ELEKTROBUDOWA SA

UL. PORCELANOWA 12

KATOWICE

INDEPENDENT AUDITOR’S OPINION ON THE REVIEW INCLUDING THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 1 JANUARY 2010 TO 30 JUNE 2010

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AUDITOR'S REPORT ON THE REVIEW OF THE FULL INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD FROM 1 JANUARY 2010 TO 30 JUNE 2010

To the Shareholders and Supervisory Board of ELEKTROBUDOWA SA

We have reviewed the attached full interim consolidated financial statements of the ELEKTROBUDOWA SA Capital Group with ELEKTROBUDOWA SA having its registered office in Katowice, at Porcelanowa 12, as the Parent, including a consolidated statement of financial position prepared as of 30 June 2010, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the period from 1 January 2010 to 30 June 2010 and notes, comprising a summary of significant accounting policies and other explanatory information.

Compliance of these full interim consolidated financial statements with the requirements laid down in International Accounting Standards, International Financial Reporting Standards and the related interpretations published in the form of European Commission regulations and with other regulations in force is the responsibility of the Management Board and Supervisory Board of the Parent. Our responsibility was to review the financial statements.

Our review has been conducted in accordance with the national auditing standards issued by the National Council of Statutory Auditors. These Standards require that we plan and conduct the review in such a way as to obtain reasonable assurance that the consolidated financial statements are free from material misstatement.
Our review has been conducted mainly based on an analysis of data included in the financial statements, examination of the accounting records as well as information provided by the management and the financial and accounting personnel of the Group.

The scope and methodology of a review of full interim financial statements differ significantly from an audit, which serves as the basis for expressing an opinion on compliance of annual financial statements with the applicable accounting principles (policy) and an opinion on their fairness and clarity. Therefore, no such opinion on the attached financial statements may be issued.

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Based on our review, we have not identified any issues which would prevent us from concluding that the full interim consolidated financial statements have been prepared, in all material respects, in compliance with the requirements laid down in International Accounting Standards, International Financial Reporting Standards and the related interpretations published in the form of European Commission regulations.

....
Joanna Sklarz-Snopek
Key certified auditor
conducting the review
No. 10781

....
represented by

....
entity authorized to audit
financial statements entered under
number 73 on the list kept by the
National Council of Statutory Auditors

Warsaw, 27 August 2010

The above auditor's report on the review is a translation from the original Polish version. In case of any discrepancies between the Polish and English version, the Polish version shall prevail.

ELEKTROBUDOWA SA GROUP

Consolidated Financial Statements

For the six months from 1 January to 30 June 2010

Index to the financial statements

(all amounts in PLN thousands unless otherwise stated)

Statement of Financial Position

	Note	as at 30 June 2010	31 Dec 2009	30 June 2009
ASSETS				
Non-current assets		**159 953**	**131 019**	**120 412**
Property, plant and equipment	8	67 846	61 428	53 821
Non-current assets held for sale	9	1 033	0	0
Intangible assets	10	26 050	26 292	27 194
Investments in associates	12	23 593	24 081	21 673
Available-for-sale financial assets	13.1	32 778	6 934	6 305
Non-current receivables	15.1	7 368	9 142	8 011
Deferred income tax assets	24	0	1 400	2 240
Non-current prepayments	16	1 285	1 742	1 168
Current asssets		**311 840**	**342 985**	**308 907**
Inventories	17	24 338	5 323	15 544
Trade and other receivables	15.2	168 227	184 909	138 554
Available-for-sale financial assets	13.1	267	295	338
Held-to-maturity financial assets	13.2	0	0	19 988
Current prepayments	19	3 948	2 588	3 502
Amounts due from construction contract work	30.1	55 178	41 898	41 137
Cash and cash equivalents	18	59 882	107 972	89 844
Total assets		**471 793**	**474 004**	**429 319**
EQUITY AND LIABILITIES				
Equity		**296 476**	**289 179**	**260 287**
Issued share capital	20	26 375	26 375	26 375
Supplementary capital	21.1	261 361	219 415	219 415
Capital from valuation of available-for-sale investment	21.2	1 425	1 923	1 460
Capital from currency translation differences		2 154	(732)	332
Retained earnings		5 043	42 198	12 705
total equity attributable to shareholders of the Company		**296 358**	**289 179**	**260 287**
Minority interest in equity		**118**	**0**	**0**
Liabilities				
Non-current liabilities		**9 095**	**8 241**	**7 898**
Deferred income tax liabilities	24	1 118	0	0
Employee benefit obligations	25	2 553	2 659	2 291
Other liabilities	22.1	5 424	5 582	5 607
Current liabilities		**166 222**	**176 584**	**161 134**
Trade and other payables	22.2	130 950	131 825	123 203
Corporate income tax liabilities		47	260	2 493
Derivative financial instruments	14	159	147	0
Loans, borrowings and debt securities	23	0	0	0
Provisions	25	354	448	420
Accrued expenses	26	7 407	9 299	6 376
Amounts due to customers for construction contract work	30.2	27 305	34 605	28 642
Total liabilities		**175 317**	**184 825**	**169 032**
Total equity and liabilities		**471 793**	**474 004**	**429 319**

(all amounts in PLN thousands unless otherwise stated)

