ELEKTROBUDOWA SA

NOTES TO THE FINANCIAL STATEMENTS FOR Q4/2004 ENDED 31 DECEMBER 2004

I. ***Information on rules for valuation and preparation of financial statements.***

Data included in the report result from the books kept according to valid regulations as set in the amended Accounting Act dated 29 September 1994 (Journal of Laws No. 121, item 591, as amended).

In 2004 the Company changed the methods of valuation of long-term construction contracts in progress as at the balance sheet date; the change consisted in creating provisions for all contracts, irrespective of their duration.

As the result of those changes the shareholders' equity would be reduced by PLN 2,419 as of 31 December 2003. The changes have been introduced as the consequence of preparing the Company to apply IFRS beginning with 01.01.2005.

Methods of preparation of financial statements were described in detail in the additional information for the H1-2004 report.

1. In the following areas there are differences in the adopted accounting principles, concepts and disclosed data between annual financial statements prepared by ELEKTROBUDOWA SA according to Polish accounting principles and statements which would be prepared according to the International Financial Reporting Standards (IFRS):

1.1. External financing costs.
In the financial statements according to IFRS the Company's policy was not to capitalize financial costs to the fixed assets in progress or to the long-term contracts.

1.2. Revaluation of fixed assets and depreciation in the state of hyper-inflation.
Basing on the IFRS 1 the Company acknowledges that the value of tangible assets on the day of adopting the IFRS is the acknowledged cost.

1.3. Long-term receivables.
For the purpose of the IFRS current value of long-term receivables was established through discounting the value of future cash flow with the use of effective interest rate (WIBOR rate -1 annual), the result of this operation is shown in the table in item 1.7.

1.4. Advance payments for supplies.
For the purpose of the IFRS the advance payments for supplies should be presented in the balance sheet in "accrued expenses", and not in the "inventory" item.

1.5. Right to perpetual usufruct of land received free of charge.
For the purpose of the IFRS assets in perpetual usufruct of land received free of charge, with related accrued revenues should not be shown in the balance sheet.

1.6. Effects in deferred tax.
Following the changes described in 1.4 above, the effects of deferred tax are shown in the table in item 1.7.

1.7. The adjustments of values in the financial statements prepared according to the Polish accounting standards.

Description	Equity capital as at 31.12.2003 (PLN '000)	Equity capital as at 31.12.2004 (PLN '000)	Net profit for 12 months ended 31.12.2004 (PLN '000)
1. Statements prepared according to Polish accounting standards	65.992	69.167	5.166
3. Discount of long-term	-2.292	-2.363	-71

receivables			
4. Effects in deferred tax	435	449	14
5. Statements acc. to IFRS	64.135	67.253	5.081

II. *Provisions and assets updating write-downs (all values in PLN'000)*

1. In the Q4 / 2004 provisions and the following write-downs of assets were made:

1.1 assets on deferred income tax		1.974
1.2 provision for deferred income tax		1 210
1.3 for long-term contracts adjusting the sales		2 052
1.4. predicted losses and costs		11 180
of which		
1.4.1 manufacturing cost of products sold		816
a. annual bonuses	312	
b. pay for unused holidays	76	
c. auditing the financial statements	42	
d. for future liabilities	201	
1.4.2 into other operating costs		9 629
a. for receivables under arrangement with creditors, bankruptcy or judicial proceedings	7 788	
b. for bad debts	1 649	
c. retirement benefits	16	
c. for inventories difficult to sell	176	
1.4.3 for financial costs		733
a. for interests	733	

2. In the fourth quarter 2004 provisions were made and write-downs of the following assets and liabilities were reversed:

2.1. assets on deferred income tax	2 989
2.2. provision for deferred income tax	1 770
of which on investment relief	244
2.3 for long term contracts adjusting the sales	439
2.4. predicted losses and costs in the amount of	10 117

of which:

2.4.1. into manufacturing costs of products sold:		1 628
a. for annual bonuses	620	

b. for unused holidays	180	
c. for auditing the financial statements	47	
d. for future liabilities	781	
2.4.2. into other operating revenues:		6 890
a. for receivables under arrangement with creditors, bankruptcy or judicial proceedings	1 290	
b. for bad debts	5 282	
c. for jubilee rewards	135	
d. for disability and old-age pension allowance	52	
e. for stocks difficult to sell	131	
2.4.3. into financial revenues:		1 599
a. for interests	1 260	
b. reverse of write-downs of shares	339	

3. As the Company created and dissolved assets and liabilities write-downs, on 31 December 2004 provisions and asset write-downs amount to: 28,450 thousand Polish zlotys.

of which:

1 assets on deferred income tax	-2 424
2 provision on deferred income tax	2 131
3 retirement allowances	1 265
4 receivables in bankruptcy proceedings	11 668
5 receivables in arrangement with creditors	3 316
6 receivables in litigious proceedings	503
7 doubtful debts	7 724
8 share value updating	1 221
9 stocks difficult to sell	176
10 long-term contracts	2 052
11 unused holiday pay	263
12 annual bonuses	312
13 auditing the financial statements	42
14 future liabilities	201

3. In the Q4-2004 report data related to profits and losses were translated according to the rate equal to arithmetic mean of average EURO rates announced by the NBP for the end of each month of 4 quarters 2004, i.e. 54,2180 : 12 = 4.5182

Assets and liabilities were conversed according to the average rate of EURO, valid on 31.12.2004 announced by the NBP: 1 EUR = 4.0790

