SUPERVISORY BOARD’S REPORT
ON ASSESSMENT
OF MANAGEMENT BOARD’S REPORT ON ACTIVITY OF THE COMPANY (ISSUER)
AND
ASSESSMENT OF FINANCIAL STATEMENTS
of Przedsiębiorstwo Robót InŜynieryjnych
“POL-AQUA”
Spółka Akcyjna with the registered seat in Piaseczno
1 Dworska St.
for 2007

The assessment and examination of the Management Board’s report on activity of the Company (Issuer) and Financial Statements for the period from 01.01.2007 to 31.12.2007 of P.R.I. “POL-AQUA” S.A. was executed by Korycka Budziak & Audytorzy Sp. z o.o. with the registered seat in Warsaw at 22 Solec St. Those who examined the balance-sheet and income statement contained their assessment in the opinion and report on examination of reliability and correctness of accounting books, valuation of assets, documentation of economic operations, correctness of preparation of additional notes and the Management Board’s report on activity of the Company (Issuer). On the basis of the above documents, and also via realisation of the control function in the accounting year, that is from January 1st to December 31st 2007, the Supervisory Board of P.R.I. “POL-AQUA” S.A. submits the assessment of the Management Board’s report on activity of the Company (Issuer) and assessment of Financial Statements in the scope of their accordance with books and documents and factual state of affairs.

I. Organisation of accountancy and reliability of book-keeping

1. The basis for opening the accounting books as at 01.01.2007 was the closing balance as at 31.12.2006, verified and approved by the General Shareholders Meeting held on June 30, 2007.
2. Accounting books are kept in manner enabling to record all economic operations in a reliable and correct way.
3. The manner and scope of internal control in the Company both in subject-matter and formal-legal aspect ensure complete and exhaustive account and documentation of all economic events.
4. The balance-sheet and income statement were prepared in line with principles determined in:
   a) Act on Accountancy of September 29, 1994 (JoL No. 76 of 2002 item 694 with further amendments);
   b) Ordinance of the Council of Ministers of 19.10.2005 on current and interim information delivered by issuers of securities (JoL of 2005 No. 2009, 1744);
c) Ordinance of the Council of Ministers of 18.10.2005 on the scope of information disclosed in financial statements and consolidated financial statements, required by prospectus for issuers with the seat on the territory of the Republic of Poland, for whom Polish accountancy principles (JoL of 2005 No. 209, item 1743) are applicable.

5. The balance-sheet total as at 31.12.2007 disclosed in the balance-sheet amounts to kPLN 1,000,548.

6. The income statement for the period from January 1st to December 31st 2007 records net profit totalling kPLN 25,398.

7. The cash-flow statement for the period January 1st to December 31st 2007 records increase in the balance of cash by the amount of kPLN 79,072.

II. Material and financial condition of P.R.I. “POL-AQUA” S.A.

The following events had substantial impact on material condition of the Company in 2007:

a) Increase in share capital of the Company
b) Non-public issuance of E shares
c) Public disposal of F shares
d) Acquisition of tangible and intangible assets of the General Contracting Branch in Gdańsk
e) Development of the Issuer’s Capital Group – increase of capital commitment in subsidiaries and acquisition of new entities.

The activity of the Company covering period from January 1st to December 31st 2007 is characterised by following changes, amounts and ratios prepared based on the balance-sheet, income statement and cash-flow statement.

I. In the scope of structure of assets and sources of financing thereof provided for in the balance-sheet, company recorded:

• increase of fixed assets share from 29.0% in 2006 to 42.2% in 2007, that is by 13.2 percentage points;
• decrease of current assets share from 71.0% in 2006 to 57.8% in 2007, that is by 13.2 percentage points;
• increase in equity from 47.6% in 2006 to 57.7% in 2007, that is by 10.1 percentage points;
• decrease of liabilities and provisions for liabilities share from 52.4% in 2006 to 42.3% in 2007 that is by 10.1 percentage points.

Fixed assets of the Company in the amount of kPLN 422,222 as at 31.12.2007 went up by kPLN 331,165 that is by 363.7% in relation to the previous year.

The main fixed assets item are Long-term investments, constituting 39.8% of all fixed assets (16.8% of total assets) – shares in subsidiaries. Their value as at December 31st, 2007 totalled kPLN 168,273 and it is a result of the capital group development strategy.
The second item from the top, constituting 33.7% of fixed assets (14.2% of total assets) are tangible assets. The growth of this item from the amount of kPLN 84,607 as at 31.12.2006 to the amount of kPLN 142,242 that is by 68.1% was mainly caused by acquisition of material assets of the General Contracting Branch.

