td>
<td>(23 900)</td>
<td>-</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>2 553</td>
<td>1 773</td>
<td>144,0</td>
</tr>
<tr>
<td>General administration cost</td>
<td>64 931</td>
<td>74 759</td>
<td>86,9</td>
</tr>
<tr>
<td>Profit (loss) on sales</td>
<td>(31 183)</td>
<td>(100 432)</td>
<td>31,0</td>
</tr>
<tr>
<td>Other operating revenues</td>
<td>78 729</td>
<td>14 748</td>
<td>533,8</td>
</tr>
<tr>
<td>Other operating costs</td>
<td>13 589</td>
<td>113 132</td>
<td>12,0</td>
</tr>
<tr>
<td>Write-down of goodwill</td>
<td>-</td>
<td>84 015</td>
<td>-</td>
</tr>
<tr>
<td>Profit (loss) on operating activities</td>
<td>33 957</td>
<td>(282 831)</td>
<td>-</td>
</tr>
<tr>
<td>Financial revenues</td>
<td>6 506</td>
<td>11 445</td>
<td>56,8</td>
</tr>
<tr>
<td>Financial costs</td>
<td>10 978</td>
<td>19 295</td>
<td>56,9</td>
</tr>
<tr>
<td>Profit (loss) before tax</td>
<td>29 485</td>
<td>(290 681)</td>
<td>-</td>
</tr>
<tr>
<td>Income tax</td>
<td>4 234</td>
<td>(4 169)</td>
<td>-</td>
</tr>
<tr>
<td>Net profit (loss)</td>
<td>25 251</td>
<td>(286 512)</td>
<td>-</td>
</tr>
</tbody>
</table>

In 2011, the POL-AQUA Capital Group recorded revenue on sales in the amount of PLN 733,864,000, which amounted to 56.0% of all revenues for last year. The revenue on sales of services constituted the
most substantial part of total sales revenues. Within the periods under scrutiny, the Capital Group recorded revenues on sales in all parts of the country.

The following table presents the structure and dynamics of various revenue items for 2011 and 2010.

Table No. 10: Structure and dynamics of sales revenues of the Capital Group

<table>
<thead>
<tr>
<th>SALES REVENUES</th>
<th>for the year ended on December 31, 2011</th>
<th>Structure in %</th>
<th>for the year ended on December 31, 2010</th>
<th>Structure in %</th>
<th>Dynamics 2011/2010 (in %)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net revenues from sales of products</td>
<td>33 640</td>
<td>4.6</td>
<td>30 051</td>
<td>2.3</td>
<td>111.9</td>
</tr>
<tr>
<td>Net revenues from sales of services</td>
<td>696 272</td>
<td>94.9</td>
<td>1 268 879</td>
<td>96.9</td>
<td>54.9</td>
</tr>
<tr>
<td>Revenues from sales of goods</td>
<td>3 952</td>
<td>0.5</td>
<td>10 747</td>
<td>0.8</td>
<td>36.8</td>
</tr>
<tr>
<td>Net revenues from sales, total</td>
<td>733 864</td>
<td>100.0</td>
<td>1 309 677</td>
<td>100.0</td>
<td>56.0</td>
</tr>
</tbody>
</table>

An analysis of cost structure by type shows that the costs of outsourced services were the most substantial part of all costs incurred in both 2011 and 2010. The costs of materials and energy usage as well as costs of employee benefits also formed a substantial part of aggregate costs.

Table No. 11: Structure and dynamics of operating costs of the POL-AQUA Capital Group

<table>
<thead>
<tr>
<th>COSTS BY TYPE</th>
<th>for the year ended on December 31, 2011</th>
<th>Structure in %</th>
<th>for the year ended on December 31, 2010</th>
<th>Structure in %</th>
<th>Dynamics 2011/2010 (in %)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amortization and depreciation</td>
<td>23 277</td>
<td>3.1</td>
<td>27 384</td>
<td>1.9</td>
<td>85.0</td>
</tr>
<tr>
<td>Material and energy consumption</td>
<td>170 865</td>
<td>22.4</td>
<td>228 835</td>
<td>16.3</td>
<td>74.7</td>
</tr>
<tr>
<td>Outsourced services</td>
<td>415 793</td>
<td>54.6</td>
<td>937 533</td>
<td>66.7</td>
<td>44.3</td>
</tr>
<tr>
<td>Taxes and fees</td>
<td>5 074</td>
<td>0.7</td>
<td>6 212</td>
<td>0.4</td>
<td>100.0</td>
</tr>
<tr>
<td>Costs of employee benefits</td>
<td>144 405</td>
<td>18.9</td>
<td>182 337</td>
<td>13.0</td>
<td>79.2</td>
</tr>
<tr>
<td>Other cost categories</td>
<td>2 572</td>
<td>0.3</td>
<td>23 895</td>
<td>1.7</td>
<td>10.8</td>
</tr>
<tr>
<td>COSTS ACCORDING TO TYPE IN TOTAL</td>
<td>761 986</td>
<td>100.0</td>
<td>1 406 196</td>
<td>100.0</td>
<td>54.2</td>
</tr>
<tr>
<td>Change in condition of products and production in progress</td>
<td>(1 656)</td>
<td></td>
<td>(7 923)</td>
<td></td>
<td>20.9</td>
</tr>
<tr>
<td>Cost of sales (negative value)</td>
<td>(2 553)</td>
<td></td>
<td>(1 773)</td>
<td></td>
<td>144.0</td>
</tr>
<tr>
<td>General administration costs (negative value)</td>
<td>(64 931)</td>
<td></td>
<td>(74 759)</td>
<td></td>
<td>86.9</td>
</tr>
<tr>
<td>Cost of product manufacturing for own needs</td>
<td>-</td>
<td></td>
<td>-</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>Costs of provision of sold products and services</td>
<td>692 846</td>
<td></td>
<td>1 321 741</td>
<td></td>
<td>52.4</td>
</tr>
<tr>
<td>Value of goods and materials sold</td>
<td>4 717</td>
<td></td>
<td>11 836</td>
<td></td>
<td>39.9</td>
</tr>
<tr>
<td>Total cost of sold products, goods, services and materials</td>
<td>697 563</td>
<td></td>
<td>1 333 577</td>
<td></td>
<td>52.3</td>
</tr>
</tbody>
</table>

Within the period under scrutiny, the Company has recorded a gross profit from sales in the amount of PLN 36,301,000 as well as a profit from operating activities in the amount of PLN 33,957,000.
8.2. Analysis of assets of the POL-AQUA Capital Group

The assets of the POL-AQUA Capital Group as at December 31, 2011 and December 31, 2010, respectively, along with the structure and dynamics thereof, are shown in the table below:

Table No. 12: Assets of P.R.I. "POL-AQUA" S.A. as at December 31, 2011 and December 31, 2010
(in thousands PLN).

<table>
<thead>
<tr>
<th>STATEMENT OF FINANCIAL CONDITION</th>
<th>As at December 31, 2011</th>
<th>Structure in %</th>
<th>As at December 31, 2010 (converted)</th>
<th>Structure in %</th>
<th>Dynamics 2011/2010 (in %)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASSETS</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FIXED ASSETS</td>
<td>311 248</td>
<td>48,5</td>
<td>370 269</td>
<td>45,0</td>
<td>84,1</td>
</tr>
<tr>
<td>Tangible fixed assets</td>
<td>135 767</td>
<td>21,1</td>
<td>188 852</td>
<td>23,0</td>
<td>71,9</td>
</tr>
<tr>
<td>Goodwill</td>
<td>159 765</td>
<td>24,9</td>
<td>159 773</td>
<td>19,4</td>
<td>100,0</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>1 178</td>
<td>0,2</td>
<td>537</td>
<td>0,1</td>
<td>219,4</td>
</tr>
<tr>
<td>Investment real property</td>
<td>4 845</td>
<td>0,8</td>
<td>4 951</td>
<td>0,6</td>
<td>97,9</td>
</tr>
<tr>
<td>Deferred income tax assets</td>
<td>120</td>
<td>-</td>
<td>1 178</td>
<td>0,1</td>
<td>10,2</td>
</tr>
<tr>
<td>Other prepayments and accruals</td>
<td>849</td>
<td>0,1</td>
<td>307</td>
<td>-</td>
<td>276,5</td>
</tr>
<tr>
<td>Other financial assets</td>
<td>8 715</td>
<td>1,4</td>
<td>14 593</td>
<td>1,8</td>
<td>59,7</td>
</tr>
<tr>
<td>Other fixed assets</td>
<td>9</td>
<td>-</td>
<td>78</td>
<td>-</td>
<td>11,5</td>
</tr>
<tr>
<td>CURRENT ASSETS</td>
<td>330 812</td>
<td>51,5</td>
<td>451 983</td>
<td>55,0</td>
<td>73,2</td>
</tr>
<tr>
<td>Inventories</td>
<td>4 176</td>
<td>0,7</td>
<td>5 883</td>
<td>0,7</td>
<td>71,0</td>
</tr>
<tr>
<td>Assets due to construction contracts</td>
<td>48 740</td>
<td>7,6</td>
<td>19 234</td>
<td>2,3</td>
<td>253,4</td>
</tr>
<tr>
<td>Trade receivables</td>
<td>213 213</td>
<td>33,1</td>
<td>244 646</td>
<td>29,8</td>
<td>87,2</td>
</tr>
<tr>
<td>Other receivables</td>
<td>10 124</td>
<td>1,6</td>
<td>9 814</td>
<td>1,2</td>
<td>103,2</td>
</tr>
<tr>
<td>Income tax receivables</td>
<td>469</td>
<td>0,1</td>
<td>10 817</td>
<td>1,3</td>
<td>4,3</td>
</tr>
<tr>
<td>Other short-term financial assets</td>
<td>-</td>
<td>-</td>
<td>1 420</td>
<td>0,2</td>
<td>-</td>
</tr>
<tr>
<td>Prepayments</td>
<td>2 645</td>
<td>0,4</td>
<td>3 297</td>
<td>0,4</td>
<td>80,2</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>42 227</td>
<td>6,6</td>
<td>156 872</td>
<td>19,1</td>
<td>26,9</td>
</tr>
<tr>
<td>Fixed assets held for sale</td>
<td>9 218</td>
<td>1,4</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>TOTAL ASSETS</td>
<td>642 060</td>
<td>100,0</td>
<td>822 252</td>
<td>100,0</td>
<td>78,1</td>
</tr>
</tbody>
</table>

8.3. Analysis of the sources of financing of the assets of the POL-AQUA Capital Group

The sources of financing of the assets of the POL-AQUA Capital Group as at December 31, 2011 and December 31, 2010, respectively, along with the structure and dynamics thereof, are shown in the table below:
Table No. 13: Sources of financing of the assets of the POL-AQUA Capital Group as at December 31, 2011 and December 31, 2010

(in thousands PLN)

