

POL-AQUA

**CONSOLIDATED FINANCIAL
STATEMENTS OF POL-AQUA
CAPITAL GROUP**

for the year ended on December 31, 2012

prepared
in Warsaw, on March 21, 2013

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INTRODUCTION

The Consolidated Financial Statements of the POL-AQUA Capital Group for the year ended on December 31, 2012 include:

- 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 Financial Statements of the POL-AQUA Capital Group for the year ended on December 31, 2012.
- D. Report on the operations of the POL-AQUA Capital Group
- E. Statement of the Management Board on application of corporate governance.
- F. Declaration of the Management Board on the conformity of the Consolidated Financial Statements and the Report on the operations of the POL-AQUA Capital Group.
- G. Declaration of the Management Board on the selection of the entity authorized to audit financial statements.
- H. Opinion and reports of the entity authorised to audit the financial statements.

2. Period covered in the statements and comparable data:

- Consolidated Financial Statements of the POL-AQUA Capital Group cover the period of 12 months, i.e. from January 1, 2012 to December 31, 2012
- For the data presented in the consolidated statements of financial condition, comparable financial data was presented as at December 31, 2011.
- 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, 2011 to December 31, 2011.

3. Explanations of denotations pertaining to organisation of the POL-AQUA Capital Group

As of December 31, 2012 the POL-AQUA Capital Group consisted of the following subsidiaries and affiliates:

- Przedsiębiorstwo Robót Inżynieryjnych "POL-AQUA" Spółka Akcyjna with registered office in Warsaw and with branches - Parent Company;
- PA CONEX Limited liability company with its registered office in Gostynin - subsidiary;
- PA Wyroby Betonowe Limited liability company with its registered office in Elbląg - subsidiary;
- Mostostal Pomorze joint-stock company with its registered office in Gdańsk - subsidiary;
- TECO Limited liability company with its registered office in Wrocław - subsidiary;
- Weneda Limited liability company with its registered office in Opole - subsidiary;
- POL-AQUA WOSTOK Sp. z .o.o. with its registered office in Moscow - subsidiary
- Sarnia Dolina, limited liability company with its registered office in Warsaw - affiliate.

Moreover, Przedsiębiorstwo Robót Inżynieryjnych "POL-AQUA" S.A. in Warsaw holds shares in a subsidiary, PLACIDUS INVESTMENTS Sp. z o.o., in liquidation, in Warsaw.

As of January 4, 2011, in connection with the decision adopted by the District Court for the Capital City of Warsaw, 10th Commercial Division for bankruptcy and reorganization in respect of 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 POL-AQUA Capital Group has lost control over the subsidiary's estate and its operating activity. 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. The above proceedings were changed on proceedings aimed at the liquidation of the assets by means of a decision of September 8, 2011 (published in Monitor Sądowy i Gospodarczy /Journal of the Ministry of Justice/ of September 22, 2011), and afterwards discontinued on the basis of the decision of May 24, 2012 issued by the District Court for the Capital City of Warsaw in Warsaw, 10th Commercial Division for bankruptcy and reorganization proceedings, case file No. X GUp 1/11, published in Monitor Sądowy i Gospodarczy /Journal of the Ministry of Justice/ of June 6, 2012 No. 109, item 7735.

On September 8, 2012, in accordance with the ruling issued at a secret session, the District Court for the Capital City of Warsaw, 10th Business Department for bankruptcy and reparatory proceedings, case file No. X GUp 447/12 announced bankruptcy with liquidation of the estate of PLACIDUS INVESTMENTS Sp. z o.o., a limited liability company with the registered office in Warsaw.

Taking the above into account, the Parent Company does not hold the financial and operational control of the company PLACIDUS INVESTMENTS Sp. z o.o. in bankruptcy liquidation.

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

Dear Sirs,

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 2012.

The year 2012 was an extremely difficult year for the Polish economy, and for the construction sector in particular. After the so-called "construction boom", hard time had come which undoubtedly influenced enormously the activity of construction companies. A drop in the number of contracts resulted in severe competition on the market, which had a great impact on results of the companies. In addition, due to the increase of industry risk, banks were not very eager to grant loans to construction companies, which made the implementation of contracts and cooperation with subcontractors quite difficult. Unfortunately, when we watch the market we can see that not all companies managed to stand this test and some of them (even large ones) are in bankruptcy. And some are already gone.

When many EU countries struggle with consequences of the financial downturn that started in 2008, we expect that in Poland, in the years to come, there will be less and less public tenders in sectors where the Parent Company hitherto operated, while contractual conditions imposed by customers are usually unfavourable for us.

2012 is a year in which the Management Board of POL-AQUA constantly optimised the process of management of the Capital Group in order to align it to the ever-changing economy. At the same time, restructuring consisting in centralisation of operations, limitation of employment and minimisation of activity costs was continued.

This year however we managed to develop new areas of activity in road, railroad, and power engineering sector. It is a result of widening the cooperation with companies from ACS Group with the use of experiences and benchmarks created by the a/m Group.

In 2012, the Parent Company already started to win first key contracts. In January, P.R.I. "POL-AQUA" S.A. within a consortium together with DRAGADOS S.A. (a company that holds directly 66% of shares in the share capital of POL-AQUA, which constitutes also a 66%-share in the general number of votes at the General Meeting) signed one of the biggest contracts in road industry in the history of the company: Construction of S8 expressway on a section more than 33 km long. The value of the contract amounts to: PLN 1,388,807,374.68 gross. The participation of P.R.I. "POL-AQUA" S.A. (the leader) in consortium is at the level of 51%.

In 2012, new contracts appeared in a sector which is entirely new for the Parent Company – the sector of railroad engineering. It is an area which – according to our expectations – will dynamically develop in the years to come. Thanks to cooperation with ACS Group we obtained rail contracts amounting to more than PLN 558 million gross in total. These contracts are performed in consortium with DRAGADOS S.A., Vias y Construcciones S.A and Electren – companies from ACS Group.

In 2012 we also won a bid for "Design and construction works for railway line No. 1 on the section Kolutzki – Częstochowa", amounting to PLN 594,459,000 gross in total, which shall result – according to our expectations – in conclusion of the agreement in the beginning of 2013.

At present, the Management Board of POL-AQUA undertakes all the efforts to improve the financial results of the Parent Company in the years to come and intends to increase the share of the company in development of the key sectors of Polish economy and at the same time to play a significant role among leading construction companies. With a view to satisfying the Shareholders we shall continue our development and restructuring strategy so as to prove in the nearest future that POL-AQUA is the national leader in construction industry.

Best Regards,

Gregor Siegmund Sobisch

President of the Management Board, Chief Executive Officer,

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 December 31, 2012 and 2011 are presented in the tables below.

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

SELECTED FINANCIAL DATA		PLN 000s		EUR 000s	
		For the year ended on 31.12.2012	For the year ended on 31.12.2011	For the year ended on 31.12.2012	For the year ended on 31.12.2011
I.	Sales revenues	828 858	733 864	198 595	177 258
II.	Gross profit (loss) on sales	(49 056)	36 301	(11 754)	8 768
III.	Profit (loss) on operating activity	(194 414)	33 957	(46 582)	8 202
IV.	Gross profit (loss)	(196 593)	29 485	(47 104)	7 122
V.	Net profit (loss) after tax for Shareholders of the Parent Company	(175 222)	25 266	(41 983)	6 103
VI.	Net cash flows from operating activity	29 834	(131 989)	7 148	(31 881)
VII.	Net cash flows from investment activity	4 414	5 294	1 058	1 279
VIII.	Net cash flows from financial activity	66 265	12 623	15 877	3 049
IX.	Net cash flows total	100 513	(114 072)	24 083	(27 553)
X.	Total assets	796 376	642 060	194 799	145 368
XI.	Long- and short-term liabilities	703 812	374 318	172 157	84 749
XII.	Share capital	27 500	27 500	6 727	6 226
XIII.	Equity	92 564	267 742	22 642	60 619
XIV.	Number of shares	27 500 100	27 500 100	27 500 100	27 500 100
XV.	Profit (loss) per one ordinary share	(6.37)	0.92	(1.53)	0.22
XVI.	Average weighted number of shares	27 500 100	27 500 100	27 500 100	27 500 100
XVII.	Book value per one share	3.37	9.74	0.82	2.20

Financial figures presented in EUR were converted in accordance with the following principles:

- individual assets and liabilities were based on the average exchange rate of the National Bank of Poland valid as at the balance-sheet date, i.e. December 31, 2012 – 4.0882; comparable data was 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.
- Individual items of the income statement and statement of cash flows were based on the exchange rate that is 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 1.01.2012 to 31.12.2012 – 4.1736; comparable data was based on the exchange rate that is 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 1.01.2011 to 31.12.2011 – 4.1401.

.....
Gregor Siegmund Sobisch
President of the Management Board

.....
Marek Sobiecki
Second Vice-President of the Management Board

.....
Mario Serrano Villate
Member of the Management Board

.....
Servando Sierra Martí
Member of the Management Board

Warsaw, March 21, 2013

C. CONSOLIDATED FINANCIAL STATEMENTS OF THE POL-AQUA CAPITAL GROUP

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

1. Consolidated income statement
2. Consolidated statement of comprehensive income
3. Consolidated statement of financial condition
4. Consolidated statement of cash flows
5. Consolidated statement 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 organization of the POL-AQUA 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, 2012, the POL-AQUA Capital Group consisted of the following subsidiaries and associates:

Chart No. 1: Composition of the POL-AQUA Capital Group as at December 31, 2012 (subsidiaries and affiliates)



All subsidiaries of the POL-AQUA Capital Group presented above are subject to consolidation as at December 31, 2012.

Przedsiębiorstwo Robót Inżynieryjnych "POL-AQUA" Spółka Akcyjna holds shares in a subsidiary, PLACIDUS INVESTMENTS Sp. z o.o., in liquidation, in Warsaw. Since the beginning of 2011, the Company has not been controlling in financial and operating terms the above mentioned company (detailed description of the company's situation is contained in item 13.2 of these statements).

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

Przedsiębiorstwo Robót Inżynieryjnych “POL-AQUA” Spółka Akcyjna, 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.

Company name

Przedsiębiorstwo Robót Inżynieryjnych “POL-AQUA” Spółka Akcyjna “POL-AQUA” S.A., “Company”, “Issuer”, “Parent Entity”) has the following branch offices:

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

Tax Identification No. (NIP) 775-00-01-125

REGON No. (business statistical number): 012783671

Contact details: Phone No.: (22) 201 73 00

Fax: (22) 201 73 10

Website address: www.pol-aqua.com.pl

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

On October 1, 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 marked as A series shares. By means of a decision dated October 3, 1997 the District Court for the Capital City of Warsaw, 14th Business Registry Department, recorded the change of the Company’s legal form and entered the Company into the commercial register under the number RHB 51653.

By means of a decision of 17 September 2001 the Company was entered into the National Court Register maintained by the District Court for the Capital City of Warsaw, 14th Business Department of the National Court Register, with the number KRS 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, 2012 is presented under item E.11 of the report.

The Company provides services in the area of civil engineering, general, environmental, road and fuel-related engineering (construction of transportation pipelines for oil and gas). The Company performs complete development of underground installations, builds roads for commercial facilities, housing

estates, logistics centres, etc. GENERAL CONSTRUCTION WORKS, such as: In the area of construction works P.R.I. "POL-AQUA" S.A. offers the performance of construction and engineering works related to the infrastructure of land to be built up or development of the 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. forms 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 of January 28, 2005 issued by the District Court for the Capital City of Warsaw in Warsaw, 14th Business Division.

The company was incorporated in the POL-AQUA Capital Group on June 23, 2005.

The subject of the Company's activity is:

- manufacture and installation of steel constructions,
- manufacture of metal construction elements,
- construction works and repairs of industrial facilities and machines.

The Company core activities include manufacture of steel constructions and pressure equipment for the power engineering industry and fuel industry.

The share capital of PA CONEX Sp. z o.o. as at December 31, 2012 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 authorities are:

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

As at December 31, 2012, the composition of the Company's Supervisory Board was as follows:

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

As at December 31, 2012, the composition of the Company's Management Board was as follows:

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

1.3. PA Wyroby Betonowe Sp. z o.o. with its registered office in Elbląg - subsidiary

PA Wyroby Betonowe Sp. z o.o. (hereinafter referred to as “company” or “PA Wyroby Betonowe Sp. z o.o.”) with its registered office in Elbląg, ul. Płk. St. 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 activity of the company includes, among others:

- manufacture of ready-mix concrete,
- manufacture of FILIGRAN roof boards,
- manufacture of round post-tensioned concrete tanks;
- manufacture of prefabricated ferro-concrete pillars and all kinds of concrete prefabricates on individual commission.

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, 2012, 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 authorities are:

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

As at December 31, 2012, the composition of the Company's Supervisory Board was as follows:

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

As at December 31, 2012, the Management Board was composed of the following individuals:

Jan Stefan Wiśniewski	-	President of the Management Board,
Józef Harasim	-	First Vice President of the Management Board,
Marek Cymerys	-	Member of the Management Board.

1.4. MOSTOSTAL POMORZE S.A. 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. 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 activity of the company includes, among others:

- comprehensive investment, modernisation and repair works in the mechanics and construction industry for the petrochemical and petroleum sector, fuel sector, power engineering sector and industrial construction sector
- manufacture of structures, assembly of cranes and elevators, both onshore and ship-mounted;
- prefabrication, assembly, anti-corrosion protection and loading onto vessels of large structures of oil rigs.

From January 15, 2013, P.R.I. "POL-AQUA" S.A. holds 95.00% of shares in the share capital of the company.

The share capital as at December 31, 2012, 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 bodies are:

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

As at December 31, 2012, the composition of the Company's supervisory authority - the Supervisory Board - was as follows:

Marek Sobiecki	-	Chairman of the Supervisory Board
Gregor Siegmund Sobisch	-	Vice Chairman of the Supervisory Board,
Pani Ewelina Popławska	-	Secretary of the Supervisory Board.

As at December 31, 2012, the composition of the Company's Management Board was as follows:

Józef Popławski	-	President of the Management Board,
Eugeniusz Szubzda	-	Member of the Management Board,
Ewa Iwaniuk	-	Member of the Management Board.

1.5. TECO Sp. z o.o. 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 the Notarial Deed (Register A No. 2616/2001) as a result of the transformation of the Civil Law Partnership Teco Technical Consulting. Pursuant to the decision of the District Court for Wrocław-Fabryczna in Wrocław, 6th Business Division of the National Court Register of 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, 2012, 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 bodies are:

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

As at December 31, 2012, the composition of the Company's Supervisory Board was as follows:

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

As at December 31, 2012, the composition of the Company's Management Board was as follows:

Pan Zygmunt Robert Szablowski	-	President of the Management Board,
Pan Ireneusz Polczyk	-	Vice President of the Management Board,
Pani Urszula Kołodziejczak	-	Member of the Management Board.

1.6. "WENEDA" Sp. z o.o. 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 activity is rendering hotel and catering services by way of managing the hotel and restaurant "WENEDA" in Opole.

Operations of Weneda Sp. z o.o. constitute secondary activities of the POL-AQUA Capital Group.

The share capital as at December 31, 2012 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 authorities are:

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

As at December 31, 2012, the composition of the Company's supervisory authority - the Supervisory Board - was as follows:

Marek Sobiecki	-	Chairman of the Supervisory Board
Piotr Stanisław Chełkowski	-	Vice Chairman of the Supervisory Board.
Eduardo MartínezMartínez	-	Member of the Supervisory Board.

As at December 31, 2012, the one-person Management Board was represented by 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:

- exploration of oil and gas;
- engineering and general construction works.

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

The registered office of the company is located in the Russian Federation in Moscow, ul. Nowokuznieckaja 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, 2012, 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%).