Besides, in connection with the acquisition of material assets of the General Contracting Branch, an increase occurred in intangible assets of the Company from the amount of kPLN 18 as at 31.12.2006 to the amount of kPLN 100,088 as at 31.12.2007. The main item is goodwill here, which constitutes 10.0% of the total assets and 23.7% of fixed assets.

As a result of changes which took place at the Company in 2007, despite from drop of the Company’s current assets share in total assets, their value increased by 159.7%. As at 31.12.2007, they totalled kPLN 578,326 in relation to kPLN 222,730 as at 31.12.2006, so they went up by kPLN 355,596. Nearly a half of current assets – 48.7% (share in total assets amounting to 28.2%) is constituted by short-term liabilities, the value of which as at 31.12.2007 totalled kPLN 281,888 and increased by the amount of kPLN 175,623 (by 165.3%) as per 31.12.2006.

The second important item of current assets are short-term investments (financial assets), totalling as at 31.12.2007 kPLN 190,113. Their share in current assets amounts to 32.9% and constitute 19.0% of assets in total. The main item of short-term financial liabilities is cash in the amount of kPLN 125,387, that is by kPLN 79,072 (170.7%) more than as per 31.12.2006. The high balance of cash was caused by conducted public issuance of F shares.

The year 2007 saw also an increase of short-term accruals value, the amount of which as at 31.12.2007 totalled kPLN 95,796 and is three times higher of their value as at 31.12.2006. The main item of accruals is the difference between actual costs of unfinished construction works and the costs influencing the financial result, determined in such a part of total costs which corresponds to the degree of advancement of service.

In the structure of liabilities of the Company, the equity went up from kPLN 149,412 as at 31.12.2006 to kPLN 577,455 as per 31.12.2007, that is by kPLN 428,043, which constituted increase by 286.5%. The share of equity in total liabilities went up by 10.1 percentage points. The main increase took place within the supplementary capital item, the value of which increased from the amount of kPLN 105,913 as at 31.12.2006 up to the amount of kPLN 524,030 as at 31.12.2007, that is by 394.8%. Such a high increase in supplementary capital took place in result of E and F shares issue, as a result of which the issue price surplus over par value of shares contributed to the supplementary capital.

As a result of executed issues the main capital also went up from the amount of kPLN 20,000 as at the end of 2006 to the amount of kPLN 27,500 as at 31.12.2007, i.e. by 37.5%.

In connection with the increase in equity, the liabilities and provisions share in liabilities decreased in sources of financing of the Company’s assets by 10.1 percentage points. Nominally, the value of this item increased by 157.4% from the amount of kPLN 164,375 as
at 31.12.2006 up to the amount of kPLN 423,093 as at the end of 2007 and it is the result of the increase in assets of the Company following inclusion of the General Contracting Branch in Gdańsk into its structures.

The most significant change in liabilities and provisions for liabilities structure concerns the other accruals item, the value of which increased from kPLN 4,039 as at 31.12.2006 up to the amount of kPLN 53,716 as at 31.12.2007. The main component of other accruals are advances received on the account of works and long-term contracts valuation.

In liabilities and provisions for liabilities as at 31.12.2007 the highest valuable item – kPLN 249,419 as well as the highest share – 59% are due to short-term liabilities towards remaining entities. Due to the balance 31.12.2006 they increased by kPLN 139,628, i.e. 127.2%, but their share dropped by 10.1 percentage points in total financing sources.

The year 2007 saw also the increase in long-term liabilities from the amount of kPLN 37,305 as at 31.12.2006 up to the amount of kPLN 88,621 as at the end of 2008, that is by 137.6%.

More than threefold growth of provisions for liabilities is a result of the increase as at 31.12.2007 of the deferred income tax provision, the value of which totalled kPLN 19,157 on kPLN 5,251 as at 31.12.2006.

2. in the scope of financial and economic results accounted for in the income statement:

A substantial change in revenues and costs is a result of the Company’s potential growth, mainly due to the acquisition of a new entity – General Contracting Branch in Gdańsk. With regard to the above, the following took place:

- increase of gross sales result for 2007 on 2006 by 63.8’;
- increase of operating activity result for 2007 on 2006 by 6.7%;
- increase in business activity result for 2007 on 2006 by 16.6%;
- net financial result achieved for 2007 in the amount of kPLN 25,398, which in comparison to 2006 constitutes a growth by 16.3%.