<table>
<thead>
<tr>
<th>STATEMENT OF FINANCIAL CONDITION</th>
<th>As at December 31, 2011</th>
<th>Structure in %</th>
<th>As at December 31, 2010</th>
<th>Structure in %</th>
<th>Dynamics 2011/2010 (in %)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EQUITY AND LIABILITIES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>EQUITY</strong></td>
<td>267 742</td>
<td>41,7</td>
<td>240 697</td>
<td>29,2</td>
<td>111,2</td>
</tr>
<tr>
<td>Share capital</td>
<td>27 500</td>
<td>4,3</td>
<td>27 500</td>
<td>3,3</td>
<td>-</td>
</tr>
<tr>
<td>Other reserves</td>
<td>583 624</td>
<td>90,9</td>
<td>582 380</td>
<td>70,8</td>
<td>100,2</td>
</tr>
<tr>
<td>Cash flow security</td>
<td>(45)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Gains/losses on exchange from conversion of foreign activities</td>
<td>44</td>
<td>-</td>
<td>50</td>
<td>-</td>
<td>88,0</td>
</tr>
<tr>
<td>Retained (uncovered) earnings (losses) from previous years</td>
<td>(368 604)</td>
<td>(57,4)</td>
<td>(82 721)</td>
<td>(10,1)</td>
<td>445,6</td>
</tr>
<tr>
<td>Current period net profit (loss)</td>
<td>25 266</td>
<td>3,9</td>
<td>(284 639)</td>
<td>(34,6)</td>
<td>-</td>
</tr>
<tr>
<td>Non-controlling shareholders’ equity</td>
<td>(43)</td>
<td>-</td>
<td>(1 873)</td>
<td>(0,2)</td>
<td>2,3</td>
</tr>
<tr>
<td><strong>LONG-TERM LIABILITIES</strong></td>
<td>68 175</td>
<td>10,5</td>
<td>88 675</td>
<td>10,8</td>
<td>76,9</td>
</tr>
<tr>
<td>Loans</td>
<td>-</td>
<td>-</td>
<td>88</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other financial liabilities</td>
<td>14 087</td>
<td>2,2</td>
<td>19 028</td>
<td>2,3</td>
<td>74,0</td>
</tr>
<tr>
<td>Other long-term liabilities</td>
<td>26 609</td>
<td>4,1</td>
<td>36 401</td>
<td>4,4</td>
<td>73,1</td>
</tr>
<tr>
<td>Provisions</td>
<td>21 962</td>
<td>3,4</td>
<td>29 725</td>
<td>3,6</td>
<td>73,9</td>
</tr>
<tr>
<td>Deferred tax provisions</td>
<td>5 379</td>
<td>0,8</td>
<td>2 183</td>
<td>0,3</td>
<td>246,4</td>
</tr>
<tr>
<td>Deferred income</td>
<td>138</td>
<td>-</td>
<td>1 250</td>
<td>0,2</td>
<td>11,0</td>
</tr>
<tr>
<td><strong>SHORT-TERM LIABILITIES</strong></td>
<td>306 143</td>
<td>47,8</td>
<td>492 880</td>
<td>60,0</td>
<td>62,1</td>
</tr>
<tr>
<td>Loans</td>
<td>42 758</td>
<td>6,8</td>
<td>17 288</td>
<td>2,1</td>
<td>247,3</td>
</tr>
<tr>
<td>Other financial liabilities</td>
<td>5 094</td>
<td>0,8</td>
<td>15 684</td>
<td>1,9</td>
<td>32,5</td>
</tr>
<tr>
<td>Liabilities resulting from construction contract valuation</td>
<td>27 605</td>
<td>4,3</td>
<td>55 717</td>
<td>6,8</td>
<td>49,5</td>
</tr>
<tr>
<td>Trade liabilities</td>
<td>184 933</td>
<td>28,8</td>
<td>310 271</td>
<td>37,8</td>
<td>59,6</td>
</tr>
<tr>
<td>Income tax liabilities</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other short-term liabilities</td>
<td>38 823</td>
<td>6,0</td>
<td>66 372</td>
<td>8,1</td>
<td>58,5</td>
</tr>
<tr>
<td>Provisions</td>
<td>6 408</td>
<td>1,0</td>
<td>27 356</td>
<td>3,3</td>
<td>23,4</td>
</tr>
<tr>
<td>Deferred income</td>
<td>522</td>
<td>0,1</td>
<td>192</td>
<td>-</td>
<td>271,9</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td>642 060</td>
<td>100,0</td>
<td>822 252</td>
<td>100,0</td>
<td>78,1</td>
</tr>
</tbody>
</table>

8.4. Analysis of basic economic indicators.

Table No. 14: Return ratios

<table>
<thead>
<tr>
<th>Name</th>
<th>Calculation formula</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross rate of return on sales</td>
<td>Gross profit (loss) on sales / revenue on sales</td>
<td>4,9%</td>
<td>-1,8%</td>
</tr>
<tr>
<td>Operating profit margin</td>
<td>Operating profit (loss) / sales revenue</td>
<td>4,6%</td>
<td>-21,6%</td>
</tr>
<tr>
<td>Gross profit margin</td>
<td>Gross profit (loss) / sales revenue</td>
<td>4,0%</td>
<td>-22,2%</td>
</tr>
<tr>
<td>Net profit margin</td>
<td>Net profit (loss) / sales revenues</td>
<td>3,4%</td>
<td>-21,9%</td>
</tr>
<tr>
<td>Return on equity (ROE)</td>
<td>Net profit (loss) / equity without net profit</td>
<td>10,4%</td>
<td>-54,5%</td>
</tr>
<tr>
<td>Return on assets (ROA)</td>
<td>Net profit (loss) / total assets</td>
<td>3,9%</td>
<td>-34,8%</td>
</tr>
</tbody>
</table>
On the basis of the data presented in the above table, one might conclude that in the analysed period the profitability ratios of the POL-AQUA Capital Group notably improved in comparison to the previous year.

**Table No. 15: Debt ratios**

<table>
<thead>
<tr>
<th>Name</th>
<th>Calculation formula</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall debt ratio</td>
<td>total liabilities / total assets</td>
<td>58,3%</td>
<td>70,7%</td>
</tr>
<tr>
<td>Debt-equity ratio</td>
<td>total liabilities / equity</td>
<td>139,8%</td>
<td>241,6%</td>
</tr>
<tr>
<td>Long-term debt ratio</td>
<td>long-term liabilities / equity</td>
<td>25,5%</td>
<td>36,8%</td>
</tr>
</tbody>
</table>

The values of debt ratios improved in comparison with the end of 2010.

**Table No. 16: Liquidity ratios**

<table>
<thead>
<tr>
<th>Name</th>
<th>Calculation formula</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current liquidity ratio</td>
<td>current assets / short-term liabilities</td>
<td>1,08</td>
<td>0,92</td>
</tr>
<tr>
<td>Fast liquidity ratio</td>
<td>(current assets – inventories) / short-term liabilities</td>
<td>1,07</td>
<td>0,91</td>
</tr>
<tr>
<td>Immediate liquidity ratio</td>
<td>(cash + short-term securities) / short-term liabilities</td>
<td>0,14</td>
<td>0,32</td>
</tr>
</tbody>
</table>

It follows from the data presented in the above table that: Current and fast liquidity ratios increased in comparison with the end of 2010 and have managed to approach safe levels.

### 8.5. Cash flow statement analysis

The following table presents cash flows of the POL-AQUA Capital Group.

**Table No. 17: Cash flow statement of the Capital Group**

*Table (in thousands PLN).*

<table>
<thead>
<tr>
<th>STATEMENT OF CASH FLOWS</th>
<th>for the year ended on December 31, 2011 (converted)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activity</strong></td>
<td></td>
</tr>
<tr>
<td>Profit (loss) before tax</td>
<td>29 485 (290 681)</td>
</tr>
<tr>
<td>Total adjustments</td>
<td>(161 474) 299 043</td>
</tr>
<tr>
<td>- including depreciation</td>
<td>23 277 27 384</td>
</tr>
<tr>
<td>Net cash from operating activity</td>
<td>(131 989) 8 362</td>
</tr>
<tr>
<td><strong>Cash flows from investment activity</strong></td>
<td></td>
</tr>
<tr>
<td>Income</td>
<td>15 683 7 406</td>
</tr>
<tr>
<td>Expenses</td>
<td>(10 389) (8 770)</td>
</tr>
<tr>
<td>Net cash from investment activity</td>
<td>5 294 (1 364)</td>
</tr>
<tr>
<td><strong>Cash flows from financial activity</strong></td>
<td></td>
</tr>
<tr>
<td>Income</td>
<td>26 886 1 255</td>
</tr>
<tr>
<td>Expenses</td>
<td>(14 263) (33 798)</td>
</tr>
<tr>
<td>Net cash from financial activity</td>
<td>12 623 (32 543)</td>
</tr>
<tr>
<td>Net increase (decrease) in cash and cash equivalents</td>
<td>(114 072) (25 545)</td>
</tr>
<tr>
<td>Net gains/losses on exchange</td>
<td>(573) (536)</td>
</tr>
<tr>
<td><strong>Cash flows and cash equivalents at the beginning of the period</strong></td>
<td>156 872 182 953</td>
</tr>
<tr>
<td><strong>Cash flows and cash equivalents at the end of the period</strong></td>
<td>42 227 156 872</td>
</tr>
</tbody>
</table>
The decrease in cash from operating activity in 2011 is mainly the result of a decrease in liabilities.
The positive balance of funds from investment activities resulted mostly from the sale of fixed assets as well as intangible assets.
Positive cash flows from financial activity are the result of obtaining credits.

9. **Description of factors and events, in particular factors and events of unusual nature, which had a major impact on the Issuer’s activities as well as its profits or losses made/incurred during the reporting period**

In the year ended on December 31, 2011, the elimination of net assets of companies excluded from the consolidation considerably affected the financial results of the POL-AQUA Capital Group.

10. **Explanation of differences between financial results presented in the report, and the previously published financial result forecasts for the given year**

The Management Board of the Issuer did not publish any forecasts of financial results for the POL-AQUA Capital Group for 2011.

11. **Description of significant off-balance sheet entries, sorted by contracting party, subject and value**

Off-balance sheet items of the POL-AQUA Capital Group are presented in the table below.

*Table No. 18: Off-balance sheet items of the POL-AQUA Capital Group* (in thousands PLN).

<table>
<thead>
<tr>
<th>No.</th>
<th>Item</th>
<th>As at December 31, 2011</th>
<th>As at December 31, 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Contingent receivables</td>
<td>107 981</td>
<td>109 291</td>
</tr>
<tr>
<td>1.1</td>
<td>From associated entities (on account of)</td>
<td>31 223</td>
<td>23 673</td>
</tr>
<tr>
<td></td>
<td>received guarantees and sureties</td>
<td>31 223</td>
<td>23 673</td>
</tr>
<tr>
<td>1.2</td>
<td>From other entities (on account of)</td>
<td>76 758</td>
<td>85 618</td>
</tr>
<tr>
<td></td>
<td>- received guarantees and sureties (including: avals)</td>
<td>51 013</td>
<td>59 873</td>
</tr>
<tr>
<td></td>
<td>- other</td>
<td>25 745</td>
<td>25 745</td>
</tr>
<tr>
<td>2.</td>
<td>Contingent liabilities</td>
<td>303 821</td>
<td>353 542</td>
</tr>
<tr>
<td>2.1</td>
<td>For the benefit of associated entities (on account of)</td>
<td>4 768</td>
<td>17 894</td>
</tr>
<tr>
<td></td>
<td>- guarantees and sureties granted</td>
<td>4 768</td>
<td>17 894</td>
</tr>
<tr>
<td>2.2</td>
<td>For the benefit of other entities (on account of)</td>
<td>299 053</td>
<td>335 648</td>
</tr>
<tr>
<td></td>
<td>- guarantees and sureties granted as well as collaterals for contracts</td>
<td>299 053</td>
<td>335 648</td>
</tr>
</tbody>
</table>

As at 31.12.2011, contingent receivables include sureties from associated entities in the amount of PLN 31,223,000, and sureties from other entities in the amount of PLN 1,198,000, bank and insurance guarantees in the amount of PLN 49,815,000 plus contingent receivables subject to arbitration in the amount of PLN 25,745,000.
Off-balance sheet liabilities of the Group (split into categories) are as follows:

Table No. 19: Contingent liabilities of the Issuer’s Capital Group sorted by categories

<table>
<thead>
<tr>
<th>Contingent liabilities sorted by categories</th>
<th>As at December 31, 2011</th>
<th>As at December 31, 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contingent liabilities due to loans</td>
<td>4,103</td>
<td>20,500</td>
</tr>
<tr>
<td>Contingent liabilities due to bank guarantees</td>
<td>67,703</td>
<td>77,896</td>
</tr>
<tr>
<td>Contingent liabilities due to insurance guarantees</td>
<td>193,917</td>
<td>191,016</td>
</tr>
<tr>
<td>Contingent liabilities due to lease contracts</td>
<td>34,916</td>
<td>59,138</td>
</tr>
<tr>
<td>Contingent liabilities due to trade contracts</td>
<td>1,750</td>
<td>2,032</td>
</tr>
<tr>
<td>Contingent liabilities due to EU subsidies</td>
<td>1,432</td>
<td>2,960</td>
</tr>
<tr>
<td><strong>Total off-balance sheet items</strong></td>
<td><strong>303,821</strong></td>
<td><strong>353,542</strong></td>
</tr>
</tbody>
</table>

The amount includes liabilities reported by subsidiaries and presented in the Group’s consolidated financial statement in the amount of PLN 14,770,000 (for 2010 – PLN 30,269,000).

12. Description of the structure of main capital deposits or investments made within the Capital Group in the given reporting period

MATERIAL INVESTMENTS

Within the period covered by the report, investment expenses of the POL-AQUA Capital Group involved expenses related to fixed assets, including: technical devices and machinery, means of transport as well as other fixed assets and intangible assets.