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

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, 2012, 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 bodies are:

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

As at December 31, 2012, the composition of the Company's Supervisory Board was as follows:

Leszek Piotr Nałęcz	-	Chairman of the Supervisory Board,
Piotr Stanisław Chelkowski	-	Vice Chairman of the Supervisory Board.
Tomasz Konarski	-	Member of the Supervisory Board.

As at December 31, 2012, the composition of the Company's Management Board was as follows:

Jarosław Eugeniusz Wyszowski	-	President of the Management Board,
Pani Grażyna Katarzyna Barańska	-	Vice President of the Management Board.

2. Bodies of P.R.I. "POL-AQUA" S.A. in Warsaw and the POL-AQUA Capital Group

Management 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:

Name	Position
Gregor Siegmund Sobisch	President of the Management Board,
Marek Sobiecki	Second Vice-President of the Management Board,
Mario Serrano Villate	Member of the Management Board,
Servando Sierra Martí	Member of the Management Board.

Supervisory Board

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

Name	Position
Gustavo Tunell Ayuso	Chairman of the Supervisory Board,
Eduardo Martínez Martínez	Vice-Chairman of the Supervisory Board,
Alberto Laverón Simavilla	Member of the Supervisory Board,
Ricardo Eduardo Cuesta Castiñeyra	Member of the Supervisory Board,
Krzysztof Gerula	Member of the Supervisory Board.

General Meeting

According to the information held by the Management Board of P.R.I. „POL-AQUA” S.A., as at December 31, 2012 and 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. 29 and 30 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 1997 each, currently designated as A series shares.

On January 12, 1998 the Extraordinary General Meeting of Shareholders, on the basis of the notarized 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 equity 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 Statutes in the above scope 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. Then on May 28, 2007 the General Meeting of Shareholders adopted a resolution on annulling the preferred status of D series shares by amending relevant provisions of the Company's Statutes. 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 Statutes, including the annulment of the preferred status of D series shares.

On May 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 equity and the issuance of subscription bearer warrants were carried out on the basis of a resolution adopted by the Extraordinary General Meeting of Shareholders held on 7 March 2007. On April 23, 2007, 2,500,000 E series shares were issued and acquired by Prokom Investments S.A. as a result of a conditional increase of equity and exercising the rights resulting from the A series subscription warrants. Afterwards 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. in relation to amended and uniformed contract imposing the obligation to issue and subscribe the shares of 30 March 2007. 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 PLN 27,500,100.

In the first half of 2012 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, 2012 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

P.R.I. "POL-AQUA" S.A. has been listed on the Warsaw Stock Exchange since July 30, 2007.

The subject of the Public Offer 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.

The Management Board of the Warsaw Stock Exchange S.A., pursuant to the resolution no. 548/2007 dated July 27, 2007, decided to introduce into trading on the prime market all A, B, C, D and E series shares of the Company, as well as the subscription rights to F series shares, commencing on July 30, 2007.

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 2012 and 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 222,645,000).

Funds gained from the issue of shares the Company designated for the purposes related to the financing of undertaken investment and capital projects linked to the implementation of development strategy aimed at keeping the position of a leader in the construction industry. P.R.I. „POL-AQUA” S.A. earmarked PLN 177,577,000 of funds for financing of the undertaken projects. Remaining funds earned in result of shares issue were allocated to financing of current operations of the Company and the POL-AQUA Capital Group.

In the period covered with the statements the Group did not issue any securities.

5. Specification of total number and nominal value of all stocks (shares) of P.R.I. „POL-AQUA” S.A. 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 P.R.I. „POL-AQUA” S.A. held by members of the Issuer’s Management and Supervisory Board of the parent company of the POL-AQUA Capital Group, as at 31.12.2011 and the publication date of these financial statements, are presented in the table below:

Table No. 2: Owners of shares as at 31.12.2012, who manage and supervise the parent company of the POL-AQUA Capital Group.

Name	Position	Number of shares	Nominal value [in PLN]
Management staff			
Piotr Stanisław Chełkowski	President of the Management Board	-	-
Gregor Siegmund Sobisch	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	-	-
Supervisory staff			
Gustavo Tunell Ayuso	Chairman of the Supervisory Board	indirectly through relations with DRAGADOS S.A., shareholder of the Company ¹	indirectly through relations with DRAGADOS S.A., shareholder of the Company ¹
Eduardo Martínez Martínez	Vice-Chairman of the Supervisory Board	indirectly through relations with DRAGADOS S.A., shareholder of the Company ¹	indirectly through relations with DRAGADOS S.A., shareholder of the Company ¹
Alberto Laverón Simavilla	Member of the Supervisory Board	indirectly through relations with DRAGADOS S.A., shareholder of the Company ¹	indirectly through relations with DRAGADOS S.A., shareholder of the Company ¹
Ricardo Eduardo Cuesta Castiñeyra	Member of the Supervisory Board	indirectly through relations with DRAGADOS S.A., shareholder of the Company ¹	indirectly through relations with DRAGADOS S.A., shareholder of the Company ¹
Krzysztof Gerula	Member of the Supervisory Board	-	-

^{1.} DRAGADOS S.A. owns 18,150,066 shares of P.R.I. “POL-AQUA” S.A., which constitutes 66% of total number of votes on the Company’s General Meeting. Therefore DRAGADOS S.A., a Spanish company with registered office in Madrid, pursuant to art. 4 par. 1 item 4 letter A of the Commercial Companies Code has become the Parent Company for 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.

The total number and nominal value of all the shares in P.R.I. „POL-AQUA” S.A. held by members of the Company’s Management and Supervisory Board of the parent company of the POL-AQUA Capital Group, as at the day of publication of the present report, are presented in the table below:

Table No. 3: Owners of shares as at the date of publication of the statements who manage and supervise P.R.I. „POL-AQUA” S.A.

Name	Position	Number of shares	Nominal value [in PLN]
Management staff			
Gregor Siegmund Sobisch	President of the Management Board	-	-
Marek Sobiecki	Second Vice-President of the Management Board	-	-
Mario Serrano Villate	Member of the Management Board	-	-
Servando Sierra Martí	Member of the Management Board	-	-
Supervisory staff			
Gustavo Tunell Ayuso	Chairman of the Supervisory Board	indirectly through relations with DRAGADOS S.A., shareholder of the Company ¹	indirectly through relations with DRAGADOS S.A., shareholder of the Company ¹
Eduardo Martínez Martínez	Vice-Chairman of the Supervisory Board	indirectly through relations with DRAGADOS S.A., shareholder of the Company ¹	indirectly through relations with DRAGADOS S.A., shareholder of the Company ¹
Alberto Laverón Simavilla	Member of the Supervisory Board	indirectly through relation with DRAGADOS S.A., a shareholder of Company 1	indirectly through relation with DRAGADOS S.A., a shareholder of Company 1
Ricardo Eduardo Cuesta Castiñeira	Member of the Supervisory Board	indirectly through relations with DRAGADOS S.A., shareholder of the Company ¹	indirectly through relations with DRAGADOS S.A., shareholder of the Company ¹
Krzysztof Gerula	Member of the Supervisory Board	-	-

¹ DRAGADOS S.A. owns 18,150,066 shares of P.R.I. “POL-AQUA” S.A., which constitutes 66% of total number of votes on the Company’s General Meeting. Therefore DRAGADOS S.A., a Spanish company with registered office in Madrid, pursuant to art. 4 par. 1 item 4 letter A of the Commercial Companies Code has become the Parent Company for 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 Company’s operations as at 31.12.2012 and as at the day on which the statements were published did not hold shares in any related entities.

6. Information on agreements known to the Parent Company (including the 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 2012, the Parent Company has issued no bonds.

7. Information regarding purchase of equity, in particular on the objective of purchase, number and nominal value thereof with indication of part of the share capital they represent, purchase price and selling price of these shares in the case of disposal thereof

In 2012 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 31.12.2012 and as at the day of publication of these statements, the Group did not have any employee share programmes.

9. Changes in the basic management principles of the POL-AQUA Capital Group

In 2012, a number of organisational and managerial changes were introduced in the POL-AQUA Capital Group. The changes that were introduced were aimed at increasing the efficiency of operations and the competitiveness of the Company 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 P.R.I. „POL-AQUA” S.A. and the management staff, 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 Company 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-subsiary 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 2012 and 2011 are presented in the tables below.

Table No. 4: Remuneration of P.R.I. “POL-AQUA” S.A. Management Board members in 2012

(PLN 000s)

Name, function occupied	For the year ended on December 31, 2012
Piotr Stanisław Chelkowski - President of the Management Board	810
Gregor Siegmund Sobisch - First Vice-President of the Management Board,	515
Eduardo Martínez Martínez - First Vice-President of the Management Board (as of 30.06.2012)	700
Marek Sobiecki - Second Vice-President of the Management Board	600
Robert Stefan Molo - Member of the Management Board	445
Mario Serrano Villate - Member of the Management Board	1 049
Servando Sierra Martí - Member of the Management Board	1 085
Total gross remuneration	5 204

Table No. 5: Remuneration of P.R.I. „POL-AQUA” S.A. Supervisory Board members in 2012

(PLN 000s)

Name, function occupied	For the year ended on December 31, 2012
Gustavo Tunell Ayuso - Chairman of the Supervisory Board,	-
Eduardo Martínez Martínez Vice - Vice Chairman of the Supervisory Board,	-
Alfonso Costa Caudrench- Chairman of the Supervisory Board (as of 06.07.2012)	-
José Puente García - Vice Chairman of the Supervisory Board (as of 14.03.2012)	-
Alberto Laverón Simavilla - Member of the Supervisory Board	-
Ricardo Eduardo Cuesta Castiñeyra - Member of the Supervisory Board,	-
Janusz Steinhoff - Member of the Supervisory Board (as of 12.07.2012)	68
Krzysztof Gerula - Member of the Supervisory Board	90
Total gross remuneration	158

Table No. 6: Remuneration of P.R.I. „POL-AQUA” S.A. Management Board members in 2011

(PLN 000s)

Name, function occupied	For the year ended on December 31, 2011
Piotr Stanisław Chelkowski - President of the Management Board	810
Eduardo Martínez Martínez - First Vice-President of the Management Board	1 400
Marek Sobiecki - Second Vice-President of the Management Board	600
Robert Stefan Molo - Member of the Management Board	445
Mario Serrano Villate - Member of the Management Board	-
Servando Sierra Martí - Member of the Management Board	-
Total gross remuneration	3 255

Table No. 7: Remuneration of P.R.I. „POL-AQUA” S.A. Supervisory Board members in 2011

(PLN 000s)

Name, function occupied	For the year ended on December 31, 2011
Alfonso Costa Caudrench- Chairman of the Supervisory Board	-
José Puente García - Vice-Chair of the Supervisory Board	-
Alberto Laverón Simavilla - Member of the Supervisory Board	-
Janusz Steinhoff - Member of the Supervisory Board	76
Krzysztof Gerula - Member of the Supervisory Board	8
Józef Okolski – Chairman of the Supervisory Board	81
Ignacio Segura Suriñach – Vice-Chairman of the Supervisory Board	-
Ricardo Cuesta Castiñeyra – Secretary of the Supervisory Board	-
Krzysztof Rafał Gadkowski – Member of the Supervisory Board	68
Total gross remuneration	233

In 2012 and 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

✓ Agreement for the construction of section No. 5 of the S8 expressway

On 5 January 2012, a significant contract was 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 contract is: "The construction of S-8 express road section Walichnowy interchange – Wrocław (A1), section 5 (Sieradz Południe interchange, no interchange - Łask interchange, no interchange) from km 140+552.05 to km 174+200.00" The value of the contract amounts to: PLN 1,129,111,686.73 net (PLN 1,388,807,374.68 gross). The share of P.R.I. „POL-AQUA” S.A. in the consortium amounts to 51%.

Realization of the undertaking will consist in a comprehensive implementation of the project, including: road, bridge, cubature and engineering works, including engineering and cubature objects, storm water drainages, sanitary sewerages, environmental protection equipment, road safety equipment, lighting, reconstruction of existing technical infrastructure.

The commencement of works and the allocation of access rights to the construction site shall take place no later than 14 days following the conclusion of the agreement.

The deadline for performing the subject of the contract was settled to be 27 months from the date of concluding the contract, including also 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 gives quality guarantee for:

- a) 60 months (construction works) calculating from the date specified in the Certificate of Acceptance;
- b) Contractor Documents – a 36-month guarantee as of final acceptance of Contractor's Documents.

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

Payments shall be made within 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 contract 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 contract 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 Contracting 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 or failure 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 5,000 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 interests, which could not have been foreseen at the time of conclusion of the agreement (art. 145 of the act '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 contract has been classified as a major contract 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 contract exceeds 10% of the value of the revenue on sales of the POL-AQUA Capital Group.

For detailed information, see Current Report No. 1/2012 of 5 January 2012.

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

On February 16, 2012, the Company received the annex No. 9 to the contract for "Construction of the Northern Bridge Route in Warsaw, task 1, stage from node with ul. Pułkowa to node with ul. Modlińska" in Warsaw, concluded by and between 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 said annex extends the deadline for:

- performance of works to June 30, 2012;
- preparation of the required documents necessary to file the application for the permit for use and their submission to the Ordering Party - was set as July 31, 2012.

Other substantial provisions of the contract remained unchanged.

The information specified above was published in the current report No. 4/2012 of February 16, 2012.

✓ **Selection of the most advantageous offer for the design and execution of construction works for LCS Łuków - station in Siedlce, Łuków and Międzyrzec Podlaski, for PKP Polskie Linie Kolejowe S.A.**

On March 2, 2012, the Company received a letter from PKP Polskie Linie Kolejowe S.A. in Warsaw.

It was notified that in the open tender proceedings for "Design and execution of construction works for LCS Łuków - station in Siedlce, Łuków and Międzyrzec Podlaski (full extent of the works), as well as sections of slugs (only signaling systems and telecommunications) under the OPIE 7.1 – 9.1 project "Modernization of E 20/CE 20 railway line on the section: Siedlce - Terespol, stage No. 2", the most advantageous offer was considered the offer of a consortium consisting of:

- Przedsiębiorstwo Robót Inżynieryjnych "POL-AQUA" Spółka Akcyjna, Warsaw - Leader,
- DRAGADOS S.A., Madrid - Partner,
- Vias y Construcciones S.A., Madrid - Partner,
- Electren S.A., Madrid - Partner.

The value of the contract amounts to PLN 427,390,878.05 net (PLN 525,690,780 gross). The share of P.R.I. „POL-AQUA” S.A. in the consortium amounts to 38% (DRAGADOS S.A. 37%, Vias y Construcciones S.A. 20%, Electren 5%).

Entities taking part in the said tender are entitled to appeal against the selection of the most favorable offer to the National Board of Appeal within 10 days as of the selection date.

The contract is to be signed on completion of procedures provided for in the Public Procurement Law of January 29, 2004.

For detailed information, see Current Report No. 5/2012 of March 2, 2012.

✓ **Conclusion of another contract with MPWiK - exceeded threshold of a significant agreement**

On 28 March 2012, the company received the agreement of 23 March 2012, signed by both parties, concluded by the Company and Miejskie Przedsiębiorstwo Wodociągów i Kanalizacji w m.st. Warszawa S.A. /Municipal Water and Sewage Service in the capital city of Warsaw, a joint-stock company/ (hereinafter referred to as "the Ordering Party") on additional works for the investment implementation "Construction of the "W" collector" under the name "Water supply and wastewater treatment in Warsaw - STAGE No. 4". The contract in question, for the amount of PLN 9,978,034.08 net, concerns additional works associated with the construction of intercepting sewers along the "W" Collector, together with branch collectors in the side streets and parts of the network to the borders of the properties located along:

- a. ul. Kadetów, section from ul. Nowozabielskiej to ul. Trakt Lubelski and along ul. ul. Trakt Lubelski, section from Kadetów to ul. Bronowska Dz 0.315 m L=1076.5 m; Dz 0.2 m L=221.5 m; Dz 0.16 m L=728.5 m;
- b. ul. Trakt Lubelski, section from ul. Bronowska to ul. Zwoleńska and along ul. Zwoleńska, section from ul. Trakt Lubelski to ul. Rogatkowa Ø 0,4 m L=59,9 m; Dz 0,315 m L=1359,7 m; Dz 0,2 m L=306,10 m; Dz 0,16 m L=843,7 m.