Statement of Comprehensive Income

	Note	six months ended 30 June 2010	six months ended 30 June 2009
Continuing operarations			
Revenue on sales of products, goods and materials	29	312 634	304 408
Cost of products, goods and materials sold	31	(275 582)	(261 940)
Gross profit on sales		**37 052**	**42 468**
Selling costs		(1 764)	(1 828)
Administrative expenses		(5 861)	(6 174)
Other operating expenses	32	(970)	(1 066)
Other gains (losses) - net	33	(2 224)	(853)
Operating profit		**26 233**	**32 547**
Finance income (costs) - net	34	473	451
Share of net profit of associates measured according to equity method		(469)	1 072
Gross profit before income tax		**26 237**	**34 070**
Income tax expense	35	(4 815)	(9 027)
Net profit from continuing operations for the year		**21 422**	**25 043**
Discontinued operations			
Net profit (loss) from discontinued operations for the period		**0**	**0**
Net profit for the period		**21 422**	**25 043**
of which:			
- attributable to the equity holders of ELEKTROBUDOWA SA		*21 427*	*25 043*
- attributable to minority holders		*(5)*	*0*
Other comprehensive income, total			
of valuation of available-for-sale investments		(399)	735
deferred tax on valuation of available-for-sale investments		76	(140)
reversal of valuation of available-for-sale investments		(216)	0
deferred tax on reversal of valuation of available-for-sale investments		41	0
currency translation differences of subsidiaries and associates		2 886	(179)
currency translation differences of minority interests		3	0
Total other comprehensive income		**2 391**	**416**
Total comprehensive income		**23 813**	**25 459**
- attributable to the equity holders of ELEKTROBUDOWA SA		*23 815*	*25 459*
- attributable to minority holders		*(2)*	*0*

(all amounts in PLN thousands unless otherwise stated)

Statement of Changes in Equity

	Attributable to equity holders of ELEKTROBUDOWA SA							
	Share capital	Supplementary capital from share premium	Other supplementary capital	Capital from valuation of available-for-sale investment	Retained earnings	Capital from revaluation of associates	Attributable to minority holders	Total equity
note	**20**	**21.1**	**21.1**	**21.2**				
1 January 2010	**26 375**	**100 840**	**118 575**	**1 923**	**42 198**	**(732)**	**0**	**289 179**
currency translation differences						*2 886*	*3*	*2 889*
net profit					*21 427*		*(5)*	*21 422*
valuation of available-for-sale-investments				*(399)*				*(399)*
deferred tax on valuation of available-for-sale investments				*76*				*76*
reversal of valuation of available-for-sale investments				*(216)*				*(216)*
deferred tax on reversal of valuation of available-for-sale investments				*41*				*41*
total comprehensive income				**(498)**	**21 427**	**2 886**	**(2)**	**23 813**
distribution of profit			41 936		(41 936)			0
dividend payment					(16 616)			(16 616)
other changes			10		(30)		120	100
30 June 2010	**26 375**	**100 840**	**160 521**	**1 425**	**5 043**	**2 154**	**118**	**296 476**

(all amounts in PLN thousands unless otherwise stated)

	Attributable to equity holders of ELEKTROBUDOWA SA							
	Share capital	Supplementary capital from share premium	Other supplementary capital	Capital from valuation of available-for-sale investment	Retained earnings	Capital from revaluation of associates	Attributable to minority holders	Total equity
note	**20**	**21.1**	**21.1**	**21.2**				
1 January 2009	**26 375**	**100 840**	**76 382**	**865**	**44 651**	**511**	**0**	**249 624**
currency translation differences						*(1 243)*		*(1 243)*
net profit					*54 527*			*54 527*
valuation of available-for-sale-investments				*1 307*				*1 307*
deferred tax on valuation of available-for-sale investments				*(249)*				*(249)*
total comprehensive income				**1 058**	**54 527**	**(1 243)**		**54 342**
distribution of profit			42 189		(42 189)			0
dividend payment					(14 767)			(14 767)
other changes			4		(24)			(20)
31 December 2009	**26 375**	**100 840**	**118 575**	**1 923**	**42 198**	**(732)**	**0**	**289 179**

(all amounts in PLN thousands unless otherwise stated)

	Attributable to equity holders of ELEKTROBUDOWA SA							
	Share capital	Supplementary capital from share premium	Other supplementary capital	Capital from valuation of available-for-sale investment	Retained earnings	Capital from revaluation of associates	Attributable to minority holders	Total equity
note	**20**	**21.1**	**21.1**	**21.2**				
1 January 2009	**26 375**	**100 840**	**76 382**	**865**	**44 651**	**511**	**0**	**249 624**
currency translation differences						*(179)*		*(179)*
net profit					*25 043*			*25 043*
valuation of available-for-sale-investments				*735*				*735*
deferred tax on valuation of available-for-sale investments				*(140)*				*(140)*
total comprehensive income				**595**	**25 043**	**(179)**		**25 459**
distribution of profit			42 189		(42 189)			0
dividend payment					(14 766)			(14 766)
other changes			4		(34)			(30)
30 June 2009	**26 375**	**100 840**	**118 575**	**1 460**	**12 705**	**332**	**0**	**260 287**

(all amounts in PLN thousands unless otherwise stated)