In 2011, the investment expenses of the POL-AQUA Capital Group amounted to PLN 5,625,000.

CAPITAL INVESTMENTS

In accordance with the agreement dated November 30, 2010, concluded by and between P.R.I. “POL-AQUA” S.A. and Mr Józef Popławski, governing the procedure of the sale of shares in the share capital of Mostostal Pomorze S.A., the Company purchased 56,980 (fifty six thousand nine hundred and eighty) shares for the price of PLN 6 million under an agreement for the sale of shares concluded on 13.01.2011.

13. Evaluation of capability to achieve investment goals, including capital investments, in comparison to amount of funds held, including possible changes in the structure of financing of such activity

MATERIAL INVESTMENTS

In 2011, the POL-AQUA Capital Group intends to continue making investments with respect to tangible fixed assets. The most significant investments will be the purchase of machinery and technical equipment, as well as means of transport required to perform construction works and building/assembly works. These investments will allow companies belonging to the Group to perform works previously delegated to subcontractors. This will eliminate the necessity to cover the margin charged by third parties and shall, as a consequence, increase the Group’s profitability.
CAPITAL INVESTMENTS

As at the publication date of this report, the POL-AQUA Capital Group does not carry out any acquisition activities.

14. Evaluation (along with statement of reasons) regarding financial resources management, with particular emphasis on the capability to fulfil obligations, as well as the specification of possible risks and activities undertaken or contemplated by the Issuer in order to counteract those risks

In the financial year covered by the present report, the Capital Group has continued its financial strategy from previous years. Due to the continuing expansion of the POL-AQUA Capital Group, new guarantee limits were obtained at the Societe Generale S.A. and Nordea Bank Polska S.A. banks; additionally, the limit offered by InterRisk TU S.A. has also been increased.

As at December 31, 2011, the amount of limits with respect to guarantees granted by banks and insurance associations for the Capital Group amounted to PLN 298,702,000.

As at December 31, 2011, the Capital Group managed its financial resources in a rational and effective manner. There was no risk of the Group’s failure to cover liabilities in the reported period. All long-term and most short-term liabilities were settled on an ongoing basis.

15. Information about loan agreements concluded and terminated, along with an indication, in the very least, of the amount, type, interest rate, currency and maturity date of the loans in question

Information about the loans incurred and the loan agreements terminated as at December 31, 2011 and December 31, 2010 is presented in the following tables.

In the period of 12 months ended on December 31, 2011 and in the period of 12 months ended on December 31, 2010, no loan agreement was terminated in the POL-AQUA Capital Group.
Table No. 20: Liabilities related to loans as at December 31, 2011

<table>
<thead>
<tr>
<th>Table No. 20: Liabilities related to loans as at December 31, 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Entity name and legal form</strong></td>
</tr>
<tr>
<td>--------------------------------</td>
</tr>
<tr>
<td>Raiffeisen Bank Polska S.A.</td>
</tr>
<tr>
<td>GE Capital Bank S.A.</td>
</tr>
<tr>
<td>ING BANK ŚLĄSKI S.A.</td>
</tr>
<tr>
<td>ING BANK ŚLĄSKI S.A.</td>
</tr>
<tr>
<td>PEKAO S.A.</td>
</tr>
<tr>
<td>GE Capital Bank S.A.</td>
</tr>
<tr>
<td>Nordea Bank Poland S.A.</td>
</tr>
<tr>
<td>Nordea Bank Poland S.A.</td>
</tr>
<tr>
<td>Societe Generale S.A.</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
<tr>
<td><strong>long-term</strong></td>
</tr>
<tr>
<td><strong>short-term</strong></td>
</tr>
</tbody>
</table>

Prepared on March 20, 2012
## Table No. 21: Liabilities related to loans as at December 31, 2010

<table>
<thead>
<tr>
<th>Entity name and legal form</th>
<th>Registered office</th>
<th>Loan type</th>
<th>Contracted loan amount</th>
<th>Loan granted</th>
<th>Amount of loan remaining to be repaid</th>
<th>Interest terms and conditions</th>
<th>Repayment date</th>
<th>Collateral</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Principal</td>
<td>Interest</td>
<td>Total</td>
<td>9</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PEKAO S.A.</td>
<td>Warsaw</td>
<td>investment loan</td>
<td>30 000</td>
<td>29 902</td>
<td>4 025</td>
<td>-</td>
<td>4 025</td>
<td>1M WIBOR + 1.15 percentage points</td>
</tr>
<tr>
<td>PEKAO S.A.</td>
<td>Warsaw</td>
<td>revolving loan</td>
<td>100 000</td>
<td>100 000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1M WIBOR +1.6 percentage points</td>
</tr>
<tr>
<td>Nordea Bank Poland S.A.</td>
<td>Gdynia</td>
<td>revolving loan</td>
<td>3 000</td>
<td>3 000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1M WIBOR+1.5 percentage points</td>
</tr>
<tr>
<td>Nordea Bank Poland S.A.</td>
<td>Gdynia</td>
<td>revolving loan</td>
<td>3 000</td>
<td>3 000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1M WIBOR+1.5 percentage points</td>
</tr>
<tr>
<td>BPH S.A.</td>
<td>Cracow</td>
<td>investment loan</td>
<td>10 597</td>
<td>10 597</td>
<td>7 727</td>
<td>-</td>
<td>7 727</td>
<td>1M WIBOR + 1.0 percentage points</td>
</tr>
<tr>
<td>BPH S.A.</td>
<td>Cracow</td>
<td>revolving loan</td>
<td>4 000</td>
<td>4 000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1M WIBOR+1.8 percentage points of margin</td>
</tr>
<tr>
<td>Bank Millennium S.A.</td>
<td>Warsaw</td>
<td>revolving loan</td>
<td>1 500</td>
<td>1 500</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>WIBOR referential rate + bank margin at 1.95 percentage points</td>
</tr>
<tr>
<td>BOS S.A.</td>
<td>Warsaw</td>
<td>revolving loan</td>
<td>1 500</td>
<td>1 500</td>
<td>1 362</td>
<td>-</td>
<td>1 362</td>
<td>1M WIBOR + 2.7 percentage points</td>
</tr>
<tr>
<td>ING Bank S.A., Wroclaw</td>
<td>Wroclaw</td>
<td>investment loan</td>
<td>800</td>
<td>800</td>
<td>57</td>
<td>-</td>
<td>57</td>
<td>1M WIBOR + 2.6 percentage points</td>
</tr>
<tr>
<td>ING Bank S.A., Wroclaw</td>
<td>Wroclaw</td>
<td>investment loan</td>
<td>527</td>
<td>527</td>
<td>193</td>
<td>-</td>
<td>193</td>
<td>1M WIBOR + 2.4 percentage points</td>
</tr>
<tr>
<td>ING Bank S.A., Wroclaw</td>
<td>Wroclaw</td>
<td>revolving loan</td>
<td>2 500</td>
<td>2 500</td>
<td>12</td>
<td>-</td>
<td>12</td>
<td>1M WIBOR + 2.5 percentage points</td>
</tr>
<tr>
<td>BPH S.A.</td>
<td>Warsaw</td>
<td>revolving loan</td>
<td>6 000</td>
<td>6 000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1M WIBOR + 1.8 percentage points</td>
</tr>
</tbody>
</table>

**Total** | 17 376 | - | 17 376
<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>long-term</strong></td>
<td>88</td>
</tr>
<tr>
<td><strong>short-term</strong></td>
<td>17 288</td>
</tr>
</tbody>
</table>
16. Information on loans granted in the given financial year, with particular emphasis on loans granted to Issuer’s associated entities, including, in the very least, information on the amount, type, interest rate, currency and maturity date thereof

As at December 31, 2011, information on loans granted by the Issuer is as follows:

**Table No. 22: Loans granted** (expressed in thousands)

<table>
<thead>
<tr>
<th>Transaction type</th>
<th>Borrower</th>
<th>Conclusion date</th>
<th>Maturity date</th>
<th>Currency</th>
<th>Loan amount</th>
<th>Interest rate</th>
<th>Balance sheet value as at December 31, 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grant of loan by the Issuer</td>
<td>POL-AQUA WOSTOK Sp. z o.o. with its registered office in Moscow - subsidiary</td>
<td>2007-12-19</td>
<td>2010-12-31</td>
<td>EUR</td>
<td>150</td>
<td>variable interest rate LIBOR 3M plus 0.5% margin</td>
<td>-</td>
</tr>
<tr>
<td>Grant of loan by the Issuer</td>
<td>POL-AQUA WOSTOK Sp. z o.o. with its registered office in Moscow - subsidiary</td>
<td>2010-12-23</td>
<td>2011-12-31</td>
<td>USD</td>
<td>20</td>
<td>variable interest rate LIBOR 3M plus 0.5% margin</td>
<td>-</td>
</tr>
<tr>
<td>Grant of loan by the Issuer</td>
<td>TECO Sp. z o.o. with its registered office in Wroclaw</td>
<td>2009-02-20</td>
<td>2011-04-30</td>
<td>PLN</td>
<td>3 000</td>
<td>variable interest rate WIBOR 1M plus 1.5% margin</td>
<td>2 540</td>
</tr>
<tr>
<td>Grant of loan by the Issuer</td>
<td>PA Conex Sp. z o.o. with its registered office in Gostynin</td>
<td>2009-06-22</td>
<td>2010-12-30</td>
<td>PLN</td>
<td>1 330</td>
<td>variable interest rate WIBOR 1M plus 1.5% margin</td>
<td>79</td>
</tr>
<tr>
<td>Grant of loan by the Issuer</td>
<td>PA Conex Sp. z o.o. with its registered office in Gostynin</td>
<td>2010-03-23</td>
<td>2015-12-31</td>
<td>PLN</td>
<td>2 000</td>
<td>variable interest rate WIBOR 1M plus 2.0% margin</td>
<td>116</td>
</tr>
<tr>
<td>Grant of loan by the Issuer</td>
<td>PA Conex Sp. z o.o. with its registered office in Gostynin</td>
<td>2010-06-11</td>
<td>2015-12-31</td>
<td>PLN</td>
<td>13 370</td>
<td>variable interest rate WIBOR 1M plus 2.0% margin</td>
<td>4 661</td>
</tr>
<tr>
<td>Grant of loan by the Issuer</td>
<td>PKO BP Inwestycje Samia Dolina Sp. z o.o.</td>
<td>2010-04-22</td>
<td>2010-04-30</td>
<td>PLN</td>
<td>50</td>
<td>variable interest rate WIBOR 3M plus 3.0% margin</td>
<td>-</td>
</tr>
<tr>
<td>Grant of loan by the Issuer</td>
<td>Mr Robert Rukiewicz - President of the Management Board of PA Conex Sp.z.o.o., until 30 September 2009</td>
<td>2007-02-06</td>
<td>2011-02-28</td>
<td>PLN</td>
<td>250</td>
<td>inflation index published by the Main Statistical Office (GUS) for the year preceding repayment date, increased by 1% margin</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>20 170</td>
<td></td>
<td>7 396</td>
</tr>
</tbody>
</table>
17. Information on sureties and guarantees granted and received in the given financial year, with particular emphasis on guarantees and sureties granted to the Issuer’s associated entities

The list of sureties granted or received as at December 31, 2011, is presented below:

17.1. Sureties granted and received - associated entities

Table No. 23: Sureties (including avals) granted to associated entities

<table>
<thead>
<tr>
<th>No.</th>
<th>Entity name</th>
<th>Value</th>
<th>Subject of surety</th>
<th>Granting date</th>
<th>Expiry date</th>
<th>Collateral</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>PA Conex Sp. z.o.o.</td>
<td>103</td>
<td>surety for loan agreement limit</td>
<td>30.06.2010</td>
<td>29.06.2012</td>
<td>surety of P.R.I. “POL-AQUA” S.A., capped mortgage</td>
</tr>
<tr>
<td>3.</td>
<td>PLACIDUS INVESTMENTS Sp. z o.o.</td>
<td>252</td>
<td>aval for lease agreement</td>
<td>26.06.2009</td>
<td>26.06.2012</td>
<td>P.R.I. “POL-AQUA” S.A. surety</td>
</tr>
<tr>
<td>4.</td>
<td>PA Conex Sp. z.o.o.</td>
<td>381</td>
<td>aval for lease agreement</td>
<td>06.04.2009</td>
<td>15.03.2014</td>
<td>P.R.I. “POL-AQUA” S.A. surety</td>
</tr>
<tr>
<td>5.</td>
<td>TECO Sp. z.o.o.</td>
<td>4000</td>
<td>surety for insurance guarantee limit</td>
<td>13.10.2009</td>
<td>27.01.2012</td>
<td>P.R.I. “POL-AQUA” S.A. surety</td>
</tr>
</tbody>
</table>