For 2007, P.R.I. “POL-AQUA” S.A. generated gross profit on sales in the amount of kPLN 73,726. In comparison to the preceding year the result went up by kPLN 28,720 i.e. by 63.8%. The higher result on sales is a result of an increase in revenues from sales, which in 2007 totalled kPLN 632,435, by 186,3% up on preceding year.

The operating activity financial result for 2007 was closed with the total of kPLN 32,742 in comparison to kPLN 30,680 for the year 2006.

The profit on business activity for 2007 hit the amount of kPLN 33,226 and was higher than the profit on business activity in 2006 by the amount of kPLN 4,737. The result from financial activity does not significantly influence the profit on business activity.
The net profit for 2007 totalled kPLN 25,398, by kPLN 3,559 up on the net profit for 2006.

3. in the scope of cash flows

In 2007, P.R.I. “POL-AQUA” S.A. generated cash in the amount of kPLN 125,387. In comparison to 2006, the cash balance went up by kPLN 79,072. It influenced first of all on the positive balance of cash flows from financial activity, totalling kPLN 384,898, stemming from conducted issuances of E and F shares. In 2006, the financial activity cash flow balance totalled kPLN 110,129.

A positive operating activity balance at the level of kPLN 26,471, which in 2006 showed negative value – kPLN 1,272, also had a substantial impact on the increase of cash balance in 2007.

The negative value of investment activity cash flows in 2007 – kPLN 332,297 is a result of expenditures borne by the Company with regard to the acquisition of assets of General Contracting Branch and acquisition of tangible assets and also investments in financial assets – shares of subsidiaries.

4. in the scope of economic ratios

Profitability indicators

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<th>2007</th>
<th>2006</th>
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<tbody>
<tr>
<td>Sales profitability</td>
<td>11.7%</td>
<td>20.4%</td>
</tr>
<tr>
<td>Net profitability</td>
<td>4.0%</td>
<td>9.9%</td>
</tr>
<tr>
<td>Net profitability of equity</td>
<td>4.6%</td>
<td>17.1%</td>
</tr>
<tr>
<td>Assets profitability</td>
<td>2.5%</td>
<td>7.0%</td>
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The profitability of equity as well as the profitability of assets dropped in 2007 on 2006 and it is a result of significant increase of the Company’s equity amount, and especially supplementary capital, due to conducted shares issues, as well as the increase of assets value due to the acquisition of the General Contracting Branch and increase in value of long-term investments in shares of subsidiaries.

Liquidity indicators

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<th>2007</th>
<th>2006</th>
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<tbody>
<tr>
<td>Current liquidity</td>
<td>2.28</td>
<td>1.97</td>
</tr>
<tr>
<td>Quick ratio</td>
<td>2.24</td>
<td>1.92</td>
</tr>
<tr>
<td>Immediate ratio</td>
<td>0.75</td>
<td>0.70</td>
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In 2007, the current liquidity ratio went up from 1.97 in 2006 to 2.28, and quick ratio went up from 1.92 in 2006 to 2.24. The increase in liquidity at all levels was caused by leveraging funds from shares issue and the development of the Company’s activity.
Assets management ratios

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<th></th>
<th>2007</th>
<th>2006</th>
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<tr>
<td>Payments rotation</td>
<td>97</td>
<td>110</td>
</tr>
<tr>
<td>Rotation (repayment) period</td>
<td>74</td>
<td>85</td>
</tr>
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In 2007, the payment rotation indicators dropped on the preceding year, however comparability of these values is limited due to the fact, that in 2007 they reflect P.R.I. “POL-AQUA” S.A. rotations along with General Contracting Branch, while in the preceding year the indicators pictures only the situation before inclusion of these assets into the Company’s structures.

II. Summing up the presented assessment of economic and financial condition, and taking into account the Company’s economic potential, the Supervisory Board does not recognize any substantial threats which would be capable to affect business activity of the Company in 2008.

The Supervisory Board, on the basis of presented opinion of statutory auditors as well as own assessment, states that:

- financial statements for 2007 of P.R.I. “POL-AQUA” S.A. were prepared in line with accounting principles, applicable law regulations and reflects Issuer’s condition in a true way,
- report on activity of the Company (Issuer) is complete in understanding of art. 49 item 2 of the Accounting Act and it takes into account the provisions of the Ordinance of the Minister of Finance of October 16, 2001, on current and interim information delivered by issuers of securities and the financial information contained therein, and originating from Financial Statements, are consistent with the latter.

In witness of which the Report of Supervisory Board on assessment of Financial Statements for the period 01.01.2007 to 31.12.2007 as well as assessment of the Management Board's Report on activity of the Company (Issuer) was signed and concluded.