At the same time, the Management Board of the Company Przedsiębiorstwo Robót Inżynieryjnych "POL-AQUA" S.A. informs that it estimates the value of contracts, which were not the subject of current reports, concluded in the last 12 months with DRAGADOS Group., to be more than PLN 81 million net. The contracts have been recognized to be significant due to the criterion of the value of sales revenues of the Issuer's capital group for the period encompassing four financial quarters. Total contracts value exceeds 10% of the sales revenues of the POL-AQUA capital group. The totality of contracts for a significant amount consists of the following additional contracts:

- contract of 1 July 5, 2011 on the execution of works remaining to be implemented: "Construction of sewage transmission unit from left-bank Warsaw to the Czajka sewage treatment plant – Stage II – construction of the left-bank collectors along with cubature facilities and the network crossing with the North Bridge Route in the area of the

Marymoncka node with cascade and connecting chamber in the area of ul. Farysa in the amount of PLN 12,520,000 net.

- contract of 8 July 2011 on "Construction of the "W" collector", under the name "Water supply and wastewater treatment in Warsaw - STAGE No. 4" for the amount of PLN 58,741,000 net, which is also the contract with the highest value among those listed in this report.

Detailed information on the contractual provisions of the investment "Construction of the "W" collector":

Deadline for completion of the works was established on December 31, 2012, according to the subject of the contract "Construction of the "W" collector".

The Company shall grant to the Ordering Party:

- 3 year guarantee, starting from the issuance of the Performance Certificate, in particular on the executed construction works and delivered machinery, equipment and goods,
- 3 year warranty, starting from the issuance of the Performance Certificate, on construction works, as well as delivered machinery, equipment and goods related to these works.

The Company shall pay the Ordering Party contractual penalties:

- for exceeding the deadline for the completion of works - 0.2% of the Approved Contractual Amount (excluding VAT), as defined in the Contract Document, for each day of delay, to be paid in PLN;
- for exceeding the time given for removal of faults and defects discovered during the warranty and guarantee period - 0.2% of the Approved Contractual Amount (excluding VAT), as defined in the Contract Document, for each day of delay, to be paid in PLN.

Total contractual penalties payable to the Contracting Authority shall not exceed amount equivalent to 10% of the Approved Contractual Amount.

The Parties have specified in the Contract that whenever a contractual penalty fails to cover the amount of the loss incurred, the Contracting Authority may demand from the Company a compensation in line with general principles specified in the Polish Civil Code.

If the contractual penalties reach a maximum 10% limit, the Ordering Party may demand continued execution of the Contract or declare that he recognizes that the execution the Contract will not be continued.

In case that the Contractor does not proceed to remove defects within the period specified in the Contract or does not remove the defects within the period, the Ordering Party shall be entitled to entrust the removal of defects to another entity, at the expense and risk of the Company.

The works that constitute the object of this Contract shall be performed in accordance with Contractual Terms and Conditions for construction that apply to the engineering-construction works planned by the Ordering Party, first English edition 1999, prepared and published by FIDIC, second English-Polish edition 2004.

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

The information specified above was published in the Current Report no. 9/2012 of February 23, 2011. March 29, 2012

✓ **Signature of annexes to the agreements with the Bank - Societe Generale S.A.**

On July 18, 2012, Annex No. 1 to the Agreement on granting Bank Guarantees No. 2011/008 was signed with the Bank - Societe Generale S.A. ("the Bank") with its registered office in Warsaw, determining the maximum limit of PLN 100,000,000.

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

- customs guarantees,
- performance bonds, including performance bonds which guarantee the performance of the contract within the period of warranty and surety,

- tender guarantees,
- advance repayment guarantees,
- payment guarantees,
- retention bonds.

Within the credit limit, the Bank shall grant bank guarantees for a total amount which may not exceed PLN 100,000,000 (the limit applicable between 36 and 60 months is PLN 40,000,000).

The limit referred to above has been granted for a period from the date of execution of the agreement to June 28, 2013.

The credit limit amount exceeds 10% of the value of revenue on sales of the POL-AQUA Capital Group.

Moreover, on the basis of an Annex No. 1 to the Agreement No. 2011/055 on short-term renewable credit with the Bank - Societe Generale S.A. with its registered office in Warsaw, the Bank has extended the term of the credit of PLN 25,000,000 granted to the Company to June 28, 2013.

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. 24/2012 of July 18, 2012.

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

On August 23, 2012 was received, Annex No. 9 of August 22 to the Agreement on granting a loan in the form of a multi-purpose credit line signed of July 3, 2006 with the Bank Polska Kasa Opieki S.A.

As a part of the multi-purpose credit line, the credit limit 1 and the credit limit 2 to the total amount of PLN 133,913,170.05 were granted to the Company, valid until January 31, 2013.

As a part of the credit limit 1 intended for financing the current activity of the Company, the Company can use the credit in the form of the multi-purpose credit line on a current account in the period to August 30, 2012 up to the amount of PLN 100,000,000 and, in subsequent months up to PLN 80,000,000, PLN 64,000,000, PLN 48,000,000, 32,000,000 PLN respectively as well as in the period to January 31, 2013 - up to the amount of PLN 16,000,000.

As a part of the credit limit 2, the Company uses bank guarantees issued by the Bank up to the amount of PLN 33,913,170.05 as at 26 July, 2012. Credit limit 2, however, is non-renewable, i.e. each extinction of the Bank's claims arising from the guarantee granted as a part of the credit in favour of the Company results in a corresponding reduction of the amount of the credit limit 2. At the same time, as of the effective date of the Annex No. 9, the Bank will not issue new bank guarantees and annexes to existing guarantees.

The credit limit is secured by: (i) corporate surety; (ii) assignment of receivables from contracts; and (iii) mortgage on real estates.

The amount of fees and commissions on account of credit limit granted to the Company has been established on an arm's length basis.

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

The credit limit amount exceeds 10% of the value of revenue on sales of the POL-AQUA Capital Group.

The information specified above was published in the current report No. 28/2012 of August 30, 2012.

✓ **Selection of the most advantageous offer for the design and execution of construction works for LCS Łuków - station in Siedlce, Łuków and Międzyrzec Podlaski, for PKP Polskie Linie Kolejowe S.A.**

On August 30, 2012, a significant contract was concluded between the consortium formed by P.R.I. „POL-AQUA” S.A. (Leader) and DRAGADOS S.A. (partner), Vias y Construcciones S.A. (partner), Electren S.A. (partner) and PKP Polskie Linie Kolejowe S.A. in Warsaw.

The subject of the contract is: “Design and execution of construction works for LCS Łuków - station in Siedlce, Łuków and Międzyrzec Podlaski (full extent of the works), as well as sections of slags (only signalling systems and telecommunications) under the OPIE 7.1 – 9.1 project “Modernization of E 20/CE 20 railway line on the section: Siedlce - Terespol, stage No. 2.”

The value of the contract amounts to PLN 427,390,878.05 net (PLN 525,690,780 gross). The share of P.R.I. „POL-AQUA” S.A. in the consortium amounts to 31% (DRAGADOS S.A. 20%, Vias y Construcciones S.A 42%, Electren 7%).

The deadline for the performance the object of the contract, i.e. the design and execution of construction works is 35 months from the Commencement Date.

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

The contract has been classified as a significant agreement based on the criterion of the amount of revenue on sales of the POL-AQUA Capital Group for the period of the last four financial quarters.

For detailed information, see current report No. 29/2012 of August 30, 2012.

✓ **Conclusion of another contract with DRAGADOS S.A. - exceeded threshold of a significant agreement**

On October 16, 2012, an agreement was concluded between the Company and DRAGADOS S.A. (direct holder of 66% of shares in the share capital of POL-AQUA, which constitute 66% share in votes at the General Meeting) on a loan granted to the Company in the amount of more than PLN 51,286,469.10

At the same time, the Management Board of the Company Przedsiębiorstwo Robót Inżynieryjnych "POL-AQUA" S.A. informs that it estimates the value of contracts, which were not the subject of current reports, concluded in the last 12 months with DRAGADOS Group., to be more than PLN 120 million net.

The total of agreements up to the material amount include subcontracting agreements and equipment lease contracts as part of road infrastructure development, consulting agreement and loan agreements for PLN 20 m, PLN 30 m and PLN 51 m concluded, correspondingly, on: August 2, 2012, 25 September 2012, October 16, 2012.

The biggest loan agreement is the agreement of October 16, 2012, totalling PLN 51,286,469.10 The amount of the loan was earmarked for an early repayment of credit limit awarded by Bank Polska Kasa Opieki S.A. on October 16, 2012, whereof the Company informed in the current report no. 28/2012 of August 23, 2012.

The loan agreement was concluded to 15 October 2013 with a possibility of extension to further yearly periods.

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

The information specified above was published in the current report No. 31/2012 of 17 October 2012.

✓ **Public opening of offers for designing and development of construction works at the section Koluszki - Częstochowa**

On October 25, 2012, at the registered office of PKP Polskie Linie Kolejowe S.A. a public opening offers for implementation of the investment “Designing and development of construction

works as part of the Project of improvement of the quality of transport services by way of improvement of railway No. 1 technical condition at the section Koluszki - Częstochowa”.

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), Vias y Construcciones S.A. (consortium partner), i Electren S.A. (consortium partner) and amounted to PLN 483,300,000 net. The share of P.R.I. „POL-AQUA” S.A. in the consortium amounts to approx. 25-30%.

The investment completion term indicated in the course of the tender proceedings is 24 months.

For detailed information, see current report no. 32/2012 of October 25, 2012.

✓ **Conclusion of a material agreement with STRUKTURY Sp. z o.o. - aggregation of contracts**

Przedsiębiorstwo Robót Inżynieryjnych „POL-AQUA” S.A. with the registered office in Warsaw (hereinafter “the Company”) signed, as the consortium leader as part of the Consortium “POL-AQUA - DRAGADOS: S8, sec. 5 and sec. 6 and 7” (hereinafter “the Contractor”) with STRUKTURY Sp. z o.o. (hereinafter “the Subcontractor”) agreements on subcontracting in relation to development of: sections 5 and 6 and 7 of the S8 expressway. The Company informed thereon in current reports: no. 1/2012 of March 5, 2012 and no. 39/2011 of October 5, 2011.

The Management Board of Przedsiębiorstwo Robót Inżynieryjnych „POL-AQUA” S.A. estimates the value of contracts, which were not the subject of current reports, concluded in the last 12 months with STRUKTURY Sp. z o.o., to be more than PLN 250 million net. The contracts concern subcontracting in the scope of reinforcement works and ferro-concrete works on bridge facilities.

Agreement no. S8/5/405/149/2012 that amounts to PLN 110,376,379 net for ferro-concrete works at the section no. 5 of the S8 expressway Walichnowy - Wrocław hub (A1), was deemed the largest and at the same time the most significant one.

The subcontractor is liable to the Contractor under a warranty, should the works contain defects decreasing their value or usability. The warranty period is 12 months as of the date indicated in the Certificate of Acceptance and may not lapse before the end of liability of the Contractor to the Ordering Party under the warranty and guarantee in relation to the subject of works.

The Subcontractor shall pay contractual penalties:

- for default in meeting Key Deadlines or the Completion Date for works - PLN 5,000 for each commenced day of delay;
- for abandoning the Agreement by the Ordering Party due to reasons for which the subcontractor is responsible - 10% of the gross agreement value.
- for default in notifying any further subcontractors to the Contractor before the commencement of work by such an entity and for employing a further subcontractor despite the fact that the Contractor did not grant consent to employ any of further subcontractors - PLN 30,000 for each case;
- for failure to comply with the period allocated for the removal of defects specified in the Certificate of Acceptance issued by the Contractor or on its behalf, provided that they are related with Works entrusted to the subcontractor, or for failure to comply with the period allocated for the removal of defects or failure to perform small-scale outstanding works within the period of warranty for defects according to the deadlines specified by the Contractor - PLN 5,000 for each day of delay.

The Contractor is entitled to claim damages in excess of amounts of calculated contractual penalties up to the full value of the loss incurred under general provisions of civil law.

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

The information specified above was published in the current report No. 33/2012 of December 12, 2012.

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

✓ **PLACIDUS INVESTMENTS Sp. z o.o. - discontinuation of bankruptcy proceedings**

On August 30, 2012 the Parent Company received the ruling concerning the discontinuation of bankruptcy proceedings with regard to PLACIDUS INVESTMENTS Sp. z o.o. The ruling was issued on May 24, 2012 by the District Court for the capital city of Warsaw in Warsaw, 10th Business Department for bankruptcy and reorganization proceedings.

The reason for the ruling is the decision of the Court who agreed with the conclusion of the receiver that the assets remaining after exclusion of the assets being the subject of mortgage, pledge, registered pledge, tax lien or maritime mortgage are not sufficient to cover the costs of the proceedings (art. 361 item 1 of the act 'The bankruptcy and reorganization law').

On June 14, 2012, the ruling became final.

The information specified above was published in the current report No. 30/2012 of August 30, 2012. August 30, 2012

12.3. Other events

✓ **Registration of amendments to the Articles of Association - change of registered office of the Company**

On January 31, 2012 the District Court for the capital city of Warsaw in Warsaw, 14th Business Department of the National Court Register issued a ruling on registration of amendments to the Articles of Association by the passed Resolution No. 3 of the Extraordinary General Meeting of November 29, 2011 on amendments to the Articles of Association (changing the registered office of the Company).

As a result, the Company's new registered office is located in Warsaw, and the Company's address is as follows: ul. Adama Branickiego 15, 02-972 Warsaw.

For detailed information, see current report No. 3/2012 of February 8, 2012.

✓ **Resignation of the Vice-Chairman of the Supervisory Board of P.R.I. "POL-AQUA" S.A.**

On March 14, 2012, the Company received a letter in which Mr Jose Puente Garcia tendered his resignation from the position of a Member of the Supervisory Board - the Vice-Chairman of the Supervisory Board of Przedsiębiorstwo Robót Inżynieryjnych „POL-AQUA” Spółka Akcyjna.

The information specified above was published in the current report No. 6/2012 of March 14, 2012.

✓ **Extraordinary General Meeting of P.R.I. "POL-AQUA" S.A. - appointment of a Member of the Supervisory Board**

On April 12 2012, an Extraordinary General Meeting of P.R.I. „POL-AQUA” S.A. was held, during which a resolution was passed on appointing Mr Gustavo Tunell Ayuso to the Supervisory Board of the Company as a Member of the Supervisory Board - the Vice-Chairman of the Supervisory Board of the Company in connection with the resignation tendered by Mr José Puente García from the position of a Member of the Supervisory Board - the Vice-Chairman of the Supervisory Board of the Company.

Detailed information on the newly appointed members of the Supervisory Board and on resolutions passed at the Extraordinary General Meeting are included in the current report No. 11/2012 of April 12 2012 and 12/2012 of 13 April 2012 respectively.