Statement of Cash Flow

	Note	six months ended 30 June 2010	30 June 2009
Cash flows from operating activities			
Gross profit before taxes		26 237	34 070
Share of net profit of associates measured according to equity method		469	(1 072)
Depreciation and amortisation	38	5 435	4 824
Gains/losses from currency translation differences		(310)	(295)
Interest and share in profit (dividends)		(473)	(452)
Profit from/loss on sale of property, plant and equipment (PPE)	38	(35)	2
Change in inventories		(19 015)	(8 987)
Change in available-for-sale financial assets	38	(382)	(303)
Change in financial assets held to maturity		0	(127)
Change in trade and other receivables	38	20 464	57 609
Change in liabilities, except loans and borrowings	38	(17 349)	(31 992)
Income tax paid	38	(2 489)	(3 680)
Change in current prepayments and accrued expenses		(3 252)	(7 346)
Change in non-current prepayments and accrued expenses		457	25
Change in settlements of construction contracts	38	(20 580)	(23 409)
Other adjustments	38	(418)	0
Net cash generated from / used in operating activities		**(11 241)**	**18 867**
Cash flows from investing activities			
Sale of intangible assets and PPE		69	94
Disposal of financial assets		3 951	0
Dividend and share in profits		1 517	452
Purchase of intangible assets and PPE		(12 656)	(9 886)
Purchase of shares in subsidiaries and associates		(152)	(4 159)
Purchase of available-for-sale financial assets		(30 000)	0
Net cash used in investing activities		**(37 271)**	**(13 499)**
Cash flows from financial activities			
Dividend and other payments to the owners		0	(525)
Other outflows		112	0
Net cash generated from/used in financial activities		**112**	**(525)**
Net decrease/increase in cash and bank ovedrafts		(48 400)	4 843
Balance sheet change in cash and bank overdrafts		(48 090)	5 138
Change in cash due to currency translation differences		310	295
Cash and bank ovedrafts at beginning of period		107 972	84 706
Cash and bank ovedrafts at end of period		**59 882**	**89 844**

Notes to the consolidated financial statements (cont'd)

Additional information

1. General information

1.1 Composition of the group and its principal business

As at the balance sheet date the group was composed of ELEKTROBUDOWA SA as a parent, three subsidiaries and three associates.

The entities included in the group were established for the unspecified time. Financial statements of the subsidiaries and associates have been prepared for the same reportable period as in the case of the parent, according to the same accounting principles.

The fiscal year is identical with the calendar year for the parent and for other entities in the group.

The Parent - ELEKTROBUDOWA SA with its registered office in Katowice, 12, Porcelanowa Str., 40-246 Katowice.

ELEKTROBUDOWA SA is a joint stock company, established and operating according to the Polish law. The company was created through transformation of the state-owned company named Przedsiębiorstwo Montażu Elektrycznego "ELEKTROBUDOWA", based in Katowice.

The transformation act was made on 9 January 1992 in the form of a notary deed (Repertory No. 225/92) by the Notary Office no.18 in Warsaw run by the notary public Paweł Błaszczak.

The company was entered in Division B under number 7682 to the Commercial Register of the District Court, 10th Register Department Katowice, on the basis of a legally binding decision issued by the said Court on 3 February 1992 (File no. RHB 7682 VII of the Central Commercial Register 48/92).
At present the company is entered in the National Court Register (KRS) at the District Court Katowice-Wschód in Katowice, 8th Business Department of under KRS reference number: 0000074725.

Principal activity of the company according to the Polish Classification of Activities (PKD 4321Z) is executing of electrical installations.

A sector according to the Warsaw Stock Exchange classification: construction.

Shares of the parent are quoted on the Warsaw Stock Exchange.

The business activity of ELEKTROBUDOWA SA includes:

- comprehensive electrical installation works for new, extended and modernized power stations and industrial facilities,
- supply of electric power equipment, mainly the energy transmission and distribution equipment,
- design engineering, testing and commissioning services.

Notes to the consolidated financial statements (cont'd)

A subsidiary KONIP Sp. z o.o. (Ltd) with its registered office at 12, Porcelanowa Str., 40 -246 Katowice.

ELEKTROBUDOWA SA holds a 100% stake in KONIP Sp. z o.o.
KONIP Sp. z o.o. administers the real property owned by or in perpetual usufruct of ELEKTROBUDOWA SA. The scope of their business particularly includes maintenance and administration of building and structures, renting the useful areas, fire protection services, cleaning the rooms and area, as well as maintenance of fixed tangible assets, execution of investment and repairs plans, property protection, managing the traditional and mobile telephone communications, maintaining the parent's archives and the reception service.

A subsidiary - ENERGOTEST sp. z o.o. with registered office in Gliwice, 44 B Chorzowska Str., 44-100 Gliwice.

ELEKTROBUDOWA SA holds 100% share in the equity of the company.

Basic activity of ENERGOTEST comprises services related to construction, modernization and operation of power generating facilities and also manufacturing of electrical equipment, switchgear and controlgear, and also tests and technical surveys.

A subsidiary - ELEKTROBUDOWA UKRAINA Ltd. with registered office in Sevastopol, in General Petrov Street, Bldg 20 office 7, 9901 Sevastopol, Ukraine.

ELEKTROBUDOWA SA holds a 62% stake in ELEKTROBUDOWA UKRAINA Ltd.

The objects of ELEKTROBUDOWA UKRAINA Ltd. comprise selling of high, medium and low voltage electrical systems, including switchgear panels and distribution substations, in the Ukrainian market, assembly of electrical equipment, switching and control devices, maintenance and repairs of electrical distribution and control devices.

An associate - KRUELTA Ltd. with its registered office at 17A, Magnitogorska Street, St Petersburg, the Russian Federation.