Total: 4,768

Table No. 24: Sureties (including avals) received from associated entities

<table>
<thead>
<tr>
<th>No.</th>
<th>Entity name</th>
<th>Value</th>
<th>Subject of surety</th>
<th>Granting date</th>
<th>Expiry date</th>
<th>Collateral</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>TECO Sp. z.o.o.</td>
<td>2133</td>
<td>Loan agreement dated 20.02.2009</td>
<td>02.03.2009</td>
<td>31.12.2011</td>
<td>collateral for loan granted on 20.02.2009 for the amount of PLN 3,000,000.00 in the form of registered pledge on a Linde H80D-900 forklift truck, manufacturer’s no. E1X353N00397 and a Scania truck, VIN: S2 R6X2001246839</td>
</tr>
<tr>
<td>2.</td>
<td>PA Conex Sp. z.o.o.</td>
<td>2000</td>
<td>Loan agreement dated 23.03.2010</td>
<td>23.03.2010</td>
<td>31.12.2015</td>
<td>aval for loan agreement dated 23.03.2010</td>
</tr>
<tr>
<td>3.</td>
<td>PA Conex Sp. z.o.o.</td>
<td>13,370</td>
<td>Loan agreement dated 11.06.2010 along with applicable annexes</td>
<td>11.06.2010</td>
<td>31.12.2015</td>
<td>aval for loan agreement dated 11.06.2010</td>
</tr>
<tr>
<td>4.</td>
<td>PA Wyroby Betonowe Sp. z.o.o.</td>
<td>3,720</td>
<td>Revolving loan at Nordea Polska S.A. bank</td>
<td>02.04.2001</td>
<td>13.01.2012</td>
<td>real estate collateral for loans related to General Contracting activities, granted by Nordea Bank; 7 mortgages with a total value of PLN 3,720,200.00 for the benefit of Nordea Bank Polska S.A., joint mortgage in the amount of PLN 10,000,000.00 for the benefit of Nordea Bank Polska S.A.</td>
</tr>
<tr>
<td>5.</td>
<td>PA Wyroby Betonowe Sp. z.o.o.</td>
<td>10,000</td>
<td>Revolving loan at Nordea Polska S.A. bank</td>
<td>03.12.2007</td>
<td>13.01.2012</td>
<td>real estate collateral for loans related to General Contracting activities, granted by Nordea Bank; 7 mortgages with a total value of PLN 3,720,200.00 for the benefit of Nordea Bank Polska S.A., joint mortgage in the amount of PLN 10,000,000.00 for the benefit of Nordea Bank Polska S.A.</td>
</tr>
</tbody>
</table>

Total: 31,223
### 17.2. Sureties received and granted - other entities

**Table No. 25: Sureties received from other entities**

(in thousands PLN).

<table>
<thead>
<tr>
<th>No.</th>
<th>Entity name</th>
<th>Value</th>
<th>Subject of surety</th>
<th>Granting date</th>
<th>Expiry date</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>Naftoserwis Sp. z o.o.</td>
<td>336</td>
<td>security for the guarantee period of warranty under agreement PRI/33/07 dated 27.08.2007 in the form of aval</td>
<td>08.06.2009</td>
<td>31.12.2011</td>
</tr>
<tr>
<td>4</td>
<td>WPB BUD-REM Krzysztof Kaszubski Gołębie Nowy</td>
<td>38</td>
<td>3 blank bills as collateral of proper performance of contract no. 28/C/10/2006</td>
<td>20.03.2007</td>
<td>21.03.2012</td>
</tr>
<tr>
<td>6</td>
<td>LIMEKS Płock</td>
<td>32</td>
<td>5 blank bills as collateral of proper performance of contract no. 29/C/10/2006</td>
<td>19.06.2008</td>
<td>24.08.2012</td>
</tr>
<tr>
<td>8</td>
<td>Unitrade HPH Sp. z o.o.</td>
<td>380</td>
<td>blank bill as collateral of proper performance of contract no. 29/2009 dated 05.08.2009</td>
<td>05.08.2009</td>
<td>31.05.2013</td>
</tr>
<tr>
<td>X</td>
<td>Total</td>
<td>1 198</td>
<td></td>
<td>X</td>
<td>X</td>
</tr>
</tbody>
</table>

As at December 31, 2011, the amount of bank guarantees received from subcontractors and suppliers of the Capital Group amounts to PLN 16,290,000.

As at December 31, 2010, the amount of bank guarantees received from subcontractors and suppliers of the Capital Group amounted to PLN 33,525,000.

The table below presents contingent liabilities, including guarantees and sureties (such as avals) granted by the POL-AQUA Capital Group as at December 31, 2011.
**Table No. 26: List of contingent liabilities, including guaranties and sureties (such as avals) granted by the Issuer’s Capital Group**

<table>
<thead>
<tr>
<th>Type of liabilities, guarantees, sureties</th>
<th>December 31, 2010</th>
<th>December 31, 2011</th>
<th>Recalculation into thousand PLN as at 31.12.2011 applied exchange rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Warta bills of exchange (insurance guarantees)</td>
<td>PLN 3,025</td>
<td>PLN 1,866</td>
<td>1,866</td>
</tr>
<tr>
<td>2. PZU (EUR) bills of exchange (insurance guarantee)</td>
<td>EUR 3,770</td>
<td>EUR 1,436</td>
<td>6,343</td>
</tr>
<tr>
<td>3. Raiffeisen Leasing Polska bills of exchange (leasing)</td>
<td>PLN 319</td>
<td>PLN 319</td>
<td>319</td>
</tr>
<tr>
<td>4. PZU (PLN) bills of exchange (insurance guarantees)</td>
<td>PLN 44,064</td>
<td>PLN 22,435</td>
<td>22,435</td>
</tr>
<tr>
<td>5. CIGNA (PLN) bills of exchange (insurance guarantees)</td>
<td>PLN 296</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>6. BFL Leasing bills of exchange (leasing)</td>
<td>EUR 7,136</td>
<td>EUR 4,151</td>
<td>18,336</td>
</tr>
<tr>
<td>7. PEKAO Leasing bills of exchange (leasing)</td>
<td>PLN 7,948</td>
<td>PLN 90</td>
<td>90</td>
</tr>
<tr>
<td>8. Lotos Mazowsze bills of exchange (agreement)</td>
<td>PLN 100</td>
<td>PLN 100</td>
<td>100</td>
</tr>
<tr>
<td>9. PARP bills of exchange (subsidies)</td>
<td>PLN 2,817</td>
<td>PLN 1,432</td>
<td>1,432</td>
</tr>
<tr>
<td>10. PARP bills of exchange (subsidies)</td>
<td>EUR 36</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>11. BFL bills of exchange (leasing)</td>
<td>PLN 439</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>12. BFL bills of exchange (leasing)</td>
<td>CHF 68</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>13. HESTIA bills of exchange (insurance guarantees)</td>
<td>PLN 14,935</td>
<td>PLN 16,449</td>
<td>16,449</td>
</tr>
<tr>
<td>14. HESTIA bills of exchange (insurance guarantees)</td>
<td>EUR 870</td>
<td>EUR 779</td>
<td>3,440</td>
</tr>
<tr>
<td>15. Peri bills of exchange (trade agreement)</td>
<td>PLN 29</td>
<td>PLN 52</td>
<td>52</td>
</tr>
<tr>
<td>16. bills of exchange of Operator Logistycznych Paliv (trade agreement)</td>
<td>PLN 221</td>
<td>PLN 221</td>
<td>221</td>
</tr>
<tr>
<td>17. Euler Hermes S.A. bills of exchange (insurance guarantees)</td>
<td>PLN 30,010</td>
<td>PLN 30,050</td>
<td>30,050</td>
</tr>
<tr>
<td>18. Allianz bills of exchange (insurance guarantees)</td>
<td>PLN 24,379</td>
<td>PLN 20,352</td>
<td>20,352</td>
</tr>
<tr>
<td>19. Allianz bills of exchange (bank guarantees)</td>
<td>EUR 219</td>
<td>EUR 204</td>
<td>901</td>
</tr>
<tr>
<td>20. Kredyt Bank bills of exchange (bank guarantees)</td>
<td>PLN 1,218</td>
<td>PLN 1,218</td>
<td>1,218</td>
</tr>
<tr>
<td>21. Nordea Bank Polska bills of exchange (bank guarantees)</td>
<td>PLN 33,302</td>
<td>PLN 19,218</td>
<td>19,218</td>
</tr>
<tr>
<td>22. Nordea Bank Polska bills of exchange (bank guarantees)</td>
<td>EUR 46</td>
<td>EUR 46</td>
<td>201</td>
</tr>
<tr>
<td>23. Nordea Bank Polska S.A. (collateral for loan)</td>
<td>PLN 6,000</td>
<td>PLN 4,000</td>
<td>4,000</td>
</tr>
<tr>
<td>24. Europejski Fundusz Leasingowy bills of exchange (leasing)</td>
<td>PLN 5,120</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>25. DNB Nord Leasing Sp. z o.o. bills of exchange (leasing)</td>
<td>PLN 110</td>
<td>PLN 110</td>
<td>110</td>
</tr>
<tr>
<td>26. Bawag Leasing &amp; Fleet bills of exchange (leasing)</td>
<td>PLN 547</td>
<td>PLN 295</td>
<td>295</td>
</tr>
<tr>
<td>27. Inter Risk TU bills of exchange (insurance guarantees)</td>
<td>PLN 27,136</td>
<td>PLN 75,633</td>
<td>75,634</td>
</tr>
<tr>
<td>28. guarantees of Pekao S.A. (bank guarantees)</td>
<td>PLN 19,177</td>
<td>PLN 37,314</td>
<td>37,314</td>
</tr>
<tr>
<td>29. ING Lease Sp. z o.o. bills of exchange (leasing)</td>
<td>PLN 2,217</td>
<td>PLN 2,217</td>
<td>2,217</td>
</tr>
<tr>
<td>30. Generali bills of exchange (insurance guarantees)</td>
<td>PLN 5,751</td>
<td>PLN 3,676</td>
<td>3,676</td>
</tr>
<tr>
<td>31. Generali bills of exchange (insurance guarantees)</td>
<td>EUR 656</td>
<td>EUR 197</td>
<td>869</td>
</tr>
<tr>
<td>32. Pekao S.A. bills of exchange (bank guarantees)</td>
<td>PLN 9,229</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>33. TUW TUZ bills of exchange (insurance guarantees)</td>
<td>PLN 5,424</td>
<td>PLN 3,787</td>
<td>3,787</td>
</tr>
<tr>
<td>34. TUW TUZ bills of exchange (insurance guarantees)</td>
<td>EUR 213</td>
<td>EUR 42</td>
<td>187</td>
</tr>
<tr>
<td></td>
<td>Description</td>
<td>PLN</td>
<td>EUR</td>
</tr>
<tr>
<td>---</td>
<td>----------------------------------------------------------</td>
<td>-------</td>
<td>-------</td>
</tr>
<tr>
<td>35.</td>
<td>HDI Reasekuracja bills of exchange (insurance guarantees)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>36.</td>
<td>Societe Generale (bank guarantees)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>37.</td>
<td>Societe Generale (bank guarantees)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>38.</td>
<td>PTU bills of exchange (insurance guarantees)</td>
<td>EUR 192</td>
<td>EUR 192</td>
</tr>
<tr>
<td>39.</td>
<td>Agat Koluszki bills of exchange (trade agreement)</td>
<td>PLN 46</td>
<td>PLN 46</td>
</tr>
<tr>
<td>40.</td>
<td>PKN Orlen Flota bills of exchange (trade agreement)</td>
<td>PLN 25</td>
<td>PLN 25</td>
</tr>
<tr>
<td>41.</td>
<td>PKN Orlen Flota bills of exchange (trade agreement)</td>
<td>PLN 10</td>
<td>PLN 10</td>
</tr>
<tr>
<td>42.</td>
<td>Millenium Leasing bills of exchange (leasing)</td>
<td>PLN 4,476</td>
<td>PLN 4,176</td>
</tr>
<tr>
<td>43.</td>
<td>Millenium Leasing bills of exchange (leasing)</td>
<td>EUR 598</td>
<td>EUR 598</td>
</tr>
<tr>
<td>44.</td>
<td>InterRisk bills of exchange (insurance guarantees)</td>
<td>PLN 1,139</td>
<td>PLN 1,933</td>
</tr>
<tr>
<td>45.</td>
<td>ING Leasing bills of exchange (leasing)</td>
<td>PLN 975</td>
<td>PLN 548</td>
</tr>
<tr>
<td>46.</td>
<td>PSA Finance deposit (leasing)</td>
<td>PLN 60</td>
<td>PLN 60</td>
</tr>
<tr>
<td>47.</td>
<td>De Lagen Landen bills of exchange (leasing)</td>
<td>PLN 1,314</td>
<td>PLN 1,314</td>
</tr>
<tr>
<td>48.</td>
<td>Prime Car Management S.A. bills of exchange (leasing)</td>
<td>PLN 184</td>
<td>PLN 184</td>
</tr>
<tr>
<td>49.</td>
<td>BRE Leasing bills of exchange (leasing)</td>
<td>PLN 1,160</td>
<td>PLN 1,160</td>
</tr>
<tr>
<td>50.</td>
<td>Arecor Mittal bills of exchange (trade agreement)</td>
<td>PLN 1,600</td>
<td></td>
</tr>
<tr>
<td>51.</td>
<td>ORIX Polska S.A. bills of exchange (leasing)</td>
<td>PLN 231</td>
<td></td>
</tr>
<tr>
<td>52.</td>
<td>Lotos Group bills of exchange (surety for trade guarantee)</td>
<td></td>
<td>PLN 1,296</td>
</tr>
<tr>
<td>53.</td>
<td>BPH S.A. (bank guarantees)</td>
<td>PLN 10</td>
<td></td>
</tr>
<tr>
<td>54.</td>
<td>BPH S.A. (bank guarantees)</td>
<td>PLN 1,723</td>
<td></td>
</tr>
<tr>
<td>55.</td>
<td>BPH S.A. (bank guarantees)</td>
<td>EUR 45</td>
<td>EUR 20</td>
</tr>
<tr>
<td>56.</td>
<td>Bank Millenium (bank guarantees)</td>
<td>PLN 40</td>
<td></td>
</tr>
<tr>
<td>57.</td>
<td>Bank Millenium (bank guarantees)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>58.</td>
<td>Bank Ochrony Środowiska (bank guarantees)</td>
<td>PLN 85</td>
<td>PLN 85</td>
</tr>
<tr>
<td>59.</td>
<td>Raiffeisen Bank (bank guarantees)</td>
<td>PLN 7,585</td>
<td>PLN 2,161</td>
</tr>
<tr>
<td>60.</td>
<td>Raiffeisen Bank (bank guarantees)</td>
<td></td>
<td>EUR 815</td>
</tr>
<tr>
<td>61.</td>
<td>Fortis Bank (bank guarantees)</td>
<td>PLN 49</td>
<td></td>
</tr>
<tr>
<td>62.</td>
<td>Pekao S.A. (bank guarantees)</td>
<td>PLN 2,074</td>
<td></td>
</tr>
<tr>
<td>63.</td>
<td>Getin Leasing S.A. bills of exchange (leasing)</td>
<td>PLN 178</td>
<td>PLN 178</td>
</tr>
<tr>
<td>64.</td>
<td>HDI Gerling bills of exchange (insurance guarantees)</td>
<td>PLN 9,150</td>
<td></td>
</tr>
<tr>
<td>65.</td>
<td>BOS bills of exchange (revolving credit collateral)</td>
<td>PLN 1,500</td>
<td></td>
</tr>
<tr>
<td>66.</td>
<td>Europa Tow. Uberz. bills of exchange (insurance guarantees)</td>
<td>PLN 241</td>
<td>PLN 626</td>
</tr>
<tr>
<td>67.</td>
<td>Europa Tow. Uberz. bills of exchange (insurance guarantees)</td>
<td>EUR 9</td>
<td>EUR 3</td>
</tr>
</tbody>
</table>