✓ **Selection of the entity authorized to audit the financial statements**

On May 23, 2012, the Supervisory Board passed a resolution appointing Ernst & Young Audit Sp. z o.o. auditors to audit the financial statements of the Company for the year ended December 31, 2012 and the consolidated financial statements of the Group - for which the Parent Entity is Przedsiębiorstwo Robót Inżynieryjnych „POL-AQUA” S.A. - for the year ended December 31, 2012, as well as to review the summarized financial statements of the Company for the period

ended June 30, 2012 as to review the summarized consolidated financial statements of the Capital Group for the period ended June 30, 2012.

For detailed information, see the current report No. 16/2012 of May 23, 2012.

✓ **ORDINARY GENERAL MEETING OF P.R.I. "POL-AQUA" S.A.**

On May 23, 2012, an Ordinary General Meeting of P.R.I. "POL-AQUA" S.A. was held. "POL-AQUA" S.A.

Detailed information on resolutions passed at the Ordinary General Meeting of Shareholders are included in the current report No. 17/2012 of May 24, 2012.

✓ **Resignation of the First Vice-President of the Management Board of P.R.I. "POL-AQUA" S.A.**

On June 19, 2012, the Company received a letter in which Mr Eduardo Martínez Martínez tendered his resignation from the position of the General Director, Member of the Management Board and First Vice-President of the Management Board of Przedsiębiorstwo Robót Inżynieryjnych „POL-AQUA” Spółka Akcyjna as of June 30, 2012 because of other obligations as part of the ACS Group.

The information specified above was published in the current report No. 19/2012 of June 19, 2012.

✓ **Appointment of the First Vice-President of the Management Board of P.R.I. "POL-AQUA" S.A.**

On July 5, 2012, the Supervisory Board of the Company appointed Mr Gregor Siegmund Sobisch to the Management Board of the Company as a Member of the Management Board and the First Vice-President of the Management Board.

For detailed information, see current report No. 20/2012 of July 5, 2012.

✓ **Resignation of the Chairman of the Supervisory Board of P.R.I. "POL-AQUA" S.A.**

On July 6, 2012, the Company received a letter in which Mr Alfonso Costa Cuadrench tendered his resignation from the position of a Member of the Supervisory Board - Chairman of the Supervisory Board of Przedsiębiorstwo Robót Inżynieryjnych „POL-AQUA” Spółka Akcyjna as of July 20, 2012.

The information specified above was published in the current report No. 21/2012 of July 6, 2012.

✓ **Resignation of a Supervisory Board Member "POL-AQUA" S.A.**

On July 12, 2012, the Company received a letter in which Mr Janusz Steinhoff tendered his resignation from the position of a Member of the Supervisory Board of Przedsiębiorstwo Robót Inżynieryjnych „POL-AQUA” Spółka Akcyjna as of July 12, 2012.

The information specified above was published in the current report No. 23/2012 of August 30, 2012.

✓ **Extraordinary General Meeting of P.R.I. "POL-AQUA" S.A.**

On August 2, 2012, the Extraordinary General Meeting passed a resolution on changes to the composition of the Management Board of the Company:

- Mr Gustavo Tunell Ayuso was appointed as the Chairman of the Supervisory Board;
- Mr Eduardo Martínez Martínez was appointed to the Supervisory Board as the Vice-Chairman of the Supervisory Board;
- Mr Ricardo Eduardo Cuesta Castiñeyra was appointed to the Supervisory Board as a Member of the Supervisory Board.

Detailed information on the newly appointed members of the Supervisory Board and on resolutions passed at the Extraordinary General Meeting is included in the current report No. 25/2012 of August 2, 2012 and 26/2012 of August 2, 2012.

13. Information on organisational and capital relations with other entities and specification of total number of shares in the associates

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

Table No. 8: *Organisational and capital relations between P.R.I. „POL-AQUA” S.A. 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, 2012).*

Company	Registered office	% of share capital held	Value of shares at purchase price	Balance sheet value of shares	Number of shares held by the Company
PA CONEX Sp. z o.o.	09-500 Gostynin ul. Ziejkowa 2a	100.00	19 400 000.00	-	38 800
PA Wyroby Betonowe Sp. z o.o.	82-300 Elbląg ul. Płk. Dąbka 215	100.00	5 500 000.00	5 500 000.00	55
Mostostal Pomorze S.A.	80-557 Gdańsk ul. Marynarki Polskiej 59	92.50*	55 996 861.70	55 996 861.70	527 224
TECO Sp. z o.o.	51-502 Wrocław ul. Mydlana 1	100.00	18 809 870.00	4 805 617.62	2 494
Weneda Sp. z o.o.	45-355 Opole ul. 1-go Maja 77/1	100.00	3 300 000.00	3 300 000.00	34 400
POL-AQUA WOSTOK Sp. z o.o.	115184 Moscow ul. Nowokuznieckaja 9, building 2	51.00	5 100.00 rubles (PLN 533.46)	5 100.00 rubles (PLN 533.46)	51
- Sarnia Dolina, Limited liability company	00-640 Warszawa ul. Mokotowska 1	44.00	3 294 230.88	-	44

* in connection with the agreement on the purchase of shares owned by non-controlling shareholders who 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% and the Group does not recognize shares attributable to non-controlling shareholders.

Przedsiębiorstwo Robót Inżynieryjnych „POL-AQUA” Spółka Akcyjna holds shares in a subsidiary, PLACIDUS INVESTMENTS Sp. z o.o., in liquidation, in Warsaw. Since the beginning of 2011, the Parent Company has not been controlling in financial and operating terms the above mentioned company (detailed description of the company's situation is contained in item 13.2 of these statements).

As at December 31, 2012, the share in the total number of votes held by the Parent Company in subsidiaries is equal to the share of the Company in share capitals of such entities.

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 regulating the sale of shares of the company Mostostal Pomorze SA. 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, 20.01% of shares were purchased from non-controlling shareholders and the put option agreement regarding these shares was concluded as a result of this agreement. 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. Thus, the calculation of the amount of liability due to the purchase of these shares was performed after taking into account the discount, and the decrease of the liability by the amount of PLN 4,330 thousand was recognised in correspondence with reserve capital in the consolidated financial statements for 2010.

Performing the above agreement, on January 13, 2011, an agreement was concluded between P.R.I. "POL-AQUA" S.A. and non-controlling shareholder on transfer of shares of Mostostal Pomorze S.A., under which the Parent Company purchased 56,980 shares for PLN 6,000,000. Then, on January 13, 2012, the Parent Company concluded a share transfer agreement and purchased 14,245 (fourteen thousand two hundred and forty-five) shares for PLN 1,500,000.

13.2. Changes in the POL-AQUA Capital Group within the period between January 1, 2012 and December 31, 2012

PLACIDUS INVESTMENTS Sp. z o.o.

As of January 4, 2011, in connection with the decision adopted by the District Court for the Capital City of Warsaw, 10th Commercial Division for bankruptcy and reorganization in respect of 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 POL-AQUA Capital Group has lost control over the subsidiary's estate and its operating activity. 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. The above proceedings were changed on proceedings aimed at the liquidation of the assets by means of a decision of September 8, 2011 (published in Monitor Sądowy i Gospodarczy /Journal of the Ministry of Justice/ of September 22, 2011), and afterwards discontinued on the basis of the decision of May 24, 2012 issued by the District Court for the Capital City of Warsaw in Warsaw, 10th Commercial Division for bankruptcy and reorganization proceedings, case file No. X GUp 1/11, published in Monitor Sądowy i Gospodarczy /Journal of the Ministry of Justice/ of June 6, 2012 No. 109, item 7735.

On September 8, 2012, in accordance with the ruling issued at a secret session, the District Court for the Capital City of Warsaw, 10th Business Department for bankruptcy and reparatory proceedings, case file No. X GUp 447/12 announced bankruptcy with liquidation of the estate of PLACIDUS INVESTMENTS Sp. z o.o., a limited liability company with the registered office in Warsaw.

Taking the above into account, the Parent Company does not hold the financial and operational control of the company PLACIDUS INVESTMENTS Sp. z o.o. in bankruptcy liquidation.

14. Information on significant transactions concluded by the Parent Company 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 transaction resulting from current operating activity of the P.R.I. „POL-AQUA” S.A. 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 guarantees of entities of the POL-AQUA Capital Group that are parties to the agreements are one of the collaterals.

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

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

Activities of the POL-AQUA Capital Group are based on activities of a highly specialised entities, with operating profiles that include highly complementary types of services. Undertaking of co-operation by the entities within the Capital Group is aimed at improving the utilization of resources available to entities participating in the transaction and reducing the risk associated with the activity.

Allocation of risk and division of enterprise functions allow to reduce operating costs and make effective use of financial resources. Suretyships 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 court, body competent for arbitration proceedings or body of public administration, taking into account information regarding:

- a) proceedings relating to liabilities or receivables of the Issuer or its subsidiary of at least 10% of the equities of the Capital Group, stating: the subject of the proceedings, value of dispute subject matter, date of the proceedings commencement, parties to the proceedings and position of the POL-AQUA Capital Group,**
- b) two or more proceedings relating to liabilities or receivables totalling at least 10% of the equities of the POL-AQUA Capital Group, stating the total value of proceedings individually in the group of liabilities and receivables with the POL-AQUA Capital Group position on the case, and regarding the largest proceedings in the group of liabilities and receivables – stating the dispute subject matter, dispute subject matter value, date of the proceedings and parties to the proceedings.**

The aggregate value of proceedings concerning the liabilities and receivables as at December 31, 2012 which are pending before courts, competent arbitration bodies or public authorities amounts to: PLN 79,275,000 - receivables, PLN 195,451,000 - liabilities.

Proceedings of 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

Procedure commencement date	Defendant	Value of dispute subject matter in kPLN	Dispute subject matter	Description
22.10.2010.	"FED Poland" Sp. z o.o.	28 517	Receivables from guarantee deposits and interests	In the course of court proceedings the Court awarded payment by the Defendant of the deposit in the amount of PLN 25,000,000 with interests. The court decision is not binding.
28.01.2011.	KBP 5 Sp. z o.o.	9 195	Remuneration for performed works with interest	In court proceedings, the Parent Company filed a claim for payment of remuneration for the performed additional construction works. In both proceedings, at the request of the Parent Company, the Court issued a decision on securing the Parent Company's claims by means of establishment of a mortgage on real estate.
28.01.2011.	KBP 6 Sp. z o.o.	7 497		
20.06.2012.	Restaura Górskiego	7 540	Suit for payment together with a petition for securing the claims	In court proceedings, the Parent Company filed a claim for payment of remuneration for the performed additional construction works. In the proceeding, at the request of the Parent Company, the Court issued a decision on securing the Parent Company's claims by means of establishment of a mortgage on real estate.
31.10.2012.	PORR S.A.	6 428	Suit for payment of remuneration and compensation for the improper performance of the agreement	In court proceedings, the Parent Company filed a claim for payment of remuneration for the performed additional construction works. The action also includes reimbursement for the extended term of performance.

The Group as Defendant

Procedure commencement date	Claimant	Value of dispute subject matter in kPLN	Dispute subject matter	Description
14.03.2011	KBP 5 Sp. z o.o.	78 877	Claim for return of paid remuneration for constructed building for	In the opinion of the Management Board of the Parent Company, there were no grounds for the said claim.
14.03.2011	KBP 6 Sp. z o.o.	77 555	Claim for return of paid remuneration for constructed building for	In the opinion of the Management Board of the Parent Company, there were no grounds for the said claim.
03.02.2012	KBP 2 Sp. z o.o.	4 384	Claim for return of paid remuneration for constructed building	In the opinion of the Management Board of the Parent Company, there were no grounds for the said claim.
03.04.2012	KBP 3 Sp. z o.o.	3 915	Claim for damages on account of retention bonds.	In the opinion of the Management Board of the Parent Company, there were no grounds for the said claim.
15.10.2012	Shiraz II Sp. z o.o.	11 197	Suit for payment of compensation for substitute performance	In the opinion of the Management Board of the Parent Company, there were 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 the value and quantity and share of products, goods and services (if relevant) or groups thereof in the total sales of the Capital Group of the Issuer as well as any changes in this regard

The basic subject of activities of the POL-AQUA Capital Group are services, manufacture and trade in the construction sector.

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

The POL-AQUA Capital Group provides 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. It executes complete underground fittings and road works for commercial facilities, housing development, 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 companies of the Group execute their projects in a comprehensive manner in the scope of performed works, utilising qualified managerial and technical staff and owned equipment for these purposes.

Companies of the Capital Group are also involved in manufacturing activities, mostly steel structures, as well as large-sized steel constructions, construction elements and materials.

In 2012, POL-AQUA Capital Group provided, and continues to provide, services in various fields, such as:

- **INFRASTRUCTURAL CONSTRUCTION WORKS (i.e. environment engineering structures, road and bridge construction works), among others:**
 - wastewater treatment plants;
 - sewage pumping stations;
 - water treatment plants;
 - sanitary sewage and rain drainage interceptors;
 - heat distribution networks, power networks, telecommunications networks;
 - ground works (excavations, embankments, soil exchange);
 - road projects, i.e. national and municipal roads, including tunnels, underground and overground passageways;
 - projects in the scope of traffic systems in towns (construction of roundabouts and collision-free junctions);
 - construction of new roads as part of comprehensive modernisation and construction of sewage networks;
 - internal traffic systems at shopping malls and industrial facilities etc.;
 - road culverts and crossings (parkings, passageways, shoulders);
 - deconstruction works (demolitions, bituminous surface milling);
 - replacement of soil for road and bridge structures;
 - road embankments;
 - recycling of materials obtained from deconstruction;
 - ground stabilisation;

- medium- and large-sized bridge projects;
- bridge facilities: flyovers, viaducts, tunnels etc.
- **in the scope of CUBATURE, ENGINEERING AND INDUSTRIAL CONSTRUCTION, inter alia:**
 - pipelines for fuel transmission (pipelines, gas mains);
 - gas container facilities;
 - liquid fuel storage bases;
 - supporting facilities for transmission pipelines etc.;
 - comprehensive implementation of turnkey projects - apartment standard and enhanced standard;
 - public utility buildings;
 - shopping centers and buildings;
 - industrial and auxiliary structures;
 - housing developments, etc.
- **STEEL STRUCTURES, inter alia:**
 - manufacture of steel structures,
 - manufacture of pressure equipment for the power and fuel industry,
 - comprehensive investment, modernisation and repair works in the mechanics and construction industry for the petrochemical and petroleum sector, fuel sector, power engineering sector and industrial construction sector,
 - contracting related to large-size steel structures for various industrial and construction fields;

In addition, the Companies of the Capital Group supply services related 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 2012 and 2011 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.

Directions included in POL-AQUA Capital Group development policy for the next years encompass:

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

Assumptions 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;
- increased share of sales to clients from industrial and power sector;
- focus, in the scope of general construction works, on comprehensive industrial investments 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 subsidiaries' potential in Group's development;
- increased effectiveness of production;
- keeping short delivery periods and high quality of performed services;
- Utilising synergy effects between entities executing construction contracts and manufacturing companies;
- increasing the efficiency of human resources;
- strengthening areas of internal control;
- simplifying management structure;
- optimum utilisation of human and equipment resources;

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 POL-AQUA Capital Group

In 2012 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 construction of buildings, development of housing estates, office centers and shopping centers.
- 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 specialized services or operating in development consortia.

In 2012, more than 10% of sales revenues were obtained from the following contractors of the Company:

- General Directorate for National Roads and Motorways, Department with the registered office in Łódź,
- The Municipal Road Investments Administration with the registered office in Warsaw.

Revenues from these contractors respectively amounted to 30.33% and 11.11% of sales revenues of the Company.

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 POL-AQUA Capital Group

In 2012, the POL-AQUA Capital Group purchased materials for specific investments based on the needs of the executed construction works. These needs include 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 steel construction production, companies belonging to the Group purchase steel products, production and power tools.