As at 30 June 2010 ELEKTROBUDOWA SA holds 49% of KRUELTA's equity. The percentage of ELEKTROBUDOWA's stake in KRUELTA's equity is equal to the percentage of number of votes in the General Meeting.

Principal business of KRUELTA is the assembly and selling of medium voltage switchgear systems in the Russian market. This offer is complemented with low voltage switchgear and mobile substations.

An associate – the Electrotechnical Company VECTOR Ltd. with registered office in Votkinsk, at 2, Pobiedy Str., Autonomic Republic of Udmurtia of the Russian Federation.

As at 30 June 2010 ELEKTROBUDOWA SA holds 49% of VECTOR's equity. The percentage of ELEKTROBUDOWA's stake in the equity of VECTOR is equal to the percentage of voting rights in its General Meeting of Shareholders.

Principal business activity of VECTOR comprises manufacturing of electrical and radio components, parts for electrical vacuum devices, and also providing construction works and wholesale of electrical production facilities, including communication devices.

Notes to the consolidated financial statements (cont'd)

An associate - SAUDI ELEKTROBUDOWA LLC with registered office in Riyadh, Al. Sittin, P.O. Box 3936 11481 Riyadh, the Kingdom of Saudi Arabia.

As at 30 June 2010 ELEKTROBUDOWA SA holds 33% of shares which represent 33% of the share capital of SAUDI ELEKTROBUDOWA, equal to the percentage of voting rights in the General Meeting of Shareholders.
Business scope of SAUDI ELEKTROBUDOWA includes trading low, medium and high voltage electrical systems, including switchgear panels, distribution boards and electrical substations, as well as installation, repair and maintenance services for energy control and distribution systems.

1.2 Changes in the composition of the group and their consequences

As at 30 June 2010, as compared with 30 June 2009, the following changes were introduced to the composition of the ELEKTROBUDOWA SA group:

- On 18 August 2009 ENERGOTEST sp. z o.o. took over Południowy Zakład Automatyki i Zabezpieczeń ENERGOEFEKT Sp. z o.o., accompanied by the increase of share capital of the acquiring company and issuance of the shares to the shareholders of ENERGOEFEKT Sp. z o.o. - according to the conditions set in the Draft Terms of Merger dated 26 November 2008. ELEKTROBUDOWA SA, having a 100% interest in ENERGOEFEKT Sp. z o.o. took up 190 new shares in its increased capital, of par value PLN 1000.00 each, that is total nominal value PLN 190 000.00. As at 30 June 2010 ELEKTROBUDOWA SA held 483 shares, of total nominal value PLN 483 000.00 in ENERGOTEST sp. z o.o.
- On 29 January 2010 the Management Board of the parent adopted a resolution to wind up the subsidiary KRUELTA Ltd. based in St Petersburg. Following the liquidation plan, operations of the liquidated KRUELTA will be taken over by a branch of VECTOR Ltd. established in St Petersburg by the Resolution of the General Meeting of Shareholders of VECTOR Ltd. Electrotechnical Plant adopted on 18 December 2009.
- On 6 May 2010 the General Assembly of Founders, in which ELEKTROBUDOWA SA participated, decided on the establishment of a limited liability company, ELEKTROBUDOWA UKRAINE, with registered office in Sevastopol, 20, General Petrov Street, office 7. The authorized capital of the new company amounts to 950 000 hryvnias (UAH), of which 950 000 hryvnias, 62% of the capital, was taken up by ELEKTROBUDOWA SA. ELEKTROBUDOWA UKRAINE was registered in the Unified State Register of Ukrainian Companies and Organizations on 31 May 2010.

1.3 Going concern concept

The consolidated financial statements have been prepared with the assumption of continuation of business operations by the entities in ELEKTROBUDOWA SA group in the foreseeable future, and also on the assumption that there are no circumstances indicating that the continuity of their business operations is at risk in the foreseeable time.

Notes to the consolidated financial statements (cont'd)

If, after preparation of the annual consolidated financial statements, any of the entities is informed about events which have substantial effect on this report, or which make the assumption of business continuation by the group is unjustified, the Management Board of ELEKTROBUDOWA SA will be entitled to introduce adjustments to the consolidated financial statements up to the moment of their approval. This does not rule out the possibility of introducing retrospective changes to the consolidated financial statements related to adjustment of errors, or changes in accounting policies as per IAS 8 in the later periods.

In the opinion of the Management Board of ELEKTROBUDOWA SA there are no circumstances indicating that the continuity of business operations by the group is at risk.

2. Summary of significant accounting policies

2.1 Compliance with legislation

The H1 2010 report of ELEKTROBUDOWA SA group has been prepared in conformity with the Regulation of the Minister of Finance dtd 19 February 2009 on current and interim information provided by issuers of securities and with the conditions of acknowledging the equivalence of information required by laws of a non-member country.

2.2. Basis of preparation

The consolidated financial statements of ELEKTROBUDOWA SA group have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union, according to the same principles both for the current period and comparable periods.

The present consolidated financial statements have been prepared under the historical cost convention (modified by the effects of hyperinflation on equity), with the exception of revaluation of some non-current assets and financial instruments which are shown at fair value.

Key accounting principles applied by the group are described below.