**Total**: 299,053
D.III OTHER INFORMATION

1. Information on employment

The employment structure and statistics of the POL-AQUA Capital Group as at December 31, 2011 and December 31, 2010 are shown in the table below:

*Table No. 27: Employment structure and statistics as at December 31, 2011 and December 31, 2010*

<table>
<thead>
<tr>
<th>Item</th>
<th>As at December 31, 2011</th>
<th>As at December 31, 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number of employed persons</td>
<td>Structure in %</td>
</tr>
<tr>
<td>Management Board*</td>
<td>6</td>
<td>0,4</td>
</tr>
<tr>
<td>Management Boards of member Entities of the Capital Group</td>
<td>9</td>
<td>0,6</td>
</tr>
<tr>
<td>Managerial staff (heads of departments)</td>
<td>49</td>
<td>3,0</td>
</tr>
<tr>
<td>Technical staff (project/construction/works managers/foremen)</td>
<td>210</td>
<td>13,0</td>
</tr>
<tr>
<td>Administration</td>
<td>352</td>
<td>21,9</td>
</tr>
<tr>
<td>Manual labourers</td>
<td>982</td>
<td>61,1</td>
</tr>
<tr>
<td>Total</td>
<td>1 608</td>
<td>100,0</td>
</tr>
</tbody>
</table>

* as at December 31, 2011, 4 members of the Management Board hold their positions by appointment (as at December 31, 2010, 2 members had such status).

2. Information about agreements concluded with an entity authorised to audit financial statements (date of the agreement, subject matter of the agreement, amount of remuneration)

2.1. Agreements concluded in 2011

**Parent Entity**

On July 22, 2011, PRI “POL-AQUA” S.A., with its registered office in Piaseczno and Ernst&Young Audit Sp. z o.o., with its registered office in Warsaw, concluded a contract on the performance of auditing operations.

The subject of the agreement is

- Performance of a review of the Condensed Financial Statement of the Company for the period ended on December 31, 2011. The audit shall be carried out in compliance with the Accountancy Act and the International Financial Reporting Standards (IFRS);
- Performance of a review of the Condensed Financial Statement of the Company for the period ended on June 30, 2011. The review shall be carried out in accordance with the International Financial Reporting Standards (IFRS);
- Performance of an audit with respect to the Consolidated Financial Statement of the Group for which Przedsiębiorstwo Robót Inżynierijnych „POL-AQUA” S.A. ("the Company") is the parent entity, for the year ended on December 31, 2011. The audit shall be carried out in compliance with the Accountancy Act and the International Financial Reporting Standards (IFRS);
- Performance of a review of the Condensed Consolidated Financial Statement of the Group for the period ended on June 30, 2011. The review shall be carried out in accordance with the International Financial Reporting Standards (IFRS);
performance of applicable procedures with respect to the reporting package of the Group prepared in accordance with the guidelines specified by the Group. The scope of the aforementioned activities shall be specified in the form of an annex to the agreement following the receipt by the Company of applicable information from the parent entity DRAGADOS S.A. and its auditor.

On November 21, 2011, PRI “POL-AQUA” S.A., with its registered office in Piaseczno and Ernst&Young Audit Sp. z o.o., with its registered office in Warsaw, concluded Annex No. 1 to the agreement No. 95/A/12 (“the Agreement”) dated July 22, 2011.

The subject of the Annex is to provide further details on the scope of activities concerning the performance of applicable procedures with respect to the reporting package of the Group prepared in accordance with the guidelines specified by the DRAGADOS S.A. Group as well as to perform the procedures necessary for the purposes of appropriate inclusion of the financial data of PA Conex Sp. z o.o. in the consolidated financial statements of the POL-AQUA Capital Group for the year ended on December 31, 2011.

The performance of the procedures necessary for the purposes of appropriate inclusion of the financial data of the now-defunct PA ENERGObUDOWA S.A. in non-consolidated financial statements of POL-AQUA S.A. as well as in the consolidated financial statements of the POL-AQUA Capital Group for the year ended on December 31, 2011.

Remuneration for the abovementioned services shall amount to PLN 597,000. Remuneration shall be increased through the addition of any direct expenses (travel and accommodation costs, etc.) and the applicable VAT.

On July 14, 2011, P.R.I. “POL-AQUA” S.A., with its registered office in Piaseczno and Ernst&Young Audit Sp. z o.o., with its registered office in Warsaw, concluded Annex No. 1 to the agreement No. 907/A/10 dated July 2, 2010.

The subject of the Annex in question is the performance of verification procedures with respect to the reporting package of Vectra S.A. for the year ended on December 31, 2010. Remuneration for the services referred to above amounts to PLN 90,000.

Subsidiaries

On October 14, 2011, the agreement between Weneda Sp. z o.o. with its registered office in Opole and Ernst&Young Audit Sp. z o.o. with its registered office in Warsaw was signed.

The subject of the agreement is

✓ the performance of an audit of the non-consolidated financial statements for 2011, prepared in compliance with IAS/IFRS.

Remuneration for the aforementioned services shall amount to PLN 25,000.

On October 31, 2011, the agreement between PA Wyroby Betonowe Sp. z o.o. with its registered office in Elbląg and Ernst&Young Audit Sp. z o.o. with its registered office in Warsaw was signed.

The subject of the agreement is the performance of an audit of the non-consolidated financial statements for the 2011 financial year.

Net remuneration for the aforementioned services shall amount to PLN 40,000.

On October 31, 2011, Mostostal Pomorze S.A. with its registered office in Gdańsk and Ernst&Young Audit Sp. z o.o. with its registered office in Warsaw concluded a contract for auditing services.

The subject of the agreement is
the performance of an audit of the non-consolidated financial statements for 2011, prepared in compliance with IAS/IFRS.

Net remuneration shall amount to PLN 85,000.

On October 24, 2011, the agreement between TECO Sp. z o.o. with its registered office in Wroclaw and Ernst&Young Audit Sp. z o.o. with its registered office in Warsaw was concluded.

The subject of the agreement is

- the performance of an audit of the non-consolidated financial statements for 2011, prepared in compliance with IAS/IFRS.

Net remuneration for the aforementioned services shall amount to PLN 60,000.

2.2. Agreements concluded in 2010

Parent Entity

On July 2, 2010, PRI “POL-AQUA” S.A., with its registered office in Piaseczno and Ernst&Young Audit Sp. z o.o., with its registered office in Warsaw, concluded a contract on the performance of auditing operations.

The subject of the agreement is

- the performance of an audit of non-consolidated Financial Statements of P.R.I. “POL-AQUA” S.A. for the year ended on December 31, 2010, prepared in accordance with IFRS. The audit shall be carried out in compliance with the Accountancy Act and the national financial auditing standards;

- the performance of an audit of consolidated Financial Statements of P.R.I. “POL-AQUA” S.A. for the year ended on December 31, 2010, prepared in accordance with IFRS. The audit shall be carried out in compliance with the Accountancy Act and the national financial auditing standards;

- performance of a review of condensed non-consolidated Financial Statement of P.R.I. “POL-AQUA” S.A. for the period of 6 months ended on June 30, 2010, prepared in accordance with IFRS. The review shall be carried out in compliance with the Accountancy Act and the national financial auditing standards.

- performance of a review of condensed consolidated Financial Statement of P.R.I. “POL-AQUA” S.A. for the period of 6 months ended on June 30, 2010, prepared in accordance with IFRS. The review shall be carried out in compliance with the Accountancy Act and the national financial auditing standards.

Remuneration for the abovementioned services shall amount to PLN 460,000. Remuneration shall be increased by the direct expenses (travel and accommodation costs) and the applicable VAT. Furthermore, the remuneration of the entity entitled to audit the financial statements paid out or due for other attestation services for the 2010 financial year amounted to PLN 1,118,000.

Subsidiaries

On October 14, 2010, the agreement between Weneda Sp. z o.o. with its registered office in Opole and Ernst&Young Audit Sp. z o.o. with its registered office in Warsaw was signed.

The subject of the agreement is

- the performance of an audit of the non-consolidated financial statements for 2010, prepared in compliance with IAS/IFRS.

Remuneration for the aforementioned services shall amount to PLN 25,000.
On October 14, 2010, the agreement between PA CONEX Sp. z o.o. with its registered office in Gostynin and Ernst&Young Audit Sp. z o.o. with its registered office in Warsaw was signed.