The following companies belong to the major suppliers of the Group: STRUKTURY Sp. z o.o. with the registered office in Łódź, KROMISS BIS Sp. z o.o. with the registered office in Częstochowa, LAFARGE Kruszywa i Beton Sp. z o.o. with the registered office in Warsaw Keller Polska Sp. z o.o. with the registered office in Ożarów Mazowiecki, AWBUD S.A. with the registered office in Ogrodzieniec, DOLNOŚLĄSKIE SUROWCE SKALNE S.A. with the registered office in Warsaw, KŐOLAJVEZETÉKÉPÍTŐ ZAMKNIÉTA S.A. BRANCH IN POLAND with the registered office in Warsaw, SANDO Budownictwo Polska Sp. z o.o. with the registered office in Warsaw, DROMAK Sp. z

o.o. with the registered office in Zduńska Wola, ALWIKOR Aleksander Ostrowski with the registered office in Aleksandrów Łódzki, MOSTMARPAL Sp. z o.o. with the registered office in Zarzecze, WŁODAN Andrzej Włodarczyk Sp. j. with the registered office in Pabianice, Unia Inżynieria i Innowacje Sp. z o.o. with the registered office in Warsaw, HOBAS POLSKA Sp. z o.o. with the registered office in Dąbrowa Górnicza, Fersil Sp. z o.o. with the registered office in Cracow, SHIPCON LTD Sp. z o.o. with the registered office in Gdańsk, SAFE Co. Ltd. Sp. z o.o. with the registered office in Gdynia, Ewa Gromowska „KOM-SPAW” with the registered office in Przywidz, ARGON-SPAW s.j. with the registered office in Gdańsk, INSITUFORM Sp. z o.o. with the registered office in Cracow, etc.

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 2012, the Group was not dependent from one or multiple customers, as none of the suppliers achieved a 10% share in the total sales revenues.

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 Company 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 legal acts on environment protection and 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, mineral extraction and waste storage.

All payments resulting from using the environment are regulated in compliance with valid 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 during rendering construction, disassembly, renovation services and cleaning of tanks and equipment;
- hazardous waste management programme;
- water intake (including: underground, surface inland waters, sea and inland waters);
- releasing wastewater into waters or ground,

the members of the Group obtain such permits in accordance with the applicable legislative regulations.

To provide an example illustrating special concern for the environment and awareness of the negative impact of some of the Group's activities on it, the Parent Company implemented and maintains the certified Environment Management System compliant with 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 guarantee highest environment protection standards. 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 Capital Group's development and description of significant risk factors and risk degree

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

External factors influencing the development of the Group

Opportunities

- Development of infrastructural investments within government and local government programmes resulting from activity aimed at stimulating the economy,
- Inflow of EU funds delegated to infrastructural investments,
- Continuation of current infrastructural programmes connected with environment protection,
- planned energy sector investments aimed at developing production capacity and distribution network,
- Planned investments in the area of fuel construction (pipelines, terminals, gas storage facilities),
- Further development of commercial and industrial construction (logistics), opportunity of obtaining references and cooperating with entities belonging to the DRAGADOS Group and ACS.

Concerns

- delays in the road and motorway construction programme,
- general stagnation in construction industry, deepened by limitation of government investment outlays after EURO 2012,
- changes in statutory regulations,
- staunch price competition with respect to construction works - especially with respect to engineering construction works,
- increase in prices of materials and services of subcontractors,
- Stricter credit policies,
- Notable fluctuation of fuel and raw material process 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 work costs,
- notable exchange rates fluctuations,
- unemployment level, the increase of which may lead to a reduction in demand for housing.
- unfavourable weather or surface conditions.

Internal factors influencing the development of the Group

Opportunities

- renowned brand,
- high quality of offered products and timely service performance,

- Experienced personnel and highly-specialist executor teams,
- unique permits and certificates in the area of specialist works,
- resources including specialist equipment,
- appropriate diversification of contract portfolio,
- synergy effect in the POL-AQUA Capital Group,
- flexible approach to changes in market surroundings,
- consistent streamlining of management processes,
- implementation of an integrated IT system for the purposes of aiding management processes.

Concerns

- human capital flight,
- difficulties in finding high-quality sub-contractors,
- sub-contractors' failure 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 consistently increasing the order portfolio. The Company enhances the system of contract valuation, which combined with strict cost control should ensure the achievement of the projected profitability. Still, the risk arises that changing market conditions might inhibit the Company from winning new contracts which enable the maintenance of current income level and the increase in the Group's profitability.

Risk related to fluctuations in the costs of task execution

Most of contracts 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 Group'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 contract and is diversified by execution by the Group 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 the 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 subcontractors is also a major element of development of the Group's activities, because it uses the services of qualified subcontractors.

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 Group require the hiring of subcontractors and the assumption of full responsibility towards investors for such subcontractors. The Company intends to reduce this risk by demanding deposits or other security from the subcontractors. However, it cannot be ruled out that the collaterals fail to cover the claims filed by investors in connection with the non-performance or improper performance of contractual provisions. Failure to meet the contractual conditions may therefore increase operating costs of the Group and limit its opportunities to obtain new contracts.

Risk related to estimating 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 Group 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 Group may end up being obliged 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

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

Risk related to the seasonal nature of sales

Much like most entities operating in the construction industry, the Group also suffers from the seasonal nature of sales, with most of the sales revenues generated 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 arises especially 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 the staff is ensured. The Group is also directly liable for 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, other one being delays in construction works as a result of accidents.

Due to the specific nature of the Group's operations, there is also the risk of unintentional material damage resulting from the scope and specific nature of the works.

Risk related with the increase of prices

The Company is exposed to price increase risk, especially with regard to construction materials. The level of risk is significantly affected by the situation on global markets of raw material prices - of independent metals, steel, fuels and power as well as the situation on the investment and construction market – where supply is over demand. It results in the risk of unexpected increase of costs of implemented investments in the case of a possible increase of prices of materials and raw materials, which may in consequence result in lower profitability of the Company's operations.

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 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 entities belonging to capital groups of large international corporations. When Poland joined the European Union, a number of major European construction companies commenced their operations in Poland through local companies that developed into several major players in the industry. This phenomenon considerably increased the level 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 the 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 next years will probably witness continued strong development of the industry of engineering construction services. However, the lower pace of economic growth, lower investment expenses, higher level of 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 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.

Risk of adverse changes in tax provisions

Frequent changes of legal provisions which govern the taxation of economic activities might prove unfavourable to the Company, its customers and subcontractors. This may consequently contribute to the deterioration of the financial results of the Company.

8. Structure of assets and liabilities of the unit balance sheet from the viewpoint of liquidity of the Issuer's Capital Group. Presentation of key economic and financial figures with basic ratios

8.1. Financial Results

Selected economic and financial data regarding the income statement 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

(PLN 000s)

Item	For the year ended on December 31, 2012	For the year ended on December 31, 2011	Dynamics 2012/2011 (in %)
Sales revenues	828 858	733 864	112,9
Own cost of sales	877 914	697 563	125,9
Gross profit (loss) on sales	(49 056)	36 301	-
Cost of sales	1 286	2 553	50,4
General administration cost	61 615	64 931	94,9
Profit (loss) on sales	(111 957)	(31 183)	359,0
Other operating revenues	56 160	78 729	71,3
Other operating costs	26 842	13 589	197,5
Write-off of goodwill	111 775	-	-
Profit (loss) on operating activities	(194 414)	33 957	-
Financial revenues	10 843	6 506	166,7
Financial costs	13 022	10 978	118,6
Profit (loss) before tax	(196 593)	29 485	-
Income tax	(21 371)	4 234	-
Net profit (loss)	(175 222)	25 251	-

In 2012, the POL-AQUA Capital Group recorded **revenue on sales** in the amount of PLN 828,858,000, which amounted to 112.9% of all revenues for last year. The revenue on sales of services constituted the most substantial part of total sales revenues. Within the analysed periods, 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 2012 and 2011.

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

(PLN 000s)

SALES REVENUES	For the year ended on 31.12.2012	Structure in %	For the year ended on 31.12.2011	Structure in %	Dynamics 201 2/2011 (in %)
Net revenues from sales of products	16 272	2,0	33 640	4,6	48,4
Net revenues from sales of services	803 459	96,9	696 272	94,9	115,4
Revenues from sales of goods	9 127	1,1	3 952	0,5	230,9
Net revenues from sales, total	828 858	100,0	733 864	100,0	112,9

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 2012 and 2011. 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

(PLN 000s)

COSTS BY TYPE	For the year ended on 31.12.2012	Structure in %	For the year ended on 31.12.2011	Structure in %	Dynamics 201 2/2011 (in %)
Amortisation and depreciation	18 547	2,0	23 277	3,1	79,7
Material and energy consumption	213 213	22,9	170 865	22,4	124,8
Outsourced services	548 085	59,0	415 793	54,6	131,8
Taxes and fees	7 763	0,8	5 074	0,7	153,0
Costs of employee benefits	128 081	13,8	144 405	18,9	88,7
Other cost categories	13 865	1,5	2 572	0,3	539,1
COSTS BY TYPE IN TOTAL	929 554	100,0	761 986	100,0	122,0
Change in condition of products and production in progress	242		(1 656)		-
Cost of sales (negative value)	(1 286)		(2 553)		50,4
General administration cost (negative value)	(61 615)		(64 931)		94,9
Costs of provision of sold products and services	866 895		692 846		125,1
Value of sold goods and materials	11 019		4 717		233,6
Total cost of sold products, goods, services and materials	877 914		697 563		125,9

In 2012, the Company incurred a gross loss on sales in the amount of PLN 49,056,000 and a net loss on business activity in the amount of PLN 175,222,000.

When analysing the above results one should take into account the one-off circumstances that occurred:

- The low gross margin on sales resulted mainly from the necessity to continue the performance of contracts which had been signed in the prior years and did not ensure sufficient margins. The examination of project budgets conducted in 2012 contributed to appropriate corrections within the scope of expected revenues and costs.
- The financial result for 2012 includes the effects of writing off goodwill of the General Contracting Works Branch and the subsidiary TECO Sp. z o.o.

8.2. Analysis of assets of the POL-AQUA Capital Group

Assets of P.R.I. „POL-AQUA” S.A. as at December 31, 2012 and December 31, 2011

Table No. 12: Assets of POL-AQUA Capital Group as at 31 June 2012 and December 31, 2011

(PLN 000s)

STATEMENT OF FINANCIAL CONDITION	As at December 31, 2012	Structure in %	As at December 31, 2011	Structure in %	ynamics2012/2011 (in %)
ASSETS					
FIXED ASSETS	166 714	20.9	311 248	48.5	53.6
Tangible fixed assets	93 020	11.7	135 767	21.1	68.5
Goodwill	47 990	6.0	159 765	24.9	30.0
Intangible assets	1 122	0.1	1,178	0.2	95.2
Investment real property	-	-	4,845	0.8	-
Deferred income tax assets	19 309	2.4	120	-	16 090.8
Other prepayments and accruals	1 335	0.2	849	0.1	157.2
Other financial assets	3 938	0.5	8 715	1.4	45.2
Other fixed assets	-	-	9	-	-
CURRENT ASSETS	629 662	79.1	330 812	51.5	190.3
Inventories	3 344	0.4	4 176	0.7	80.1
Assets due to construction contracts	29 862	3.7	48 740	7.6	61.3
Trade receivables	322 770	40.6	213 213	33.1	151.4
Other receivables	83 117	10.4	10 124	1.6	821.0
Income tax receivables	523	0.1	469	0.1	111.5
Other short-term financial assets	420	0.1	-	-	-
Prepayments	5 907	0.7	2 645	0.4	223.3
Cash and cash equivalents	142 696	17.9	42 227	6.6	337.9
Fixed assets held for sale	41 023	5.2	9 218	1.4	445.0
TOTAL ASSETS	796 376	100.0	642 060	100.0	124.0

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, 2012 and December 31, 2011, 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, 2012 and December 31, 2011

(PLN 000s)

STATEMENT OF FINANCIAL CONDITION	As at December 31, 2012	Structure in %	As at December 31, 2011	Structure in %	Dynamics 2012/2011 (in %)
EQUITY AND LIABILITIES					
EQUITY	92 564	11.6	267 742	41.7	34.6
Share capital/Stated capital	27 500	3.5	27 500	4.3	100.0
Other reserves	584 094	73.3	583 624	90.9	100.1
Cash flow security	(1)	-	(45)	-	2.2
Gains/losses on exchange from conversion of foreign activities	44	-	44	-	100.0
Retained (uncovered) earnings (losses) from previous years	(343 808)	(43.2)	(368 604)	(57.4)	93.3
Current year net profit (loss)	(175 222)	(22.0)	25 266	3.9	-
Non-controlling shareholders' equity	(43)	-	(43)	-	100.0
LONG-TERM LIABILITIES	158 516	19.9	68 175	10.5	232.5
Loans	103 053	12.9	-	-	-
Other financial liabilities	8 901	1.1	14 087	2.2	63.2
Other long-term liabilities	34 672	4.4	26 609	4.1	130.3
Provisions	10 985	1.4	21 962	3.4	50.0
Deferred tax provisions	812	0.1	5 379	0.8	15.1
Deferred income	93	-	138	-	67.4
SHORT-TERM LIABILITIES	545 296	68.5	306 143	47.8	178.1
Loans	20 976	2.7	42 758	6.8	49.1
Other financial liabilities	7 386	0.9	5 094	0.8	145.0
Liabilities resulting from construction contracts valuation	20 102	2.5	27 605	4.3	72.8
Trade liabilities	422 763	53.1	184 933	28.8	228.6
Income tax liabilities	-	-	-	-	-
Other short-term liabilities	57 218	7.2	38 823	6.0	147.4
Provisions	16 666	2.1	6 408	1.0	260.1
Deferred income	185	-	522	0.1	35.4
TOTAL LIABILITIES	796 376	100.0	642.060	100.0	124.0

8.4. Analysis of basic economic indicators.

Table No. 14: Return ratios

Name	Calculation formula	2012	2011
Gross rate of return on sales	Gross profit (loss) on sales / sales revenues	(5.9)%	4.9%
Operating profit margin	Operating income / sales revenues	(23.5)%	4.6%
Gross profit margin	Gross profit (loss) / sales revenues	(23.7)%	4.0%
Net profit margin	Net profit (loss) / sales revenues	(21.1)%	3.4%
Return on equity (ROE)	Net profit (loss) / equity without net profit	(65.4)%	10.4%
Return on assets (ROA)	Net profit (loss) / total assets	(22.0)%	3.9%

Table No. 15: Debt ratios

Name	Calculation formula	2012	2011
Overall debt ratio	total liabilities / total assets	88.4%	58.3%
Debt-equity ratio	total liabilities / equity	760.4%	139.8%
Long-term debt ratio	long-term liabilities / equity	171.3%	25.5%

Table No. 16: Liquidity ratios

Name	Calculation formula	2012	2011
Current liquidity ratio	current assets / short-term liabilities	1.15	1.08
Fast liquidity ratio	(current assets – inventories) / short-term liabilities	1.15	1.07
Immediate liquidity ratio	(cash + short-term securities) / short-term liabilities	0.26	0.14

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 Group

(PLN 000s)

STATEMENT OF CASH FLOWS	For the year ended on December 31, 2012	For the year ended on December 31, 2011
Cash flows from operating activity		
Profit (loss) before tax	(196 593)	29 485
Total adjustments	226 427	(161 474)
- including depreciation	18 547	23 277
Net cash from operating activity	29 834	(131 989)
Cash flows from investment activity		
Income	12 900	15 683
Expenses	(8 486)	(10 389)
Net cash from investment activity	4 414	5 294
Cash flows from financial activity		
Income	101 450	26 886
Expenses	35 185	14 263
Net cash from financial activity	66 265	12 623
Net increase (decrease) in cash and cash equivalents	100 513	(114 072)
Net gains/losses on exchange	(44)	(573)
Cash flows and cash equivalents at the beginning of the period	42 227	156 872
Cash flows and cash equivalents at the end of the period	142 696	42 227

In 2012, the POL-AQUA Capital Group generated positive operating, investment and financial cash flows.