2.3 Consolidation

Subsidiaries

Subsidiaries are all entities (including special purpose entities) controlled by the parent. It is assumed that the parent has control when it has the power to influence the financial and operating policies of a subordinate entity in order to obtain gains from its operations, which is generally accompanied by a shareholding of more than one half of the voting rights in the company governing bodies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

Notes to the consolidated financial statements (cont'd)

Subsidiaries are fully consolidated from the date on which control is transferred to the group, they are de-consolidated from the date on which control ceases.
The purchase method of accounting is used to account for the acquisition of subsidiaries in the isolated parts of operations. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets is recorded as goodwill. If the cost of acquisition is lee than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.
There are no entities in the group which would be excluded from consolidation.
Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.
The parent's and other consolidated entities' share in the subsidiaries, with that portion of net assets of subsidiaries, measured at their fair value, which reflects the parent's and other consolidated entities' share in the subsidiaries, at the date of taking control by the group, is eliminated.

Associates

Associates are all entities over which the parent has significant influence, participating in formulating their financial and operational policies, but has no control over them.
In the consolidated financial statements the associates are accounted for using the equity method.
Profits or losses, assets and liabilities of associates are recognised in the consolidated financial statements using the equity method. According to this method, investments in an associate are recognised in the consolidated statement of financial position under historical cost convention, with necessary adjustment reflecting the changes of the group's share of net assets of an associate happened after the acquisition date, less impairment of investments.
The group's share of its associates' profits is recognised in the profit and loss account. Unrealised gains or losses on transactions between the group and its associates are eliminated to the extent of the group's interest in associates. The amount of dividend due to the group from the associates is also eliminated.

2.4 Foreign currency translation

1. Functional and presentation currency

The present consolidated financial statements are presented in Polish zloty (PLN). Polish zloty is the functional and presentation currency of ELEKTROBUDOWA SA group. Data presented in the consolidated financial statements are expressed in thousands of Polish zlotys, unless in some specific situations they are disclosed with greater accuracy.

Notes to the consolidated financial statements (cont'd)

2. Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the dates of the transactions as follows:

- disposal of foreign currency and repayment of receivables transactions are translated at the buying rate applied by the bank used by the group;
- purchase of foreign currency and repayment of payables transactions are translated at the selling rate applied by the bank used by the group;
- other transactions are translated at average exchange rate for each currency announced by the National Bank of Poland, the Central Bank of Russia, Saudi Investment Bank and UKROSOCBANK UniCredit Group, unless customs documents quote another exchange rate;
- assets and liabilities at the balance sheet date are translated at the average exchange rate for each currency announced by the National Bank of Poland, the Central Bank of Russia, Saudi Investment Bank and UKROSOCBANK UniCredit Group.

Gains and losses from settlement of the above transactions and balance sheet valuation of monetary assets and liabilities expressed in foreign currencies are recognised in prfit and loss account, unless they are deferred in the equity when they are qualified as hedges for cash flows and hedges of shares in net assets.

3. Translation of items of the statement of financial position and the statement of comprehensive income

The statements of financial position and the statements of comprehensive income of the group's entities of which none conducts business in the hyper-inflationary conditions and whose functional currencies are different from the presentation currency, are translated into the presentation currency as follows:

- assets and liabilities in each of the presented statement of financial position are translated according to the average closing rate valid at the balance sheet date, announced by the NBP;
- income and costs in each statement of comprehensive income are translated at average exchange rate for each currency, which is the arithmetic mean of average rates on the last day of each month of the reporting period, unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions;
- all resulting exchange differences are recognized as a separate component of equity.

2.5 Property, plant and equipment

Property, plant and equipment comprise fixed tangible assets and costs of the fixed tangible assets under construction, which the group is going to use in its operations and for administrative purposes within the period longer than one year, and which will gain future economic benefits for the entities in the group.

The borrowing costs which can be directly associated with purchase, construction or manufacture of the asset that takes a substantial period of time to get ready for its intended use or sale, are capitalised until they are released for use. The borrowing costs are capitalised according to IAS 23.

The fixed tangible assets and assets under construction are initially recognized in their purchase costs or manufacture cost.

Notes to the consolidated financial statements (cont'd)

Depreciation of fixed tangible assets is calculated according to rates which reflect their estimated useful lives. The estimated useful lives are reviewed annually. For the purpose of depreciation the straight-line method is applied.

Economic useful lives of groups of the assets are as follows:

Buildings and civil structures	25-40 years
Plant and machinery	3-15 years
Vehicles	5-7 years
Other	4-10 years

Land owned by the company is not depreciated. Costs of purchase of rights of perpetual usufruct of land on the secondary market (from other entities) are recognized as long-term accruals and impaired for the permanent loss of value within the period of their use.

Tangible fixed assets and assets under construction are tested for impairment if there are reasons indicating their loss of value; in the case of tangible fixed assets under construction their possible impairment is measured at each balance sheet date.

As at the date of the statement of financial position, tangible fixed assets other than land or tangible fixed assets under construction are calculated according to cost of manufacture or cost of purchase, less recognized depreciation write-downs and impairment write-offs, if any. Tangible fixed assets under construction are shown in the statement of financial position at manufacture cost less impairment losses.

2.6 Intangible assets

The intangibles of the group include those assets of the company which are not physical in nature but are identifiable as separate items, can be reliably measured and which will gain future economic benefits for the group. The intangible assets are recognized initially at purchase cost or cost of their production.