The subject of the agreement is

✓ the performance of an audit of the non-consolidated financial statements for the first half of 2010, prepared in compliance with IAS/IFRS;
✓ the performance of an audit of the non-consolidated financial statements for 2010, prepared in compliance with IAS/IFRS.
✓ the performance of an audit of the consolidated financial statements for 2010, prepared in compliance with IAS/IFRS.

Net remuneration for the services rendered shall amount to PLN 65,000.

On September 22, 2010, the agreement between PA ENERGOBUDOWA Sp. z o.o. with its registered office in Opole and Ernst&Young Audit Sp. z o.o. with its registered office in Warsaw was signed.

The subject of the agreement is

✓ the performance of an audit of the non-consolidated financial statements for the first half of 2010, prepared in compliance with IAS/IFRS;
✓ the performance of an audit of the non-consolidated financial statements for 2010, prepared in compliance with IAS/IFRS.
✓ the performance of an audit of the consolidated financial statements for 2010, prepared in compliance with IAS/IFRS.

Net remuneration for auditing services rendered shall amount to PLN 90,000.

On October 16, 2010, the agreement between PA Wyroby Betonowe Sp. z o.o. with its registered office in Elbląg and Ernst&Young Audit Sp. z o.o. with its registered office in Warsaw was signed.

The subject of the agreement is the performance of an audit of the non-consolidated financial statements for the 2010 financial year.

Net remuneration for the aforementioned services shall amount to PLN 40,000.

On October 18, 2010, Mostostal Pomorze S.A. with its registered office in Gdańsk and Ernst&Young Audit Sp. z o.o. with its registered office in Warsaw concluded a contract for auditing services.

The subject of the agreement is

✓ the performance of an audit of the non-consolidated financial statements for the first half of 2010, prepared in compliance with IAS/IFRS;
✓ the performance of an audit of the non-consolidated financial statements for 2010, prepared in compliance with IAS/IFRS.
✓ the performance of an audit of the consolidated financial statements for 2010, prepared in compliance with IAS/IFRS.

Net remuneration shall amount to PLN 80,000.

On September 22, 2010, the agreement between TECO Sp. z o.o. with its registered office in Wrocław and Ernst&Young Audit Sp. z o.o. with its registered office in Warsaw was concluded.

The subject of the agreement is

✓ the performance of an audit of the non-consolidated financial statements for 2010, prepared in compliance with IAS/IFRS.
Net remuneration for the aforementioned services shall amount to PLN 60,000.
E.  STATEMENT OF THE MANAGEMENT BOARD ON THE APPLICATION OF CORPORATE GOVERNANCE

1.  Specification:

   a)  of corporate governance principles the Issuer is subject to and the location where the text of the said principles is available to the public, or

   b)  set of corporate governance principles which the Issuer might have chosen to apply voluntarily as well as the location where the text of the said set of principles is available to the public, or

   c)  all relevant information concerning corporate governance practices applied by the Issuer and exceeding the requirements provided for by domestic law along with a presentation of information on corporate governance practices applied by the Issuer

Within the area of its activity, P.R.I. „POL-AQUA” S.A. complies with the generally applicable provisions of law, including the provisions of law on securities, as well as internal regulations. As a public company, P.R.I. „POL-AQUA” S.A. not only fulfils so-called disclosure requirements, but also - by actively conducting activities within the investor relations area - it makes all the efforts to inform the investors on the plans concerning the activities performed and the future prospects for the industry in which it operates.

In addition, as a company listed on the Warsaw Stock Exchange, P.R.I. „POL-AQUA” S.A. has undertaken to observe corporate governance principles established on this market. Corporate governance is a set of principles of conduct, directed both to corporate governing bodies as well as the members of these bodies, and also to majority and minority shareholders. The corporate governance principles refer to the broadly understood management of the company.

Declarations on the application of Good Practices of Companies listed on the WSE are included in the annual financial statements of the Company as well as online (www.pol-aqua.pl) in the "Investor Relations” tab.


Midway through 2010, Good Practices were amended on two occasions, i.e. on August 31, 2011 (appendix to Resolution 15/1282/2011) and on October 19, 2011 (appendix to Resolution 20/1287/2011). According to these Good Practices, a separate report on the application thereof was prepared by P.R.I. “POL-AQUA” S.A., forming part of the annual report for 2011, published together with the present Management Board report.

In 2011, P.R.I. “POL-AQUA” S.A. remained in full compliance with all the standards of Good Practices contained in the abovementioned document, with the exception of principles specified in item 2: 2:

2.  2.  Scope of divergence from corporate governance principles. Specification of the provisions and explanation of reasons for divergence

   The Company's Management Board emphasizes that the divergence from application, or the expression of reservations as regards the possibility of application of, certain principles contained in the document entitled “Good Practices of Companies Listed on the WSE” do not have, in its opinion, a negative influence on transparency of management and supervisory activities at P.R.I. “POL-AQUA” S.A. and thus do not lead to a breach of the basic principles of corporate governance.
The Management Board of P.R.I. “POL-AQUA” S.A. informs that, permanently, temporarily or in a limited scope, it has chosen not to apply the following corporate governance rules specified in the document entitled “Good Practices of Companies Listed on the WSE”.

**Principle no. II.1.2a**

Information on the percentage of male and female members of, respectively, the management board and the supervisory board in years 2010-2011 is presented in the table below.

<table>
<thead>
<tr>
<th>From</th>
<th>To:</th>
<th>Management Board</th>
<th>Supervisory Board</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.01.2010</td>
<td>8.02.2010</td>
<td>3 males</td>
<td>6 males</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1 female</td>
<td></td>
</tr>
<tr>
<td>9.02.2010</td>
<td>9.02.2010</td>
<td>3 males</td>
<td>3 males</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1 female</td>
<td></td>
</tr>
<tr>
<td>10.02.2010</td>
<td>28.04.2010</td>
<td>4 males</td>
<td>7 males</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1 female</td>
<td></td>
</tr>
<tr>
<td>29.04.2010</td>
<td>15.06.2010</td>
<td>3 males</td>
<td>7 males</td>
</tr>
<tr>
<td>16.06.2010</td>
<td>16.06.2010</td>
<td>3 males</td>
<td>6 males</td>
</tr>
<tr>
<td>17.06.2010</td>
<td>17.11.2010</td>
<td>4 males</td>
<td>7 males</td>
</tr>
<tr>
<td>18.11.2010</td>
<td>14.12.2010</td>
<td>4 males</td>
<td>6 males</td>
</tr>
<tr>
<td>15.12.2010</td>
<td>29.11.2011</td>
<td>4 males</td>
<td>8 males</td>
</tr>
<tr>
<td>29.11.2011</td>
<td>20.03.2012</td>
<td>6 males</td>
<td>5 males</td>
</tr>
</tbody>
</table>

The company does not apply any regulations that would discriminate against the participation of either men or women in the management or supervision of Company activities. The application of the rule of gender balance in corporate governing bodies is beyond the control of Company Management Board.

The Management Board of the Company remains depended on the decisions adopted by the Supervisory Board, while the composition of the Supervisory Board is determined by the shareholders of the Company.

**Principle no. II.1.5**

The company applies this principle in a limited scope, i.e. exclusively if it receives relevant documents from entities and persons submitting candidacies for Management Board or Supervisory Board members.

**Principle no. II.1.6**

Due to the protection of the Company's interests and its competitive position the aforementioned principle is applied in a limited scope, i.e. the assessment by the Supervisory Board of the performance of the internal control system and the substantial risk management system will not be subject to publication.

**Principle II.1.7**

There are no detailed records maintained at the Company as regards the course of the General Meeting which would contain all comments and questions. Decision on including respective issues in the minutes of General Meeting is taken by the chairman thereof, taking into account the provisions of applicable laws, the importance of a given matter and the justified requests made by shareholders. Participants of the General Meeting may submit such statements as are provided for in the Commercial Companies Code.

The Company believes that such principles ensure sufficient transparency of general shareholders meeting sessions.

**Principle II.1.11**

The Company applies the aforementioned principle in a limited scope, i.e. only where it receives from a Member of the Supervisory Board a relevant statement concerning the affiliations of the Member of the Supervisory Board with a shareholder who holds shares representing not less than 5% of the general number of votes on the General Meeting of the Company.

**Principle II.2.**

The Company has a corporate website providing basic information in English. The Company emphasises that there may be slight delays in providing some materials in English, which is caused by the time necessary for their translation.
Principle II.3.
This principle is not, and shall not, be applied. In the Company Management Board's opinion, regulations contained in generally applicable provisions of law and the Company's Articles of Association concerning transactions/agreements concluded with associated entities, are entirely sufficient. The constant supervision over the activities of the Company, also with respect to decisions concerning all significant agreements of the Company, falls within the Supervisory Board's competences.

Principle II.6.
This principle may not be applied. The Company makes an effort in order for the Management Board members to be present on each General Shareholders Meeting; however the Company is not able to guarantee that all the members of the Management Board will be present nor it is able to guarantee that members of the Management Board present on the General Shareholders Meeting will provide answers to all questions posed by shareholders.

Principle III.1.
The principle is not, and will not, be applied with respect to the assessment of the internal control system and the substantial risk management system presented to the General Meeting.

In order to protect the interests and the position of the Company, the application of the abovementioned principle shall be limited, i.e. the Board shall assess the Company's standing, however, it will not take into account the internal control system and substantial risk management system. The Company takes the position that the management of the Company is performed by the Management Board which is responsible for deciding whether disclosing information on internal control and risk management to the public could have an impact on the efficiency thereof and - with respect to risk management - whether competitor entities could take advantage of such information.

Principle III.2.
The Company applies the aforementioned principle in a limited scope, i.e. only where it receives from a Member of the Supervisory Board a relevant statement concerning the affiliations of the Member of the Supervisory Board with a shareholder who holds shares representing not less than 5% of the general number of votes on the General Meeting of the Company.

Principle III.3.
This principle may not be applied. The Company take the efforts for members of the Supervisory Board to be present on each General Shareholders Meeting. The Company, however, cannot guarantee that all Members of the Supervisory Board will be present, and, consequently, that the members of the Supervisory Board present on the General Meeting will provide answers to all questions posed by shareholders.

Principle III.8.
"Within the scope of tasks and operations of the committees operating within the Supervisory Board, Appendix I to the Recommendation of the European Commission dated February 15 February, 2005, on the role of non-executive directors (...) should apply."

The scope of tasks and operations of the committees operating within the Supervisory Board shall be governed by § 25 and § 26 of the Regulations of the Supervisory Board of P.R.I. “POL-AQUA” S.A. In accordance with the provisions thereof:

I. The Remuneration Committee shall:
   a) supervise the Management Board of the Company within the scope of:
      (i) compliance with the provisions of applicable laws concerning accounting, finances, taxation and reporting activities of public companies,
      (ii) cooperation of the Company or the Management Board with the Auditor,
   b) advising the Supervisory Board in connection with the selection of the Company's Auditor, and in particular, presenting recommendations as regards the selection of the Auditor,
c) ongoing communication with the Company's Auditor, in particular in the case the Auditor discovers any irregularities in areas subject to the Auditor's control.
II. The Remuneration Committee shall:

a) prepare recommendations for the Supervisory Board with respect to the rules governing the calculation and the amounts of remuneration or bonuses of the Members of the Company’s Management Board,

b) assess the principles governing the determination and the amounts of remuneration or bonuses of the Company Management Board Members currently applied at the Company.

Principle III.9.
The constant supervision over the activities of the Company, including any agreements concluded, falls within the scope of competence of the Supervisory Board of the Company, based on the rules determined in the Articles of Association. In the view of the Company management, the regulations contained in the provisions of applicable laws and the Articles of Association of the Company concerning transactions/agreements concluded with associated entities are entirely sufficient. Principle no. IV.10.

Principle no. IV.10. (applicable from January 1, 2013)
The Company does not transmit the sessions of its General Meeting online due to its shareholding structure, among other reasons. The majority of shareholders representing over 70-80% of the P.R.I. „POL-AQUA” S.A. share capital participate in the sessions of the General Meeting

3. Description of main features of internal control and risk management systems applied in the Issuer's enterprise with regard to the process of preparation of financial statements and consolidated financial statements

The Management Board is responsible for the internal control system in place at the Company and its efficiency with respect to the process of preparation of financial statements and interim reports prepared and published in accordance with the rules of the Regulation of the Minister of Finances dated February 19, 2009, on current and interim information delivered by issuers of securities and conditions for recognising as equivalent the information required by the laws of a non-member state (Dziennik Ustaw [Journal of Laws] No. 33 for February 28, 2009, item 259).