The positive balance of operating cash in 2012 was mainly a result of positive adjustments due to revaluation write-downs and increase of balance of liabilities and receivables.

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 POL-AQUA Capital Group as well as its profits or losses made/incurred during the reporting period

In 2012, a significant event that influenced the operations and financial results of P.R.I. "POL-AQUA" S.A. was charging the goodwill attributed to the General Contracting Branch under liquidation and TECO Sp. z o.o. subsidiary in the amount of PLN 111,775,000 against other operating costs. Moreover, the financial result of the Company was significantly influenced by the reversal of receivables revaluation.

10. Explanation of differences between financial results reported in the financial statements, and the previously published financial results forecast for the given year

The Management Board of the Parent Company did not publish any forecasts of financial results for the POL-AQUA Capital Group for 2012.

11. Description of significant off-balance sheet items sorted by entity, subject matter 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

(PLN 000s)

No.	Item	As at December 31, 2012	As at December 31, 2011
1.	Contingent receivables	75 762	107 981
1.1.	From related entities (due to)	25 426	31 223
	received guarantees and sureties	25 426	31 223
1.2	From other entities (due to)	50 336	76 758
	- received guarantees and sureties (including avals)	50 336	51 013
	- other	-	25 745
2.	Contingent liabilities	273 508	303 821
2.1	For related entities (due to)	5 039	4 768
	- granted guarantees and sureties	5 039	4 768
2.2	For other entities (due to)	268 469	299 053
	- guarantees and sureties granted as well as collaterals for contracts	268 469	299 053

As at December 12, 2012, contingent receivables include sureties from related entities in the amount of PLN 25,426,000, sureties from other entities in the amount of PLN 2,865,000, received bank and insurance guarantees in the amount of PLN 47,471,000.

Off-balance sheet liabilities of the Group (split into categories) are as follows:

Table No. 19: Contingent liabilities of the POL-AQUA Capital Group sorted by categories

Contingent liabilities by categories	As at December 31, 2012	As at December 31, 2011
Contingent liabilities due to loans	5 100	4 103
Contingent liabilities due to bank guarantees	149 762	67 703
Contingent liabilities due to insurance guarantees	105 030	193 917
Contingent liabilities due to lease contracts	10 337	34 916
Contingent liabilities due to trade contracts	1 847	1 750
Contingent liabilities due to EU subsidies	1 432	1 432
Total off-balance sheet items	273 508	303 821

The amount includes liabilities reported by subsidiaries and presented in Group's consolidated financial statements in the amount of PLN 10,337,000 (for 2011 PLN 14,770,000).

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: land, buildings and structures, technical devices and machinery, means of transport, fixed assets in construction, land and other fixed assets and intangible assets.

In 2012, the investment expenses of the POL-AQUA Capital Group amounted to PLN 10,546,000.

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 Parent Company concluded, on January 13, 2012, a share transfer agreement and purchased 14,245 shares for the price of PLN 1,500,000.

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

MATERIAL INVESTMENTS

In 2012, the POL-AQUA Capital Group plans investments aimed at reconstruction of fixed assets.

CAPITAL INVESTMENTS

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

14. Evaluation and justification regarding financial resources management, including especially the capability of fulfilling obligations, as well as specification of possible risks and activities undertaken or intended by the POL-AQUA Capital Group 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. The Parent Company had guarantee limits in the following financial institutions: Nordea Bank Polska S.A., Bank Pekao S.A., Societe Generale S.A., InterRisk TU S.A.

As at December 31, 2012, the amount of limits with respect to guarantees granted by banks and insurance associations for the Capital Group amounted to PLN 110,000,000

As at December 31, 2012, 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 loans incurred and terminated loan agreements, with indication of at least the amount, type, interest rate, currency and maturity date thereof

Information about loans incurred and terminated loan agreements as at December 31, 2012 and December 31, 2011 is shown in the following tables.

Table No. 20: Liabilities related to loans as at December 31, 2012

Entity name and legal form	Registered office	Loan type	Contracted loan amount	Loan granted	Amount of loan remaining to be repaid			Interest terms	Repayment date	Collateral
					Principal	Interest	In total			
1	2	3	4	5	6	7	8	9	10	11
BPH S.A.	Cracow	Investment loan	10 597	10 597	4,967	-	4,967	1M WIBOR+ 1.8 per cent point	20.10.2016	P.R.I. "POL-AQUA" S.A.; registry pledge on machines and equipment; Total capped mortgage referring to Land and Mortgage Register KW 21672/0, KW 34632/2 of the amount of PLN 14,253,000.
Raiffeisen Bank Polska S.A.	Warsaw	Revolving loan	1 500	1 500	-	-	-	1M WIBOR+ 1.3 per cent point	05.07.2013	Collective capped mortgage up to PLN 10,000,000.00, assignment of rights from insurance policy of the real property, power of attorney to current account, assignment of receivables from existing and future contracts.
Nordea Bank Poland S.A.	Gdynia	Revolving loan	2 000	2 000	-	-	-	1M WIBOR + 2.0 percentage points	30.04.2013*	Blank bill, capped mortgage in the amount of PLN 6,800,000.00, PLN 2,500,000.00 and PLN 970,000.00, assignment of receivables from real property insurance policies.
Nordea Bank Poland S.A.	Gdynia	Revolving loan	2 000	2 000	9	-	9	1M WIBOR + 2.0 percentage points	30.04.2013*	Blank bill, total capped mortgage in the amount of PLN 3,000,000.00, assignment of receivables from real property insurance policies.
Societe Generale S.A.	Warsaw	Revolving loan	25 000	25 000	16 000	-	16 000	1M WIBOR+1.65 per cent point	28.06.2013	Corporate surety.
DRAGADOS S.A.	Madrid	Loan	20 506	-	20 506	54	20 560	3M WIBOR + 1.75 percentage points	31.03.2014*	-
DRAGADOS S.A.	Madrid	Loan	30 439	-	30 439	80	30 519	3M WIBOR + 1.75 percentage points	31.03.2014*	-
DRAGADOS S.A.	Madrid	Loan	51 839	-	51 839	135	51 974	3M WIBOR + 1.75 percentage points	31.03.2014*	-
In total					123 760	269	124 029			
long-term							103 053			
short-term							20 976			

* The information about extension of the repayment terms of loans is presented in additional explanatory notes to the Financial Statements of the POL-AQUA Capital Group - Note No. 44 (Appendix No. 1).

No loan agreement was terminated in 2012.

Table No. 21: Liabilities related to loans as at December 31, 2011

Entity name and legal form	Registered office	Loan type	Contracted loan amount	Loan granted	Amount of loan remaining to be repaid			Interest terms	Repayment date	Collateral
					Principal	Interest	In total			
1	2	3	4	5	6	7	8	9	10	11
Raiffeisen Bank Polska S.A.	Warsaw	Revolving loan	1 500	1 500	-	-	-	1M WIBOR+ 1.3 per cent point	17.05.2012	Combined capped mortgage up to PLN 2,250,000.00, power of attorney to use the current account; registered pledge on Liebherr mobile crane; assignment of rights in insurance policy for the said mobile cranes; assignment of receivables from existing and future contracts;
BPH S.A.	Cracow	Investment loan	10 597	10 597	6 403	-	6 403	1M WIBOR+1.0 per cent point	20.10.2016	P.R.I. "POL-AQUA" S.A. suretyship; capped mortgage in the amount of PLN 14,253,000.00; registered pledge on machinery and equipment;
ING BANK ŚLĄSKI S.A	Katowice	Revolving loan	2 010	1 364	1 364	-	1 364	1M WIBOR+2.5 per cent point	07.06.2012	Assignment of trade receivables, registered pledge.
ING BANK ŚLĄSKI S.A	Katowice	Investment loan	527	527	88	-	88	1M WIBOR+2.4 per cent point	30.11.2012	Registered pledge on movable items, registered pledge on the subject of financing, assignment of policies;
PEKAO S.A.	Warsaw	Revolving loan	100 000	100 000	33 855	-	33 855	1M WIBOR+1.6 per cent point	31.07.2012	Capped mortgage for real estate in Wólka Kozodawska in Piaseczno commune at ul. Dworska 1, registered in the Land and Mortgage Register under no. 298674 with the value of PLN 12,000,000.00, assignment of receivables from contracts, assignment of insurance policy; corporate surety.
BPH S.A.	Warsaw	Revolving loan	3 000	3 000	-	-	-	1M WIBOR + 1.8 per cent point	30.06.2012	Capped mortgage for real estate located in Opole, described in Land and Mortgage Register KW OP10/00075897/5, OP10/00075737/6
Nordea Bank Poland S.A.	Gdynia	Revolving loan	2 000	2 000	-	-	-	1M WIBOR+1.5 per cent point	13.01.2012	Blank bill; mortgages; assignment of receivables from real property insurance policies;
Nordea Bank Poland S.A.	Gdynia	Revolving loan	2 000	2 000	1 048	-	1 048	1M WIBOR+1.5 per cent point	13.01.2012	Blank bill; mortgages; assignment of receivables from real property insurance policies;
Societe Generale S.A.	Warsaw	Revolving loan	25 000	25 000	-	-	-	1M WIBOR+1.5 per cent point	31.08.2012	Corporate surety.
In total					42 758		42 758			
long-term							-			
short-term							42 758			

No loan agreement was terminated in 2011.

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

The information about loans granted in 2012 by P.R.I. "POL-AQUA" S.A. is presented below:

Table No. 22: Loans granted in 2012

(expressed in thousands)

Transaction type	Borrower	Loan agreement conclusion date	Currency	Loan amount under agreement	Interest rate	Loan repayment date
Loans granted by the Issuer	TECO Sp. z o.o. with the registered office in Wrocław	2012-06-28	PLN	2 904	variable interest rate WIBOR 1M plus 1.5% margin	2013-10-22
Loans granted by the Issuer	PA Conex Sp. z o.o. with registered office in Gostynin	2010-06-11	PLN	1 781	variable interest rate WIBOR 1M plus 2.0% margin	2015-12-31

As at December 31, 2012, the loans granted by the Company were as follows:

Table No. 23: Balance of loans granted as at December 31, 2012

(expressed in thousands)

Transaction type	Borrower	Conclusion date	Maturity	Currency	Loan amount	Interest rate	Balance sheet value as at December 31, 2012
Granting of loan by the Issuer	POL-AQUA WOSTOK Sp. z o.o. with its registered office in Moscow - subsidiary	2007-12-19	2010-12-31	EUR	150	variable interest rate LIBOR 3M plus 0.5% margin	-
Granting of loan by the Issuer	POL-AQUA WOSTOK Sp. z o.o. with the registered office in Moscow - subsidiary	2010-12-23	2011-12-31	USD	20	variable interest rate LIBOR 3M plus 0.5% margin	-
Granting of loan by the Issuer	TECO Sp. z o.o. with the registered office in Wrocław - subsidiary	2009-02-20	2011-04-30	PLN	3 000	variable interest rate WIBOR 1M plus 1.5% margin	2 540
Granting of loan by the Issuer	TECO Sp. z o.o. with the registered office in Wrocław - subsidiary	2012-06-28	2013-10-22	PLN	2 904	variable interest rate WIBOR 1M plus 1.5% margin	2 937
Granting of loan by the Issuer	PA Conex Sp. z o.o. with registered office in Gostynin - subsidiary	2009-06-22	2010-12-30	PLN	1 330	variable interest rate WIBOR 1M plus 1.5% margin	-
Granting of loan by the Issuer	PA Conex Sp. z o.o. with registered office in Gostynin - subsidiary	2010-03-23	2015-12-31	PLN	2 000	variable interest rate WIBOR 1M plus 2.0% margin	-
Granting of loan by the Issuer	PA Conex Sp. z o.o. with registered office in Gostynin - subsidiary	2010-06-11	2015-12-31	PLN	13 370	variable interest rate WIBOR 1M plus 2.0% margin	5 811
Granting of loan by the Issuer	Sarnia Dolina Sp. z o.o. in Warsaw - affiliate	2010-04-22	2010-04-30	PLN	50	variable interest rate WIBOR 3M plus 3.0% margin	-
Granting of loan by the Issuer	Mr Robert Rulkiewicz-President of the Management Board of PA CONEX Sp. z o.o. until 30 September 2009	2007-02-06	2011-02-28	PLN	102	inflation index published by Central Statistical Office for the year preceding repayment date, increased by 1% margin	-
In total					22 926		11 288

17. Information on sureties and guarantees granted and received in the given financial year, with particular emphasis on guarantees and sureties granted to the Parent Company's associated entities

The list of sureties granted or received as at December 31, 2012, is presented below:

17.1. Sureties granted and received - associated entities

Table No. 24: Suretyships (including avals) granted to associated entities

(PLN 000s)

No.	Company name	Value	Suretyship subject matter	Granting date	Expiry date	Collateral
1.	TECO Sp. z o.o.	2 616	bank and insurance guarantees	11.04.2011	06.12.2017	P.R.I. "POL-AQUA" S.A.
2.	TECO Sp. z o.o.	1 100	suretyship for loan agreement	29.08.2012	31.03.2013	P.R.I. "POL-AQUA" S.A.
3.	PA Conex Sp. z o.o.	381	aval for lease agreement	06.04.2009	15.03.2014	P.R.I. "POL-AQUA" S.A.
4.	TECO Sp. z o.o.	942	suretyship for insurance guarantee limit	13.10.2009	15.12.2015	P.R.I. "POL-AQUA" S.A.
In total		5 039	x	x	x	x

Table No. 25: Suretyships (including avals) received from related entities

(PLN 000s)

No.	Company name	Value	Suretyship subject matter	Granting date	Expiry date	Collateral
1.	TECO Sp. z o.o.	2 133	loan agreement of 20.02.2009	02.03.2009	08.09.2013	collateral for granted loan on 20.02.2009 for the amount of PLN 3,000,000.00 in the form of registry pledge on forklift truck Linde H80D-900 manufacturer's no. E1X353N00397 and truck Scania no. VIN S2 R6X2001246839
2.	PA Conex Sp. z o.o.	2 000	loan agreement of 23.03.2010	23.03.2010	31.12.2015	aval for loan agreement of 23.03.2010
3.	PA Conex Sp. z o.o.	15 295	loan agreement of 11.06.2010 with annexes	11.06.2010	31.12.2015	aval for loan agreement of 11.06.2010
4.	TECO Sp. z o.o.	27	insurance guarantee no. 32GG26/0086/11/0134	14.06.2012	29.05.2015	aval due to issued insurance guarantee
5.	PA Wyroby Betonowe Sp. z o.o.	3 000	Revolving loan at Nordea Polska S.A. bank	02.04.2001	31.01.2013	real estate collateral for loans related to General Contracting activities, granted by Nordea Bank 7 mortgages of total value of PLN 3,000,000.00 for the benefit of Nordea Bank Polska S.A., aggregate mortgage in the amount of PLN 3,000,000.00 for the benefit of Nordea Bank Polska S.A.
6.	TECO Sp. z o.o.	2 904	loan agreement of 28.06.2012	28.06.2012	08.09.2013	aval for loan agreement of June 28, 2012
7.	TECO Sp. z o.o.	67	subcontracting agreement No. PA/9184/DU/10	25.10.2011	27.01.2014	subcontracting agreement surety No. PA/9184/DU/10
In total		25 426	x	x	x	x

17.2. Suretyships received and granted - other entities

Table No. 26: Suretyships received from other entities

(PLN 000s)

No.	Company name	Value	Suretyship subject matter	Granting date	Expiry date
1.	ATREM	65	security for performance bond of the contract (10% of remuneration amount) under agreement no. 520/BP/00/2007 of November 29, 2007 concluded with Operator Paliw Płynnych Sp. z o.o.	22.10.2008	31.12.2012
2.	Naftoserwis Sp. z o.o.	335	security for guarantee period of warranty under agreement PRI/33/07 of 27.08.2007.	08.06.2009	31.12.2012
3.	Hoffmann Polska Sp. z o.o.	244	security of performance of the order of 10.02.2010 in the form of aval	10.02.2010	31.12.2012
4.	Rodex Sp. z o.o.	61	blockage of funds on account NO. 18/TG/-1/0130/2010, 22/TG-1/0127/2011	12.07.2012	14.11.2018
5.	Inter -Auto	123	Aval Agreement no. S8/6-7/389/116/2012	20.09.2012	30.10.2012
6.	TBM Makotyn	37	Aval S8/405/147/2012	11.10.2012	05.04.2012
7.	Drog-Bud	2 000	Aval S8/405/106/2012	15.10.2012	31.12.2012
In total		2 865	x	x	x

As at December 31, 2012, the amount of bank guarantees received from subcontractors and suppliers of the Capital Group amounts to PLN 16,622,000

As at December 31, 2012, the amount of bank guarantees received from subcontractors and suppliers of the Capital Group amounted to PLN 30,849,000

The table below presents contingent liabilities, including guarantees and sureties (such as avals) granted by the POL-AQUA Capital Group as at December 31, 2012.