- Costs incurred on development projects relate to the design and testing of new or improved products, when it is probable that the project will be a commercial and technological success and costs can be measured reliably. Development costs that have a final useful life are amortised on a straight-line basis over the period of 3 to 5 years.
- Acquired computer software licences are capitalised on the basis of costs incurred to acquire and bring to use.
  Costs are amortised on a straight-line basis over 2 years. The costs associated with maintaining computer software programmes are recognized as an expense as incurred.
- Other property rights are recognized at costs of acquiring and amortised on a straight-line method over the estimated useful life (up to 5 years).

Intangibles are tested annually for impairment if there are reasons indicating the possibility of loss in value; in the case of intangible assets in the period of their realization their possible impairment is measured at each balance sheet date.

As at the date of the statement of financial position, the intangible assets are calculated according to cost less recognized impairment loss and possible amortization write-off.

Notes to the consolidated financial statements (cont'd)

2.7 Impairment of property, plant and equipment and of the intangible assets except goodwill

As at each balance sheet day the group reviews the carrying amounts of its fixed assets and intangible assets in order to decide whether the reasons for their impairment exist. If their existence has been confirmed, the recoverable amount of an asset item is measured in order to establish an amount of potential write-down. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. If an asset's recoverable amount is smaller than its carrying amount of, the carrying amount is written down to its recoverable amount.
For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

2.8 Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the group's share of the net identifiable assets of the acquired stake in subsidiary at the date of acquisition. Goodwill on acquisition of subsidiaries is included in 'intangible assets'. Goodwill is tested annually for impairment and carried at initial cost less accumulated impairment losses. Impairment losses on goodwill are not reversed in the next period. The carrying amount of goodwill relating to the disposable entity is recognized in the profit or loss on the disposal of the subsidiary.

2.9 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value as at each balance sheet date. Changes in the fair value of any of these derivative instruments are recognized in the consolidated profit and loss account within "Other gains/losses – net". The group does not designate any derivatives as hedges and treats all derivative instruments as financial assets at fair value through profit and loss.

2.10 Financial assets

a) Classification:

The group classifies its financial assets as: financial assets at fair value through profit or loss, granted loans and receivables, available-for-sale financial assets and held-to-maturity financial assets. The classification depends on the nature and purpose for which they were acquired and is defined at initial recognition.

Financial assets at fair value through profit and loss in the consolidated statements

Financial assets and liabilities at fair value through consolidated profit and loss are the assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of reselling in the short term. Assets in this category are classified as current.

Notes to the consolidated financial statements (cont'd)

Granted loans and receivables

Trade receivables for supplies and services, loans and other receivables with fixed or determinable payments, which are not quoted in an active market, are classified as loans and receivables. They are included in current assets, except those items which maturities are greater than 12 months after the balance sheet date, those items are classified as non-current assets.

Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the management has the positive intention and ability to hold to maturity. Financial assets which are held to maturity are included in non-current assets, except for those with maturities less than 12 months from the balance sheet date, which are classified as current assets.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are designated in this category and not classified elsewhere. They are included in non-current assets unless Management intends to dispose of the investment within 12 months of the balance sheet date – such assets are classified as current.

b) Recognition and measurement:

Purchases and sales of financial assets are recognized on trade date, the date on which the group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit and loss.

Financial assets at fair value through consolidated profit and loss are initially recognized at their fair value; transaction costs are shown in the income statement as cost for the period. Investments are derecognised from the consolidated statement of financial position when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value with changes reflected in the consolidated statement of comprehensive income are subsequently carried at fair value.

Granted loans, receivables and held-to-maturity investments are carried at amortised cost using the effective interest rate.

Shares owned by the entity are classified as available-for-sale financial assets and shown at fair value. Changes in fair value of available-for-sale financial assets are recognized directly in the consolidated equity.

The fair values of listed investments are based on current bid prices. If the market for a financial asset is not active (and also for unlisted securities), the group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analyses and option valuation models, using maximum data from the market and minimum data from the group's entities. When assets classified as available-for-sale are sold, the accumulated value recognized in equity in connection with the measurement of those assets to fair value is transferred to the consolidated profit and loss account for the period.

Notes to the consolidated financial statements (cont'd)

The group assesses at the balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity instruments classified as available-for-sale, their impairment is indicated by a significant or prolonged decline in the fair value of the security below the acquisition cost. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated profit and loss account – is removed from the revaluation capital and transferred to the consolidated profit and loss account. Impairment losses on equity instruments recognized in the income statement are not reversed through the income statement.

2.11 Inventories

Inventories of materials and goods are stated at the lower of cost and net realisable value using the first-in, first-out (FIFO) method.
Finished goods are measured at cost not higher than net realizable value.
Work in progress is measured at direct cost of raw materials and labour as well as justified portion of related production overheads, established basing on normal operating capacity.
The above cost does not comprise borrowing costs.
The impairment of inventories, based on the prudence principle, and the impairment of dead stock, as well as their reversal, are charged into other operating cost.

2.12 Construction contracts

Contract costs are recognised when incurred. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognized over the period of the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.
The group uses the "percentage of completion method" to determine the amount to be recognized in a given period. The stage of completion is measured by reference to the contract costs incurred up to the balance sheet date as a percentage of total estimated costs for each contract.
The group presents as an asset the amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceeds progress billings. Progress billings not yet paid by customers and retention amounts are included within "non-current receivables" and current receivables".
The group presents as a liability the amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

Notes to the consolidated financial statements (cont'd)

2.13 Trade receivables

Trade receivables are recognised initially at fair value (current realisable value) and then they are measured at adjusted purchase price (amortised cost) using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the contracts. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognized in the statement of comprehensive income.
Non-current receivables comprise receivables from contract bonds and receivables from the disposal of property, plant and equipment with deferred payment term. The deferred receivable is not considered by the group as trade receivable generated in the operating cycle.
Current value of non-current receivables as at balance sheet date is established by revaluation of discount amount due to lapse of time, using the effective interest rate method.
If, based on the documentation and after all measures to assert its rights have been exhausted, the group ascertains that a receivable is not recoverable, it is written off through comprehensive income statement and derecognised from the books.