An efficient internal control system and risk management system in the financial reporting process operates, inter alia, through the rules and the scope of reporting and responsibilities provided for in the internal procedures of the Company with respect to the preparation of interim reports and financial statements, including ensuring their quality and accuracy, authorisation and publication as well as regular reviews and examination of published financial statements of companies by a statutory auditor. The statutory auditor is selected by the Supervisory Board.

The POL-AQUA Capital Group applies consistent accounting principles when presenting financial data in its financial statements, stock exchange interim reports and other information provided to investors.

The Issuer maintains its accounting books in a digital form. The access to the system resources is restricted by means of relevant procedures, inter alia by way of privileges granted to authorised employees solely within the scope of tasks entrusted to them. The control of access to data stored in the IT system or other databases is ensured at each stage of preparation of interim reports, as well as in course of ongoing management reporting. The companies maintain registers of persons entrusted with the access to confidential data.
4. Specification of shareholders who directly or indirectly hold substantial blocks of shares along with indication of numbers of shares held by these entities, their percentage share in the share capital, number of votes stemming therefrom and percentage share in the general number of votes on the general shareholders meeting.

The total number and nominal value of all the shares of the Issuer held by members of the Issuer’s Management and Supervisory Boards, as at December 31, 2011 and the publication date of these financial statements, i.e. March 20, 2012, is presented in the table below:

**Table No. 28: Shareholders holding at least 5% of the general number of votes on the General Meeting of Shareholders as at December 31, 2011**

<table>
<thead>
<tr>
<th>Shareholder</th>
<th>Number of shares</th>
<th>Percentage of share capital held</th>
<th>Number of votes at General Meeting</th>
<th>Share in overall number of votes at the General Meeting</th>
</tr>
</thead>
<tbody>
<tr>
<td>DRAGADOS S.A.¹</td>
<td>18 150 066</td>
<td>66,00%</td>
<td>18 150 066</td>
<td>66,00%</td>
</tr>
<tr>
<td>DIM S.a.r.L.¹ ²b</td>
<td>2 929 059</td>
<td>10,65%</td>
<td>2 929 059</td>
<td>10,65%</td>
</tr>
<tr>
<td>Pioneer Peko Investment Management 3</td>
<td>1 650 006</td>
<td>6,00%</td>
<td>1 650 006</td>
<td>6,00%</td>
</tr>
<tr>
<td>ING Otwarty Fundusz Emerytalny I</td>
<td>1 408 519</td>
<td>5,12%</td>
<td>1 408 519</td>
<td>5,12%</td>
</tr>
<tr>
<td>Mr Marek Stefański 2</td>
<td>428 305</td>
<td>1,56%</td>
<td>428 305</td>
<td>1,56%</td>
</tr>
<tr>
<td>ALTUS TFI S.A. (directly) 4</td>
<td>226 010</td>
<td>0,82%</td>
<td>226 010</td>
<td>0,82%</td>
</tr>
<tr>
<td>Other shareholders</td>
<td>2 708 135</td>
<td>9,85%</td>
<td>2 708 135</td>
<td>9,85%</td>
</tr>
</tbody>
</table>

¹ 4 according to information received in connection with the notifications submitted to the Company pursuant to art. 69 of the Act on Public Offering and Conditions Governing the Introduction of Financial Instruments to Organised Trading and on Public Companies.

² a) according to the information in possession of P.R.I. “POL-AQUA” S.A., received in connection with the notifications submitted to the Company pursuant to art. 69 of the Act on Public Offering and Conditions Governing the Introduction of Financial Instruments to Organised Trading and on Public Companies, and pursuant to article 160 of the Act on Trading in Financial Instruments.

b) DIM S.a.r.L. with its registered office in Luxembourg is an entity controlled by Mr Marek Stefański.

³ according to information notified to the public pursuant to art. 70.3 of the Act on Public Offering and Conditions Governing the Introduction of Financial Instruments to Organised Trading and on Public Companies.

⁴ 4 according to information received in connection with the notifications submitted to the Company pursuant to art. 69 of the Act on Public Offering and Conditions Governing the Introduction of Financial Instruments to Organised Trading and on Public Companies.

Altus TFI S.A. holds, directly and indirectly, 2,955,069 shares and votes at the General Meeting (10.75% share in the share capital of the Company and the number of votes at its General Meeting) in accordance with the notification dated December 27, 2011 (Current Report no. 55/2011), including 2,729,059 shares of POL-AQUA held indirectly on the basis of the agreement on portfolio management activities, concluded with DIM S.a.r.L - a significant shareholder of POL-AQUA, the said portfolio containing one or any greater number of financial instruments. (Current Reports 17/2011, 27/2011).
The structure of share capital and the structure of votes on the General Shareholders Meeting as at the day of publication of the Annual Report for 2011 is as follows:

**Table No. 29: Share capital and General Meeting vote structure as at the day of report publication**

<table>
<thead>
<tr>
<th>Shareholder</th>
<th>Number of shares</th>
<th>Percentage of share capital held</th>
<th>Number of votes at General Meeting</th>
<th>Share in overall number of votes at the General Meeting</th>
</tr>
</thead>
<tbody>
<tr>
<td>DRAGADOS S.A.</td>
<td>18 150 066</td>
<td>66,00%</td>
<td>18 150 066</td>
<td>66,00%</td>
</tr>
<tr>
<td>DIM S.a.r.L.</td>
<td>2 929 059</td>
<td>10,65%</td>
<td>2 929 059</td>
<td>10,65%</td>
</tr>
<tr>
<td>Pioneer Pekao Investment Management</td>
<td>1 650 006</td>
<td>6,00%</td>
<td>1 650 006</td>
<td>6,00%</td>
</tr>
<tr>
<td>ING Otwarty Fundusz Emerytalny 1</td>
<td>1 408 519</td>
<td>5,12%</td>
<td>1 408 519</td>
<td>5,12%</td>
</tr>
<tr>
<td>Mr Marek Stefański</td>
<td>428 305</td>
<td>1,56%</td>
<td>428 305</td>
<td>1,56%</td>
</tr>
<tr>
<td>ALTUS TFI S.A. (directly)4</td>
<td>226 010</td>
<td>0,82%</td>
<td>226 010</td>
<td>0,82%</td>
</tr>
<tr>
<td>Other shareholders</td>
<td>2 708 135</td>
<td>9,85%</td>
<td>2 708 135</td>
<td>9,85%</td>
</tr>
</tbody>
</table>

1. According to information received in connection with the notifications submitted to the Company pursuant to art. 69 of the Act on Public Offering and Conditions Governing the Introduction of Financial Instruments to Organised Trading and on Public Companies.

2. a) According to the information in possession of P.R.I. “POL-AQUA” S.A., received in connection with the notifications submitted to the Company pursuant to art. 69 of the Act on Public Offering and Conditions Governing the Introduction of Financial Instruments to Organised Trading and on Public Companies, and pursuant to article 160 of the Act on Trading in Financial Instruments.

b) DIM S.a.r.L. with its registered office in Luxembourg is an entity controlled by Mr Marek Stefański.

3. According to information notified to the public pursuant to art. 70.3 of the Act on Public Offering and Conditions Governing the Introduction of Financial Instruments to Organised Trading and on Public Companies.

4. 4 According to information received in connection with the notifications submitted to the Company pursuant to art. 69 of the Act on Public Offering and Conditions Governing the Introduction of Financial Instruments to Organised Trading and on Public Companies.

Altus TFI S.A. holds, directly and indirectly, 2,955,069 shares and votes at the General Meeting (10.75% share in the share capital of the Company and the number of votes at its General Meeting) in accordance with the notification dated December 27, 2011 (Current Report no. 55/2011), including 2,729,059 shares of POL-AQUA held indirectly on the basis of the agreement on portfolio management activities, concluded with DIM S.a.r.L - a significant shareholder of POL-AQUA, the said portfolio containing one or any greater number of financial instruments. (Current Reports 17/2011, 27/2011).

5. **Specification of holders of all securities which confer special control authorisations in relation to the Issuer, along with the description of the authorisations in question**

As at December 31, 2011

As at December 31, 2011, the Articles of Association of the Company do not confer any special controlling powers.

As at report preparation date

There are currently no special controlling powers.
6. Specification of all restrictions with respect to the exercise of voting rights, such as limitations of voting rights imposed by holders of a specific part or amount of votes, time restrictions with respect to the exercise of voting rights or provisions according to which, subject to the cooperation of the company, the capital rights associated with securities are separated from the ownership of the said securities

According to the information held by the Issuer, limitations other than those described above with respect to the exercise of voting rights conferred by the shares of the Company do not exist.

7. Specification of all restrictions concerning the transfer of ownership right to the Issuer's securities

All shares of the Issuer are ordinary bearer shares. No particular rights, privileges or limitations, aside from the rights and obligations of a shareholder of a joint-stock company provided for in the Commercial Companies Code (hereinafter referred to as "the CCC"), the Act on Circulation* or the Act on Offering** as well as the prohibition stipulated in art. 7.3 of the Issuer's Articles of Association concerning the conversion of bearer shares into registered shares, stem from the ownership of the Issuer's shares by the Shareholders.

According to the general provisions contained in the Commercial Companies Code, shares in a joint-stock company are disposable. The Issuer's Articles of Association do not contain restrictions as regards the disposal or acquisition of shares.

According to information held by the Company, there are no limitations other than those described above with respect to the transfer of ownership of the Issuer's securities.


**  Act dated 29.07.2005 on public offering and conditions of introduction of instruments to organised trading and on public companies (Dziennik Ustaw [Journal of Laws] for 2005, No. 183, item 1539, as amended)

8. Description of rules concerning the appointment and dismissal of managers and the rights of the said managers, with particular emphasis on the right to adopt decisions on the issuance or redemption of shares

Information as at December 31, 2011 and as at the date of publication of the annual report, i.e. March 20, 2012

According to § 21 of the Articles of Association of the Company, the Supervisory Board appoints (for a joint three-year term) and dismisses Management Board Members.

In compliance with § 18 of the Articles of Association of the Company, the Supervisory Board may suspend one or more members of Management Board due to significant reasons, and may entrust one or more members of the Supervisory Board, for a period not exceeding three months, with the temporary performance of the duties of the Management Board members who were dismissed, who tendered their resignation or were considered to be incapable of performing their duties due to other reasons.

Neither the Management Board of the Company nor individual Management Board Members shall have the right to adopt decisions regarding the issuance or redemption of shares.

9. Description of the principles governing the introduction of amendments to the Issuer's Articles of Association or Deed of Incorporation
The amendment of the Issuer's Articles of Association requires a resolution adopted with a three-fourths majority of votes present on the General Shareholders Meeting of the Issuer and enters into force upon registration thereof by the court in the register of entrepreneurs maintained for the Company within the National Court Register.

10. The manner of conducting the General Shareholders Meeting, the general powers thereof as well as the description of the rights of shareholders and the manner of exercise thereof, in particular the principles stemming from the General Shareholders Meeting regulations (if such regulations were adopted), provided that the above rules are not imposed by the provisions of applicable laws

The General Shareholders Meeting of a joint-stock company is a body entitled to adopt, by way of resolutions, decisions on matters concerning the organisation and operations of the company. Pursuant to article 414 of the Commercial Companies Code, resolutions of the General Meeting of a joint-stock company are adopted by an absolute majority of votes (which means that for the adoption of a given resolution more than half of all votes cast must be in its favour) with the exception of special cases provided for by the Code. The Articles of Association of a joint-stock company may also provide for stricter requirements as regards the adoption of resolutions by the General Meeting of the company than the requirements imposed by the Code. With reference to these special cases, the adoption of a resolution requires a qualified majority of votes specified by the Code. Apart from qualified majorities indicated above, one should also bear in mind the requirement imposed by the provisions of the CCC, stipulating that in order to adopt a resolution on a General Meeting adjournment, a two-thirds majority of votes shall be necessary, as well as the requirement stemming from art. 12.5 of the Issuer's Articles of Association, according to which resolutions on the removal from the agenda or the abandonment of an issue included in the session's agenda upon shareholders' request are adopted with a three-fourths majority of votes, upon prior consent granted by all the shareholders present on the session who submitted such a request.

11. Personal composition and changes in that regard which occurred within the last financial year and the description of the operations of management, supervisory or administrative bodies of the Issuer and their respective committees

Management Board

The description of managerial bodies, due to the amendment to the Articles of Association of the Issuer introduced on December 15, 2010, has been presented as at December 31, 2011 and as at the preparation date of the present report.