Table No. 27: List of contingent liabilities, including guarantees and sureties (e.g. avals) granted by the Issuer 's Capital Group to other entities

Type of liabilities, guarantees, suretyships		(Value) as at:		Recalculation into thousands of PLN as at 31.12.2010
		December 31, 2011	December 31, 2012	applied exchange rate EUR 1 = PLN 4.0882 CHF 1 = PLN 3.3868 USD 1 = PLN 3.09960 NOK 1 = PLN 0.5552
1.	Warta bills (insurance guarantees)	PLN 1 866	PLN 773	773
2.	PZU bills (insurance guarantee)	EUR 1 436	EUR 820	3 351
3.	Raiffeisen Leasing Polska bills (leasing)	PLN 319	- PLN	-
4.	PZU bills (insurance guarantees)	PLN 22 435	PLN 14 603	14 603
5.	BFL Leasing bills of exchange (leasing)	EUR 4 151	- EUR	-
6.	PEKAO Leasing bills (leasing)	PLN 90	PLN 90	90
7.	Lotos Mazowsze bills of exchange (agreement)	PLN 100	PLN 100	100
8.	PARP bills of exchange (subsidiaries)	PLN 1 432	PLN 1 432	1 432
9.	HESTIA bills (insurance guarantees)	PLN 16 449	PLN 1 310	1 310
10.	HESTIA bills (insurance guarantees)	EUR 779	EUR 140	571
11.	Peri bills of exchange (trade agreement)	PLN 52	- PLN	-
12.	bills of Operator Logistycznych Paliw (trade agreement)	PLN 221	PLN 221	221
13.	Euler Hermes S.A. bills (insurance guarantee)	PLN 30 050	PLN 8 150	8 150
14.	Allianz bills (insurance guarantees)	PLN 20 352	PLN 6 541	6 541
15.	Allianz bills (insurance guarantees)	EUR 204	EUR 200	817
16.	Kredyt Bank bills (bank guarantees)	PLN 1 218	PLN 420	420
17.	bills of Nordea Bank Polska (bank guarantees)	PLN 19 218	PLN 16 734	16 734
18.	bills of Nordea Bank Polska (bank guarantees)	EUR 46	EUR 6	25
19.	Nordea Bank Polska S.A. (collateral for loan)	PLN 4 000	PLN 4 000	4 000
20.	bills of DNB Nord Leasing Sp. z o.o. (leasing)	PLN 110	PLN -	-
21.	bills of Bawag Leasing & Fleet (leasing)	PLN 295	PLN 118	118
22.	bills of Inter Risk TU (insurance guarantees)	PLN 75 633	PLN 62 409	62 409
23.	guarantees of Pekao S.A. (bank guarantees)	PLN 37 314	PLN 32 835	32 835
24.	bills of ING Lease Sp. z o.o. (leasing)	PLN 2 217	PLN 2 217	2 217
25.	Generali (insurance guarantees)	PLN 3 676	PLN 1 371	1 371
26.	Generali (insurance guarantees)	EUR 197	EUR 197	805
27.	TUW TUZ bills of exchange (insurance guarantees)	PLN 3 787	PLN 1 444	1 444
28.	TUW TUZ bills of exchange (insurance guarantees)	EUR 42	- EUR	-
29.	HDI Reasekuracja guarantees (insurance guarantees)	PLN 1 376	PLN 898	898
30.	Societte Generale (bank guarantees)	PLN 2 753	PLN 80 614	80 614
31.	Societte Generale (bank guarantees)	EUR 37	EUR 1 399	5 718
32.	Societte Generale (bank guarantees)	USD	USD 41	128
33.	PTU CONEX,TECO bills of exchange (insurance guarantees)	EUR 192	- EUR	-
34.	Agat Kuluszki bills of exchange (trade agreement)	PLN 46	- PLN	-
35.	PKN Orlen Flota Conex bills of exchange (trade agreement)	PLN 25	PLN 25	25
36.	PKN Orlen Flota TECO bills of exchange (trade agreement)	PLN 10	PLN 10	10
37.	Millenium Leasing bills (leasing)	PLN 4 176	PLN 2 852	2 852
38.	Millenium Leasing bills (leasing)	EUR 598	- EUR	-

39	InterRisk bills of exchange (insurance guarantees)	PLN 1 933	PLN 1 485	1 485
40	InterRisk bills of exchange (insurance guarantees)	- EUR	EUR 16	64
41	ING Leasing bills (leasing)	PLN 548	- PLN	-
42.	PSA Finance deposit (leasing)	PLN 60	- PLN	-
43.	De Lagen Landen bills (leasing)	PLN 1 314	PLN 876	876
44.	De Lagen Landen bills (leasing)	EUR 601	EUR 601	2 459
45.	Prime Car Management S.A. bills of exchange (leasing)	PLN 184	PLN 184	184
46.	BRE Leasing bills of exchange (leasing)	PLN 1 160	PLN 1 160	1 160
47.	Lotos Group bills of exchange (suretyship for trade guarantee)	PLN 1 296	PLN 1 296	1 296
48	BPH S.A. PA Conex (bank guarantees)	EUR 20	EUR 20	81
49	Bank Ochrony Środowiska (bank guarantees)	PLN 85	PLN 26	26
50	Raiffeisen Bank (bank guarantees)	PLN 2 161	PLN 3 695	3 695
51.	Raiffeisen Bank (bank guarantees)	EUR 815	EUR 913	3 732
52.	Raiffeisen Bank (bank guarantees)	NOK 0	NOK 4 230	2 349
53.	Getin Leasing S.A. bills of exchange (leasing)	PLN 178	- PLN	-
54.	Rabmer bills of exchange (suretyship - trade agreement)	- PLN	PLN 75	75
55.	Wodbud bills of exchange (suretyship - trade agreement)	- PLN	PLN 120	120
56.	Europa Insurance Company bills of exchange (insurance guarantees)	PLN 626	PLN 285	285
57	Europa Insurance Company bills of exchange (insurance guarantees)	EUR 3	- EUR	-
			In total	268 469

D.III. OTHER INFORMATION

1. Information about employment

The employment structure and statistics of the POL-AQUA Capital Group as at December 31, 2012 and December 31, 2011 are shown in the table below:

Table No. 28: Employment structure and statistics as at December 31, 2012 and December 31, 2011

Item	As at December 31, 2012		As at December 31, 2011	
	Employees number	Structure in %	Employees number	Structure in %
Management Board*	6	0.5	6	0.4
Management Boards of entities belonging to the Group	10	0.8	9	0.6
Managerial staff (heads of departments)	46	3.7	49	3.0
Technical staff (project/construction/works managers/foremen)	169	13.7	210	13.0
Administration	330	26.8	352	21.9
Blue-collar workers	671	54.5	982	61.1
In total	1 232	100.0	1 608	100.0

* as at December 31, 2012, 3 persons exercise function in the Management Board on the basis of appointment (as at December 31, 2011 - 4 persons)

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 2012

Parent Company

On July 5, 2012, Przedsiębiorstwo Robót Inżynieryjnych "POL-AQUA" S.A., with its registered office in Warsaw and Ernst&Young Audit Sp. z o.o., with its registered office in Warsaw, concluded a contract on auditing operations. Ernst&Young Audit Sp. z o.o. with its registered office in Warsaw was concluded.

The subject of the contract is:

- ✓ audit of the Financial Statements of the Company for the year ended on December 31, 2012. 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 Inżynieryjnych „POL-AQUA” S.A. ("the Company") is the parent entity, for the year ended on December 31, 2012. The audit shall be carried out in compliance with the Accountancy Act and the International Financial Reporting Standards (IFRS);
- ✓ conducting a review of the Condensed Consolidated Financial Statements of the Group for the period ended on June 30, 2012. 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.

- ✓ 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, 2012.

Remuneration for the abovementioned services shall amount to PLN 510,000.

Subsidiaries

On October 24, 2012, 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*.

The subject of the contract is:

- ✓ the performance of an audit of the non-consolidated financial statements for 2012, prepared in compliance with IAS/IFRS.

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

On September 10, 2012, 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*.

The subject of the agreement is the performance of an audit of the non-consolidated financial statements for the 2012 financial year.

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

On September 10, 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 contract is:

- ✓ the performance of an audit of the non-consolidated financial statements for 2012, prepared in compliance with IAS/IFRS;

Net remuneration for the services rendered shall amount to PLN 71,000.

On December 3, 2012, 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 contract is:

- ✓ the performance of an audit of the non-consolidated financial statements for 2012, prepared in compliance with IAS/IFRS;

Net remuneration for the aforementioned services shall amount to PLN 52,000.

2.2. Agreements concluded in 2011

Parent Company

On July 22, 2011, *Przedsiębiorstwo Robót Inżynieryjnych "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 auditing operations.

The subject of the contract is:

- ✓ to audit of the Financial Statements of the Company 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 Financial Statements 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 Inżynieryjnych „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.

On November 21, 2011, Przedsiębiorstwo Robót Inżynieryjnych “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 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.

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 the net remuneration for the services referred to above amounts to PLN 90,000.

Subsidiaries

On October 24, 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.*

The subject of the contract 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 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.*

The subject of the agreement is audit of the individual financial statements for the year ended December 31, 2011.

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 contract is:

- ✓ audit of the individual financial statements for the year ended December 31, 2011 prepared in line with IAS/IFRS;

Net remuneration for the services rendered shall amount to PLN 85,000.

On December 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 contract is:

- ✓ audit of the individual financial statements for the year ended December 31, 2011 prepared in line with IAS/IFRS;

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

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

1. Indication:

- 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" SA. 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 broadly understood company management.

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.

In 2012, in the area of regulatory activities, the corporate governance rules were determined on the basis of the standards adopted by the Warsaw Stock Exchange, contained in the document entitled "Good Practices of Companies Listed on the WSE", hereinafter referred to as "Good Practices" (as amended), constituting an appendix to the Resolution No. 12/1170/2007 of the Stock Exchange Council dated July 4, 2007, available at the www.corp-gov.gpw.pl website, and amendments thereto.

Midway through 2011, Good Practices were amended on two occasions, i.e. On August 31, 2011 (appendix to Stock Exchange Board Resolution 15/1282/2011) and on October 19, 2011 (appendix to Stock Exchange Board Resolution 20/1287/2011).

In 2012, Good Practices were amended on November 21, 2012 with Stock Exchange Board Resolution No. 19/1307/2012 effective of January 1, 2013.

According to these Good Practices, a separate report on the application thereof was prepared by P.R.I. "POL-AQUA" S.A. constituting a part of the annual report for 2012, published together with this Management Board's report.

In 2012, 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. 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 or temporarily, or in a limited scope it does not apply following corporate governance rules determined in the document entitled "Good Practices of Companies Listed on 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 2010-2012 is presented in the table below.

From	To	Management Board	Supervisory Board
1.01.2010	8.02.2010	3 males 1 female	6 males
9.02.2010		3 males 1 female	3 males
10.02.2010	28.04.2010	4 males 1 female	7 males
29.04.2010	15.06.2010	3 males	7 males
16.06.2010		3 males	6 males
17.06.2010	17.11.2010	4 males	7 males
18.11.2010	14.12.2010	4 males	6 males
15.12.2010	29.11.2011	4 males	8 males
29.11.2011	14.03.2012	6 males	5 males
14.03.2012	12.04.2012	6 males	4 males
12.04.2012	19.06.2012	6 males	5 males
19.06.2012	05.07.2012	5 males	5 males
05.07.2012	06.07.2012	6 males	5 males
06.07.2012	12.07.2012	6 males	4 males
12.07.2012	02.08.2012	6 males	3 males
02.08.2012	15.01.2012	6 males	5 males
15.01.2012	21.03.2012	4 males	5 males

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's Management Board.

The Management Board of the Company remains dependent 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 of the 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 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 connected with the time necessary for their translation.

Principle II.3.

The 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 Company's activity, also in the scope of decisions concerning all major agreements of the Company falls within competencies of Supervisory Board.

Principle II.6.

The principle may not be applied. The Company takes the efforts 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 of 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 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.

The 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.6.

The Company applies the above principle in a limited scope only, i.e. only when the Company's General Shareholders Meeting has selected the composition of the Supervisory Board in line with appropriate procedure, taking into account to independent members of the Supervisory Board.

The Issuer's General Shareholders Meeting held on August 2, 2012, did not appoint the second independent Member of the Issuer's Supervisory Board. In July 2012, Mr Janusz Steinhoff, one of the

two independent Members of the Issuer's Supervisory Board, tendered his resignation, whereof the Issuer informed with the Current Report no. 23/2012. Directly afterwards, actions were undertaken with an aim to complement the composition of the Issuer's Supervisory Board as quickly as possible with another independent Member, pursuant to the principle indicated in item 6 of part III of Good Practices of Companies Listed at WSE that defines the minimum amount of independent members in supervisory boards of companies listed at WSE, nevertheless the search for a relevant candidate who would fulfil the independence criteria turned out to be longer than expected.

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 committees operating within the Supervisory Board shall be regulated by § 25 and § 26 of the Regulations of the Supervisory Board of P.R.I. "POL-AQUA" S.A.:

- I. Tasks of the Audit Committee include:
 - a) supervise the Management Board of the Company within the scope of:
 - (i) compliance with relevant law regulations concerning accounting, finances, taxes and reporting 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. Tasks of the Remuneration Committee include:
 - 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. According to the Company, regulations contained in generally applicable law rules, coupled with the articles of association and concerning transactions/agreements concluded with an affiliate, are sufficient.

Principle IV.10. (applicable from January 1, 2013)

In 2012, the Company did 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 Finance 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, as amended).

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 accounting books within IT systems. The access to the system resources is restricted by relevant procedures, inter alia by way of privileges granted to authorised employees solely in 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 Board, as at 31.12.2011 and the publication date of these financial statements, are presented in the table below:

Table no. 29: Shareholders with at least 5% of the overall number of votes at the General Meeting of Shareholders as at 31.12.2012

Shareholder	Number of shares	Share in the share capital	Number of votes at General Meeting	Share in general number of votes at General Meeting
DRAGADOS S.A. ¹	18 150 066	66.00%	18 150 066	66.00%
DIM S.a.r.L. ^{1 and 2b}	2 929 059	10.65%	2 929 059	10.65%
Pioneer Pekao Investment Management ³	1 650 006	6.00%	1 650 006	6.00%
ING Otwarty Fundusz Emerytalny ⁵	1 500 000	5.45%	1 500 000	5.45%
Marek Stefański ^{2a and 2b}	428 305	1.56%	428 305	1.56%
ALTUS TFI S.A. (directly) ⁴	226 010	0.82%	226 010	0.82%
Other shareholders	2 616 654	9.52%	2 616 654	9.52%

¹ according to information received in connection with the notifications sent to the Company pursuant to article 69 of the Act on Public Offering and Conditions Governing the Introduction of Financial Instruments to Organized Trading, and Public Companies.