2.14 Cash and cash equivalents

Cash and cash equivalents include cash in hand and at bank, deposits in banks, other short-term investments, highly liquid investments with original maturities of three months or less since they were deposited, received, acquired or issued. Bank overdrafts are shown within "Loans, borrowings and debt securities" on the consolidated statement of financial position.

2.15 Fixed assets held for trading and discontinued operations

The group measures a fixed asset (or groups of assets) classified as held for trading as the lower of its carrying value and fair value less cost to sell.

2.16 Share capital and supplementary capital

Share capital is recognised in the consolidated statement of financial position at the value specified in the Articles and entered in the court register, with consideration to effects of capital restatement due to hyperinflation as per provisions of IAS 29.
In case of buy back the payment for shares charges the equity and is recognized in the consolidated statement of financial position in the item "treasury shares".
Additional costs directly attributable to the issue of new shares or options are shown in equity as a deduction from proceeds, net of tax.
Supplementary capital is established as provided by the Articles from retained earnings and by transfer from other reserves. Furthermore, differences between fair value of payment received and nominal value of shares are recognized in the share premium reserve capital, with consideration to the effect of capital restatement due to hyperinflation as per provisions of IAS 29.

Notes to the consolidated financial statements (cont'd)

Where any entity in the group purchases the company's equity share capital (its own shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the entity's equity holders until the shares are cancelled, reissued or disposed of.
Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's equity holders.

2.17 Loans and borrowings

Bank loans and borrowings are recognised initially at fair value, net of transaction costs incurred. Later the borrowings are stated at adjusted purchase price (amortised cost) and any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the loan agreement using the effective interest method.
Loans and borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.18 Income taxes

Income tax for the financial year consists of a current portion and a deferred portion. Income tax is recognized in the consolidated profit and loss account, except for amounts related to items shown directly in the equity, in which case the income tax is also recognized directly in equity.

Current tax charge is measured basing on the tax result (tax base) for the relevant financial year. A tax profit (loss) is different from the accounting gain (loss) because of exclusion of tax-free revenue and expenses not deductible for tax purposes and also those expense and income items which will never be subject to tax. Tax charges are recognized using the tax rates valid in the respective financial year.
A deferred tax is measured using the balance sheet approach as the tax to be paid or recovered in future basing on the difference between the carrying amounts of assets and liabilities and their corresponding tax amounts used for measurement of the tax base.

A provision for deferred income tax is created on all taxable temporary differences, while the deferred tax asset is recognized to the amount for which it is probable that future tax gains can be reduced by recognized negative temporary differences and tax losses or tax relief that the company is allowed to use. An asset or a provision for deferred tax is not accounted for if the temporary difference arises from initial recognition of goodwill or from initial recognition of another asset or liability in a transaction that affects neither accounting profit nor taxable profit.

The deferred tax is measured at the tax rates that are expected to apply to the period when the asset is realised or the liability becomes mature.
Deferred tax assets and deferred tax provision should be offset only if the group has the enforceable right to offset its current income tax receivables and liabilities, and if the deferred income tax assets and provisions refer to the income tax imposed by the same tax authority.

Notes to the consolidated financial statements (cont'd)

2.19 Employee benefits

a) Pension and retirement obligations

The group operates a pension and retirement benefits scheme. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.
The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality State Treasury bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension or retirement benefit liability.
Actuarial gains and losses are recognized in whole amount in the consolidated profit and loss account.

b) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The group recognizes termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the date of the statement of financial position are discounted to present value.

c) Bonus plans

The group recognises a liability and an expense for bonuses defined in the scorecards which are annexed to employment contracts. Provision for bonuses is established (expense recognized on a time-proportion basis) and recognised in accrued expenses.

2.20 Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events and it is likely that an outflow of resources that reflect economic gains will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses. Increase in provisions due to passage of time is recognized as interest expense.

2.21 Trade and other payables

Trade and other payables other than financial obligations are recognised at fair value and subsequently measured at amortised cost.
Non-current liabilities are discounted to their present values at balance sheet date by revaluing the discount amount due to passage of time using the effective interest rate method.
For the group's entities the deferred liabilities are not liabilities generated in the normal cycle of operations.

Notes to the consolidated financial statements (cont'd)

2.22 Revenue recognition

Sales revenues cover fair value of the revenues from received or due payment for goods and services sold, less value-added tax, rebates and discounts and after eliminating sales between the divisions.

a) Revenue from sales of products and goods is recognised when significant part of risks and rewards from ownership of products and goods have been passed on the customer.

b) Revenues from construction contracts are recognised according to the procedure presented in item 2.12.

c) Sales of services are recognised in the accounting period in which the services are rendered, when:

  – the amount of revenue can be reliably estimated,
  – the entity is likely to gain financial profit from the transaction,
  – stage of completion of the transaction on the balance sheet date can be reliably determined.

d) Interest income is recognised on a time-proportion basis using the effective interest method.

e) Dividend income is recognized when the right to receive payment is established.