As at December 31, 2011


The Management Board handles the affairs of the Company, represents the Company and has the authority to take all the decisions not reserved to the competence of the General Meeting or the Supervisory Board. The Management Board is authorised to acquire and dispose of real property, perpetual usufruct or shares in real property without the need for the General Meeting to adopt a resolution in that regard.

Pursuant to § 21 of the Company's Articles of Association, the Management Board comprises one or more members, including the President of the Management Board who directs its operations, and one or more Vice-Presidents of the Management Board. The Management Board as a whole is appointed for a joint tenure and dismissed by the Supervisory Board.

Pursuant to § 21.2 of the Company's Articles of Association, the Management Board's tenure lasts three years. Members of the Management Board are appointed for a joint tenure.

As at report preparation date
Due to the amendments to the Articles of Association of the Company adopted on December 15, 2010, currently any two members of the Management Board acting jointly, or a single Member of the Management Board acting together with a Proxy, are authorised to submit declarations of intent on behalf of the Company.
Between January 1 and November 29, 2011, the Management Board of P.R.I. “POL–AQUA” S.A. was composed of the following members:

<table>
<thead>
<tr>
<th>First and last names</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Piotr Stanislaw Chełkowski</td>
<td>President of the Management Board</td>
</tr>
<tr>
<td>Eduardo Martínez Martínez</td>
<td>First Vice-President of the Management Board</td>
</tr>
<tr>
<td>Marek Sobiecki</td>
<td>Second Vice-President of the Management Board</td>
</tr>
<tr>
<td>Robert Stefan Molo</td>
<td>Member of the Management Board</td>
</tr>
</tbody>
</table>

On the same day, i.e. November 29, 2011, the following persons were appointed to the Management Board for its next term of office:

Mr Servando Sierra Martí - Member of the Management Board.
Mr Mario Serrano Villate - Member of the Management Board.

Between November 29, 2011 and December 31, 2011 and as at the date of publication of the present report, i.e.:

<table>
<thead>
<tr>
<th>First and last names</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Piotr Stanislaw Chełkowski</td>
<td>President of the Management Board</td>
</tr>
<tr>
<td>Eduardo Martínez Martínez</td>
<td>First Vice-President of the Management Board</td>
</tr>
<tr>
<td>Marek Sobiecki</td>
<td>Second Vice-President of the Management Board</td>
</tr>
<tr>
<td>Robert Stefan Molo</td>
<td>Member of the Management Board</td>
</tr>
<tr>
<td>Servando Sierra Martí</td>
<td>Member of the Management Board</td>
</tr>
<tr>
<td>Mario Serrano Villate</td>
<td>Member of the Management Board</td>
</tr>
</tbody>
</table>

**Supervisory Board**

The description of supervisory bodies, due to the amendment to the Articles of Association of the Issuer introduced on 15.12.2010, has been presented as at 31.12.2011 and as at the preparation date of the present report.

**As at December 31, 2011**


As at 31.12.2011, in accordance with § 15.1 of the Articles of Association of P.R.I. “POL–AQUA” S.A., the Supervisory Board comprised not less than 5 and not more than 7 members, including the Chairman of the Supervisory Board, Deputy Chairman of the Supervisory Board and the Supervisory Board's
Secretary, appointed (for a joint tenure) and dismissed by General Meeting. In the case of group voting, the General Meeting determines the number of Supervisory Board members for the given tenure by way of a resolution adopted prior to the elections.

Pursuant to § 15 of the Company's Articles of Association, the Supervisory Board's tenure lasts three years. Members of the Supervisory Board are appointed for a joint tenure.

As at report preparation date:

Due to the amendments to the Articles of Association of the Company adopted on December 15, 2010, the Supervisory Board currently comprises not less than 5 (five) and not more than 8 (eight) members, including the Chairman of the Supervisory Board, Vice-Chairman of the Supervisory Board and the Supervisory Board's Secretary, appointed (for a joint tenure) and dismissed by the General Meeting. In the case of group voting, the General Meeting determines the number of Supervisory Board members for the given tenure by way of a resolution adopted prior to the elections. The Supervisory Board's tenure lasts 3 (three) years.

No personal authorisations were granted to shareholders under the Company's Articles of Association with respect to the appointment of Supervisory Board members.

As at January 1, 2011, the Supervisory Board of P.R.I. “POL–AQUA” S.A. was composed of the following members:

- Józef Okolski Chairman of the Supervisory Board,
- Ignacio Segura Suriñach Vice-Chairman of the Supervisory Board,
- Ricardo Cuesta Castiñeira Secretary of the Supervisory Board,
- Alberto Laverón Simavilla Member of the Supervisory Board,
- José Puente García Member of the Supervisory Board,
- Janusz Steinhoff Member of the Supervisory Board,
- Krzysztof Rafał Gadkowski Member of the Supervisory Board.

Mr Alfonso Costa Cuadrench was appointed Member of Company's Supervisory Board for the period until the end of Board's tenure by the General Meeting. Mr Alfonso Costa Cuadrench became a Supervisory Board Member on the date of registration pursuant to the decision of the District Court, 14th Commercial Division of the National Court Register, i.e. on January 18, 2011, following the registration of the amendment to Company's Articles of Association referred to in the Resolution No. 3 of the Extraordinary General Meeting dated December 15, 2010.

On November 29, 2011, the following persons have tendered their resignations, notifying the Management Board of P.R.I. „POL-AQUA” S.A. of that fact:

- Józef Okolski Chairman of the Supervisory Board,
- Ignacio Segura Suriñach Vice-Chairman of the Supervisory Board,
- Ricardo Cuesta Castiñeira Secretary of the Supervisory Board,
- Alberto Laverón Simavilla Member of the Supervisory Board,
José Puente García  Member of the Supervisory Board,
Alfonso Costa Caudrench  Member of the Supervisory Board,
Janusz Steinhoff  Member of the Supervisory Board,
Krzysztof Rafał Gadkowski  Member of the Supervisory Board.

The Extraordinary General Meeting of the Company adopted a resolution dated November 29, 2010, on the appointment of the following persons as members of the Supervisory Board of P.R.I. “POL-AQUA” S.A. for a new term of office:

- Mr Alfonso Costa Cuadrench – for the position of the Chairman of the Supervisory Board;
- Mr José Puente García – for the position of the Vice-chairman of the Supervisory Board;
- Mr Alberto Laverón Simavilla for the position of the Member of the Supervisory Board;
- Mr Janusz Steinhoff for the position of Member of the Supervisory Board;
- Mr Krzysztof Gerula – for the position of Member of the Supervisory Board.

As at 31.12.2011, the composition of the Company's Supervisory Board was as follows:

Alfonso Costa Caudrench  Chairman of the Supervisory Board,
José Puente García  Vice-Chairman of the Supervisory Board,
Alberto Laverón Simavilla  Member of the Supervisory Board,
Janusz Steinhoff  Member of the Supervisory Board,
Krzysztof Gerula  Member of the Supervisory Board.

On March 14, 2012, the Company received a letter in which Mr José Puente García has informed of his decision to resign as Member and Vice-chairman of the Supervisory Board of Przedsiębiorstwo Robót Inżynieryjnych „POL-AQUA” Spółka Akcyjna.

As at the day of publication of this report, i.e. March 20, 2012, the composition of the Company's Supervisory Board was as follows:

Alfonso Costa Caudrench  Chairman of the Supervisory Board,
Alberto Laverón Simavilla  Member of the Supervisory Board,
Janusz Steinhoff  Member of the Supervisory Board,
Krzysztof Gerula  Member of the Supervisory Board.

General Meeting

The General Meeting is the superior governing body of the Company. The General Shareholders Meeting acts on the basis of the provisions of applicable laws including, in particular, the Commercial Companies
Code, and also on the basis of the Company's Articles of Association and the Regulations of the General Shareholders Meeting. These regulations determine, among other things, the competences and the procedure of convening, organisation and conducting the General Meeting.


According to the information held by the Management Board of P.R.I. „POL-AQUA” S.A., as at December 31, 2011 and as at the publication date of the present report, the data concerning shareholders holding substantial blocks of shares along with the indication of the number of shares held by such entities, their percentage stake in the share capital, number of votes stemming therefrom and their percentage share in the general number of votes on the General Meeting is presented in tables No. 28 and 29, item E. 4.

The Audit Committee

The Audit Committee of P.R.I. „POL-AQUA” S.A. as at December 31, 2011 and as at the day of publication of the present report, i.e. :

Alberto Laverón Simavilla Chairman of the Audit Committee,
Alfonso Costa Caudrench Member of the Audit Committee,
Krzysztof Gerula Member of the Audit Committee,

Remuneration Committee

As at December 31, 2011, the Remuneration Committee of P.R.I. “POL–AQUA” S.A. was composed of the following members:

Alfonso Costa Caudrench Chairman of the Remuneration Committee,
José Puente García Member of the Remuneration Committee
Janusz Steinhoff Member of the Remuneration Committee

As at the report publication date, i.e. March 20, 2012, the Remuneration Committee of P.R.I. “POL–AQUA” S.A. was composed of the following members:  

Alfonso Costa Caudrench Chairman of the Remuneration Committee,
Janusz Steinhoff Member of the Remuneration Committee

The Management Board of Przedsiębiorstwo Robót Inżynieryjnych “POL-AQUA” S.A. in Warsaw hereby declares that to the best of its knowledge the Financial Statements of the P.R.I. “POL-AQUA” S.A. in Warsaw for the year ended on December 31, 2011 and the comparable data presented in these statements have been prepared in accordance with the applicable accounting principles and reflect in a true, reliable and clear manner the economic and financial position of the POL-AQUA Capital Group as well as its financial results.

Furthermore, the Management Board declares that the Report on the operations of the POL-AQUA Capital Group contains a true description of the development, achievements and situation of the Capital Group, including the description of basic risks and challenges.

Piotr Stanisław Chelkowski
President of the Management Board

Eduardo Martínez Martínez
First Vice-President of the Management Board

Marek Sobiecki
Second Vice-President of the Management Board

Robert Stefan Molo
Member of the Management Board

Mario Serrano Villate
Member of the Management Board

Servando Sierra Martí
Member of the Management Board
G. DECLARATION OF THE MANAGEMENT BOARD ON THE SELECTION OF THE ENTITY AUTHORIZED TO AUDIT FINANCIAL STATEMENTS

The Management Board of Przedsiębiorstwo Robót Inżynieryjnych “POL-AQUA” S.A. in Warsaw hereby declares that the entity authorized to audit financial statements which audited the Consolidated Financial Statement of the POL-AQUA Capital Group for the year ended on December 31, 2011 was selected in accordance with the provisions of applicable laws, the entity in question being Ernst&Young Audit Sp. z o.o. having its registered office in Warsaw. The said entity and the statutory auditors who audited the statements referred to above have satisfied the conditions which must be fulfilled to ensure that an unbiased and independent opinion is given with respect to the audited annual financial statement, in accordance with the binding regulations and professional standards.

.................................................. ....................................................... ................... .............................
Piotr Stanisław Chelkowski              Eduardo Martínez Martínez              Marek Sobiecki
President of the Management Board     First Vice-President of the Management Board     Second Vice-President of the Management Board

.................................................. ....................................................... ........................................................ .......
Robert Stefan Molo                     Mario Serrano Villate                     Servando Sierra Martí
Member of the Management Board         Member of the Management Board             Member of the Management Board
H. OPINION AND REPORT OF THE ENTITY AUTHORISED TO AUDIT FINANCIAL STATEMENTS

- presented in separate files – Appendix 2 and 3, containing:


The present Consolidated Annual Statement of the POL-AQUA Capital Group for the year ended on December 31, 2011, has been approved for publication by the Management Board of Przedsiębiorstwo Robót Inżynieryjnych „POL-AQUA” Spółka Akcyjna in Warsaw:

INDIVIDUALS REPRESENTING THE ISSUER

Piotr Stanisław Chelkowski
President of the Management Board

Eduardo Martínez Martínez
First Vice-President of the Management Board

Marek Sobiecki
Second Vice-President of the Management Board

Robert Stefan Molo
Member of the Management Board

Mario Serrano Villate
Member of the Management Board

Servando Sierra Martí
Member of the Management Board

Financial Statement prepared by:

Renata Sucharska
Head of Economy and Finance Department.
Warsaw, March 20, 2012