² a) according to information held by P.R.I. "POL-AQUA" S.A., received in relation to the notification sent to the Company in the manner provided for in art. 69 of the act on public offering and conditions for introduction of financial instruments into an organized circulation system and public companies, and in the manner provided for in art. 160 of the act on trading in financial instruments

- b) DIM S.a.r.L. with the registered office in Luxemburg is an entity controlled by Mr Marek Stefański.
- ³ according to the information made publicly known pursuant to the art. 70 item 3 of the Act on Public Offering and Conditions Governing the Introduction of Financial Instruments to Organized Trading, and Public Companies.
- ⁴ according to information received in connection with the notifications sent to the Company pursuant to article 69 of the Act on Public Offering and Conditions Governing the Introduction of Financial Instruments to Organized Trading, and 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 according to information included on the list of shareholders of Przedsiębiorstwo Robót Inżynieryjnych „POL-AQUA” Spółka Akcyjna with its registered office in Warsaw entitled to participate in the Extraordinary General Meeting, that was received from KDPW /National Depository for Securities/ on April 12 2012.

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 2012 is as follows:

Table No. 30: Share capital and General Meeting vote structure as at the day of report publication

Shareholder	Number of shares	Share in the share capital	Number of votes at General Meeting	Share in general number of votes at General Meeting
DRAGADOS S.A. ¹	18 150 066	66.00%	18 150 066	66.00%
DIM S.a.r.L. ^{1 and 2b}	2 929 059	10.65%	2 929 059	10.65%
Pioneer Pekao Investment Management ³	1 650 006	6.00%	1 650 006	6.00%
ING Otwarty Fundusz Emerytalny ⁴	1 500 000	5.45%	1 500 000	5.45%
Marek Stefański ^{2a and 2b}	428 305	1.56%	428 305	1.56%
Other shareholders	2 616 654	10.34%	2 616 654	10.34%

- ¹ according to information received in connection with the notifications sent to the Company pursuant to article 69 of the Act on Public Offering and Conditions Governing the Introduction of Financial Instruments to Organized Trading, and Public Companies.
- ² a) according to information held by P.R.I. “POL-AQUA” S.A., received in relation to the notification sent to the Company in the manner provided for in art. 69 of the act on public offering and conditions for introduction of financial instruments into an organized circulation system and public companies, and in the manner provided for in art. 160 of the act on trading in financial instruments
- b) DIM S.a.r.L. with the registered office in Luxemburg is an entity controlled by Mr Marek Stefański.
- ³ according to the information made publicly known pursuant to the art. 70 item 3 of the Act on Public Offering and Conditions Governing the Introduction of Financial Instruments to Organized Trading, and Public Companies.
- ⁵ according to information included on the list of shareholders of Przedsiębiorstwo Robót Inżynieryjnych „POL-AQUA” Spółka Akcyjna with its registered office in Warsaw entitled to participate in the Extraordinary General Meeting, that was received from KDPW /National Depository for Securities/ on April 12 2012.

On 2 January 2013 the company received a letter from Altus Towarzystwo Funduszy Inwestycyjnych S.A. (hereinafter referred to as "Towarzystwo"), in which the Company was notified that in result of the

termination of the agreement on the management of portfolio including one or more financial instruments concluded by Towarzystwo, which took place on 27 December 2012, the total number of shares of P.R.I. „POL-AQUA” S.A. owned by Towarzystwo amounts to 479,309 shares corresponding to 1.74% of the total number of votes in the Company and in the share capital of the Company.

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 27 December 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, 2012

As at December 31, 2012, the Articles of Association of the Company do not confer any special controlling powers.

As at report production date

Currently there are 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 possessed by the Issuer, limitations other than those described above in the scope of exercising the voting rights under the Company shares do not exist.

7. Indication of all restrictions concerning reassignment of ownership right to the Issuer's securities

All shares of the Issuer are ordinary bearer shares. No particular rights, privileges or restrictions, aside from rights and obligations of a shareholder of joint-stock company provided for in the Commercial Companies Code, Act on trading in* or Act on Offering** as well as the ban of exchange stipulated in the article 7 item 3 of the Issuer's Articles of Association, stem from the ownership of the Issuer's shares by the Shareholders.

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

According to information possessed by the Company, limitations other than those described above as regards reassignment of ownership of the Issuer's securities do not exist.

* Act dated 29.07.2005 on the trading in financial instruments (Dziennik Ustaw [Journal of Laws] for 2005, No. 183, item 1538 as amended)

** 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. The description of tasks concerning appointment and dismissal of managing persons and their authorisations, especially right to take decision on issuance or redemption of shares

Information as at December 31, 2012 and as at the date of publication of the annual report, i.e. March 21, 2013

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 principles of making amendments to Issuer's Articles of Association and 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, through resolutions, decisions on matters in the scope of organisation and operations of this company. Under article 414 of the Code of Commercial Companies, resolutions of the General Meeting of joint-stock company require absolute majority of votes (which means that for the adoption of a given resolution more than a half of votes is cast) with the exception of special cases provided for by the Code. Also the Articles of Association of a joint-stock company may provide for more strict requirements as regards adoption of resolutions by the General Meeting of the company than the code. In reference to these special cases, the adoption of resolution requires qualified majority of votes determined by the Code. Aside from qualified majorities indicated above one should also bear in mind the Commercial Companies Code's requirement stipulating that in order to adopt a resolution on a general shareholders meeting adjournment, a two third majority of votes is necessary, as well as requirement stemming from the article 12 section 5 of the Issuer's Articles of Association, according to which resolutions on removal or abandonment from examination of an item included in the session's agenda upon shareholders' request are adopted with a three fourth majority of votes, upon prior consent granted by all present shareholders 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 administration bodies of the Issuer and their Committees

Management Board

The description of managerial bodies, due to the amendment to the Articles of Association of the Issuer introduced on 15.12.2010, have been presented as at 31.12.2012 and this report's preparation date.

As at December 31, 2012

The Management Board is the executive body of the Company and manages the whole of its operations. The Management Board acts on the basis of regulations of the Commercial Companies Code, the Company's Articles of Association and the Regulations of the Management Board, available at the Company's website, www.pol-aqua.com.pl.

The Management Board handles matters of the Company, represents the Company and has the authority to take all the decisions not reserved to the competences 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, directing its operations, and one or more Vice-Presidents of the Management Board. The Management Board as a whole is appointed for the common tenure and dismissed by the Supervisory Board.

Pursuant to § 21 paragraph 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 production 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.

As at January 1, 2012, the Management Board of P.R.I. "POL-AQUA" S.A. was composed of the following members:

Name	Position
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

On June 19, 2012, the Company received a letter in which Mr Eduardo Martínez Martínez tendered his resignation from the position of the General Director, Member of the Management Board and First Vice-President of the Management Board of Przedsiębiorstwo Robót Inżynieryjnych „POL-AQUA” Spółka Akcyjna as of June 30, 2012.

On July 5, 2012, the Supervisory Board of the Company appointed Mr Gregor Siegmund Sobisch to the Management Board of the Company as a Member of the Management Board and a Member/the First Vice-President of the Management Board.

As at December 31, 2012, the Management Board of P.R.I. "POL-AQUA" S.A. was composed of the following members:

Name	Position
Piotr Stanisław Chełkowski	President of the Management Board,
Gregor Siegmund Sobisch	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.

On January 15, 2013, the Company's Supervisory Board adopted the following resolutions:

- on dismissal of Mr Piotr Stanisław Chełkowski from the position of the President of the Management Board and from the Company's Management Board;
- on dismissal of Mr Robert Stefan Molo from the function of Member of the Company's Management Board;
- on appointing Mr Gregor Siegmund Sobisch for the function of the Management Board's President.

As at the day of publication of this report, i.e. March 21, 2013, the Management Board of P.R.I. "POL-AQUA" S.A. was composed of the following members:

Name	Position
Gregor Siegmund Sobisch	President of the Management Board,
Marek Sobiecki	Second Vice-President of the Management Board,
Mario Serrano Villate	Member of the Management Board,
Servando Sierra Martí	Member of the Management Board.

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 31.12.2012 and as at the preparation date of the present report.

As at December 31, 2012

The Supervisory Board exercises general supervision over the Company's activity. The Supervisory Board acts on the basis of regulations of the Commercial Companies Code, Company's Articles of Association and Regulations of the Supervisory Board available at the Company's website, www.pol-aqua.com.pl.

As at December 31, 2012, in accordance with § 15 paragraph 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 8 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. 2 of the Company's Articles of Association, the Supervisory Board's tenure lasts three years. Members of the Supervisory Board are appointed for the common tenure.

As at report production 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 within the scope of appointing Supervisory Board members.

As at January 1, 2012, the Supervisory Board of P.R.I. "POL-AQUA" S.A. was composed of the following members:

Name	Position
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.

In connection with the resignation from the position of a Member of the Supervisory Board - Vice-Chairman of the Supervisory Board of the Company tendered by Mr José Puente García, on April 12 2012 the Extraordinary General Meeting of the Company adopted a resolution on appointing Mr Gustavo Tunell Ayuso to the Supervisory Board of the Company as a Member of the Supervisory Board and the Vice-Chairman of the Supervisory Board of the Company.

On July 6, 2012, the Company received a letter in which Mr Alfonso Costa Cuadrench tendered his resignation from the position of a Member of the Supervisory Board - Chairman of the Supervisory Board of Przedsiębiorstwo Robót Inżynieryjnych „POL-AQUA” Spółka Akcyjna as of July 20, 2012.

On July 12, 2012, the Company received a letter in which Mr Janusz Steinhoff tendered his resignation from the position of a Member of the Supervisory Board of Przedsiębiorstwo Robót Inżynieryjnych „POL-AQUA” Spółka Akcyjna as of July 12, 2012.

On August 2, 2012, the Extraordinary General Meeting passed a resolution on changes to the composition of the Management Board of the Company:

- Mr Gustavo Tunell Ayuso was appointed as the Chairman of the Supervisory Board;

- Mr Eduardo Martínez Martínez was appointed to the Supervisory Board as the Vice-Chairman of the Supervisory Board;
- Mr Ricardo Eduardo Cuesta Castiñeyra was appointed to the Supervisory Board as a Member of the Supervisory Board.

As at December 2012 and as the day of publishing this report, i.e. March 21, 2013, the Supervisory Board of P.R.I. "POL-AQUA" S.A. was composed of the following members:

Name	Position
Gustavo Tunell Ayuso	Chairman of the Supervisory Board,
Eduardo Martínez Martínez	Vice-Chairman of the Supervisory Board,
Alberto Laverón Simavilla	Member of the Supervisory Board,
Ricardo Eduardo Cuesta Castiñeyra	Member of the Supervisory Board,
Krzysztof Gerula	Member of the Supervisory Board.

Independent Members of the Supervisory Board:

On August 2, 2012, the Issuer's Extraordinary Shareholders Meeting did not appoint the second independent Member of the Issuer's Supervisory Board. In July 2012, Mr Janusz Steinhoff, one of the two independent Members of the Issuer's Supervisory Board, tendered his resignation, whereof the Issuer informed with the Current Report no. 23/2012. Directly afterwards, actions were undertaken with an aim to complement the composition of the Issuer's Supervisory Board as quickly as possible with another independent Member, pursuant to the principle indicated in item 6 of part III of Good Practices of Companies Listed at WSE that defines the minimum amount of independent members in supervisory boards of companies listed at WSE.

An independent Member of the Supervisory Board is Mr Krzysztof Gerula who meets the criteria of independence from the company and entities materially connected with Przedsiębiorstwo Robót Inżynieryjnych „POL-AQUA” Spółka Akcyjna required of a Member of the Supervisory Board pursuant to the provisions of the Code of Good Practices of Companies Listed at WSE.

General Meeting

The General Meeting is the superior 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.

The Articles of Association and the Regulations of the General Shareholders Meeting are available at www.pol-aqua.com.pl.

According to the information held by the Management Board of P.R.I. „POL-AQUA” S.A., as at December 31, 2012 and 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. 29 and 30 item E. 4.

Remuneration Committee

As at December 31, 2012 and as the day of publishing this report, i.e. March 21, 2013, the Remuneration Committee of P.R.I. "POL-AQUA" S.A. was composed of the following members:

Name	Position
Gustavo Tunell Ayuso	Chairman of the Remuneration Committee,
Ricardo Eduardo Cuesta Castiñeyra	Member of the Remuneration Committee

The Audit Committee

As at December 31, 2012 and as the day of publishing this report, i.e. March 21, 2013, the Audit Committee of P.R.I. "POL-AQUA" S.A. was composed of the following members:

Name	Position
Alberto Laverón Simavilla	Chairman of the Audit Committee,
Krzysztof Gerula	Independent Member of the Audit Committee,
Ricardo Eduardo Cuesta Castiñeyra	Member of the Audit Committee,

F. DECLARATION OF THE MANAGEMENT BOARD ON THE CONFORMITY OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE REPORT ON THE OPERATIONS OF THE POL-AQUA CAPITAL GROUP.

The Management Board of Przedsiębiorstwo Robót Inżynieryjnych "POL-AQUA" S.A. in Warsaw hereby declares that to the best of its knowledge the Consolidated Financial Statements of the POL-AQUA Capital Group in Warsaw for the year ended on December 31, 2012 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.

.....
Gregor Siegmund Sobisch
President of the Management Board

.....
Marek Sobiecki
Second Vice-President of the Management Board

.....
Mario Serrano Villate
Member of the Management Board

.....
Servando Sierra Martí
Member of the Management Board

Warsaw, March 21, 2013

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 Statements of the POL-AQUA Capital Group in Warsaw for the year ended on December 31, 2012 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 these statements met the conditions for expressing an unbiased and independent opinion on the audited annual consolidated financial statements, in accordance with the binding regulations and professional standards.

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Gregor Siegmund Sobisch
President of the Management Board

.....
Marek Sobiecki
Second Vice-President of the Management Board

.....
Mario Serrano Villate
Member of the Management Board

.....
Servando Sierra Martí
Member of the Management Board

Warsaw, March 21, 2013

H. OPINION AND REPORT OF THE ENTITY AUTHORISED TO AUDIT THE FINANCIAL STATEMENTS

- presented in separate files – Appendix 2 and 3, containing:

1. Opinion of the independent statutory auditor on the audit of the Consolidated Financial Statements of the POL-AQUA Capital Group.
2. Report on the audit of the Consolidated Financial Statements of the POL-AQUA Capital Group.

The present Consolidated Annual Statements of the POL-AQUA Capital Group for the year ended on December 31, 2012, have been approved for publication by the Management Board of Przedsiębiorstwo Robót Inżynierskich „POL-AQUA” Spółka Akcyjna in Warsaw:

INDIVIDUALS REPRESENTING P.R.I. “POL-AQUA” S.A.

.....
Gregor Siegmund Sobisch
President of the Management Board

.....
Marek Sobiecki
Second Vice-President of the Management Board

.....
Mario Serrano Villate
Member of the Management Board

.....
Servando Sierra Martí
Member of the Management Board

Financial Statements prepared by:

.....
Renata Sucharska
Head of Economy and Finance

Warsaw, March 21, 2013