Date of announcement	EURO rate	Table
31.01.2004	4.7614	21/04
27.02.2004	4.8746	41/04
31.03.2004	4.7455	64/04
1 st Quarter 2004	14.3815 : 3 = 4.7938	
30.04.2004	4.6509	85/04
31.05.2004	4.8122	105/04
30.06.2004	4.5422	126/04
2nd Quarter 2004	28.3868 : 6 = 4.7311	
30.07.2004	4.3759	148/04
31.08.2004	4.4465	170 /04
30.09.2004	4.3832	192/04
3rd Quarter 2004	41.5924 : 9 = 4.6214	
29.10.2004	4.3316	213/04
30.11.2004	4.2150	233/04
31.12.2004	4.0790	256/04
4th Quarter 2004	54.2180 : 12 = 4.5182	

III. *Issued guarantees and bonds.*

Bonds,	PLN 19,655.528.00
of which:	
1 BRE BANK S.A.	PLN 7,095,335.00
2 ERGO HESTIA S.A.	PLN 1,473,849.00
3 TU ALLIANZ Polska S.A.	PLN 7.281.624.00
4 BPH S.A.	PLN 2,962,074.00
5 ING Bank Śląski SA	PLN 754,562.00
6 Gerling T.U. SA	PLN 88,084.00

The Company issued blank bills for 1,524,584.00 Polish zlotys.

IV. *Additional information.*

In the third quarter ended 31 December 2004 Elektrobudowa entered the stage of increased scale of operations resulting from seasonal character of sales typical for the construction and erection sector. Revenues from sales of products, merchandise and materials in the fourth quarter reached PLN 107,378 thousand.

So big revenues were reached due to advanced invoicing in the quarter, of contracts: supply, installation and testing in the Turów Power Station, the underground station A-18 “Plac Wilsona” Warsaw, Hypernova and Ahold hypermarkets in Sochaczew and Krakow, respectively, and export contracts for the supply and erection of equipment (Lithuania, Belarus, Russia), the revenues from which were PLN 10.4m in the fourth quarter 2004.

The Company’s revenues in the period between 01.01 and 31.12.2004 were 278,307 thousands of zlotys, that is PLN 49.5m higher than in the same period of the previous year. That means the 21.7% growth of the sales revenues in 2004.

Very big sales revenues in 2004, particularly in the present, 4th quarter, with accompanying reduction of operating costs resulted in the improvement of profitability. Profit from sales in 2004 was PLN 15,961, whereas return on sales 5.7 % .

Gross profit for 2004 was 7,820 thousand zlotys, profitability calculated on profit after taxes 1.86 %.

In 2004 Elektrobudowa SA signed orders for the amount of PLN 328.5m. Order backlog as of 31.12.2004 reached relatively high value of PLN 177.1m.

V. *Additional information on requirements set forth in § 61 item 4 of the Regulation of the Council of Ministers of 16.10.2001. (Journal of Laws No. 139, item 1569*).

Subject: data for the Q4 – 2004 report

Following the Ordinance of the Council of Minister of 16 October 2001 on current and periodical information submitted by the issuers of securities, as amended, we inform:

Paragraph 61 item 4 point 1

On 16.11.2004 – The Company informed about concluding two contracts with Hydrobudowa 6 SA for the construction of the Underground Station A-18 „Plac Wilsona" and the construction of an office building, DOM BETA, in Warsaw, for the total value of 7,037,509 zlotys.

On 10.12.2004 the Company informed that its governing bodies decided to apply to the general meeting for adopting a resolution to issue bonds with the priority rights to buy series C shares, to increase the share capital, to amend the Articles of the Company and to exclude the pre-emptive rights for the present shareholders.

On 29.12.2004 the Company released the information on convening the Extraordinary General Meeting of ELEKTROBUDOWA SA on 8.02.2005.

Events which occurred after the end of the 4th quarter 2004 and before the quarterly report has been made publicly available:

6.01.2005 – the Company informed that it received an order from Polimex-Mostostal Siedlce SA for the procurement and installation, including start-up of the electrical part of the turbine generator set in the „Żerań" Heat and Power Plant. Order value is 7,999,000 zlotys.

19.01.2005 – the Company submitted draft resolutions for the Extraordinary General Meeting of ELEKTROBUDOWA SA on 8.02.2005.

Paragraph 61 item 4 point 5

Shareholders as of 4.11.2004.

As of:	4.11.2004	
	Number of shares equal to number of voting rights	percentage
ING Nationale Nederlanden Polska Open Pension Fund	389.828	9,82
Generali Open Pension Fund	377.220	9,50
Powszechny Zakład Ubezpieczeń SA	346.245	8,72
PZU Złota Jesień Open Pension Fund	322.421	8,12
Credit Suisse Life & Pensions Open Pension Fund	204.010	5,14
Float	2.331.276	58,70
Total	3.971.000	100

Shareholders as of 4.02.2005

As of:	4.02.2005	
	Number of shares equal to number of voting rights	percentage
ING Nationale Nederlanden Polska Open Pension Fund	389.828	9,82
Generali Open Pension Fund	350.000	8,81
Powszechny Zakład Ubezpieczeń SA	340.000	8,56
PZU Złota Jesień Open Pension Fund	322.421	8,12
Credit Suisse Life & Pensions Open Pension Fund	204.010	5,14
Float	2.364.741	59,55
Total	3.971.000	100

Paragraph 61 item 4 point 6

Shares held by the company executives

As of:	4.11.2004	4.02.2005
	shares in ELEKTROBUDOWA SA	shares in ELEKTROBUDOWA SA
Jacek Faltynowicz President of the Management Board	-	-
Jarosław Tomaszewski Member of the Management Board	-	-
Ariusz Bober Member of the Management Board	-	-
Stanisław Rak Member of the Management Board	300	300
Tomasz Jaźwiński Member of the Management Board	-	-
Jerzy Moszczyński Proxy	-	-
Jan Wilk Proxy	-	1*

*The share was bought on 16.03.2000 for the price of 32.60 zlotys.

The supervising persons do not hold any shares of the Company.