3. Critical accounting estimates and judgments

Preparing the consolidated financial statements the company makes estimates and assumptions concerning the future.
Judgments by management were applied in estimating the effect of hyperinflation on the amount of share capital and supplementary capital (details in Notes 20 and 21), in estimating the amount of provisions for warranty repair works (details in Note 25) and in estimating receivables and payables related to the long-term construction contracts (details in Note 30).
Information on ELEKTROBUDOWA's influence on the operating and financial policy of Biprohut is disclosed in Note 13.

The company verifies annually the useful lives of its plant and equipment. They are reviewed in order to ascertain the correctness of the assumed periods of useful lives, and the following is assessed:

- normal wear and tear
- functional depreciation
- intensity of past use
- intensity of present and estimated use
- availability of spare parts and consumables.

Furthermore, consultations are carried out with persons responsible for the use of fixed assets in the company's divisions, with the users and industrial experts. The results of the review show that the useful lives of fixed assets were correctly established and no fixed assets were identified for which the depreciation rates should be changed as at 1 January 2010.
The parent's goodwill is tested annually for impairment. Details of measuring the goodwill with the impairment test methodology according to IAS 36, goodwill amount are provided in item 2.8 of the summary of significant accounting policies.

Notes to the consolidated financial statements (cont'd)

4. Financial risk management

The group's activities are exposed to financial risks:
- market risk (including foreign exchange risk, fair value or cash flows interest-rate risk and price risk);
- credit risk;
- liquidity risk.

Risk management covers identification and evaluation of risk and defines relevant procedures for managing risk.
The Management Board of the parent provides general principles for overall risk management as well as policies covering specific areas, use of derivative financial instruments and investing excess liquidity.

4.1 Foreign exchange risk

The group is exposed to foreign exchange risk arising from buying and selling transactions carried in various currencies. In the case of exports in EUR carried out by the group there is a natural hedging, as most of imports are also carried out in EUR.
An essential element of the group's operations exposed to foreign exchange risk is export in US$ and those contracts carried out in Poland which are concluded in EUR but settled in PLN.
The analysis of present currency structure of sales revenues shows that the foreign currency translation risk is not particularly significant; the revenue earned in foreign currencies is 15.3% of total revenues gained by the group in H12010, of which 6.1% falls to revenue earned in in euros from sales to Finland and 4.7% of total revenues from sales in US dollars to the Russian Federation.
In the trade receivables, amounts of receivables in foreign currencies constitute 16.2%, in the structure of payables amounts of payables in foreign currencies constitute 1.7% and in the structure of cash – foreign currencies constitute 20.8%.

From the analysis of the impact of movement in currency/PLN exchange rates against the rates announced by the National Bank of Poland at 30 June 2010 it may be expected that:
- if the USD exchange rate had strengthened or weakened by 10%, the net profit would have been 727 thousand PLN higher or lower, as a result of positive or negative differences on translation of receivables, payables and cash, whereas the 25% rise or fall of the exchange rate would result in 1816 thousand PLN increase or decrease in the net profit;
- if the EUR exchange rate had strengthened or weakened by 10%, the net profit would have been 2480 thousand PLN higher or lower, as a result of positive or negative differences on translation of receivables, payables and cash, whereas the 15% rise or fall of the exchange rate would result in 3720 thousand PLN increase or decrease in the net profit

The group companies' exposure to foreign exchange risk in the current period fell with respect to transactions denominated in USD, while it rapidly rose with respect to transactions in EUR. This is bound with the decline in trade receivables denominated in USD and substantial growth of EUR-denominated receivables.

In the structure of the group's foreign currency revenues for the first half of 2010 the sales in euro had the biggest, 64.2% share, whereas the sales in US dollars accounted for 35.7% of all.

Notes to the consolidated financial statements (cont'd)

Measurement:

	six months ended 30 June 2010		six months ended 30 June 2009	
	currency		currency	
	USD	**EUR**	**USD**	**EUR**
- amount in foreign currency (receivables and cash less payables) (USD'000 / EUR'000)	2 641	7 384	2 965	3 438
- exchange rate at 30 June 2010	3,3946	4,1458	3,1733	4,4696
- receivables, payables and cash at 30 June 2010 (PLN'000)	8 965	30 612	9 412	15 361
- **exchange rate accounting for 10% change**	**3,7341**	**4,5604**	**3,4906**	**4,9166**
- receivables, payables and cash with exchange rates change considered	9 862	33 674	10 350	16 903
- change in profit before taxes (PLN'000)	897	3 062	938	1 542
- change in net profit (PLN'000)	727	2 480	760	1 249
- **exchange rate accounting for 25%change of USD and 15% change of EUR**	**4,2433**	**4,7678**	**3,9666**	**5,1400**
- receivables, payables and cash with exchange rates change considered	11 207	35 205	11 761	17 671
- change in profit before taxes (PLN'000)	2 242	4 593	2 349	2 310
- change in net profit (PLN'000)	1 816	3 720	1 903	1 871

4.2 Interest rate risk

Owing to the level and fluctuations of interest rates and also due to the fact that the group did not have long-term borrowings it was not necessary to hedge the interest rate risk.

Net profit of the group was not affected by changes in interest rates, as in H1 2010 the group's companies did not utilise any bank loans.

(all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (cont'd)

4.3 Credit risk

4.3.1 Credit risk arising from cash and deposits with banks

The entities with whom the group enters into deposit transactions operate in the financial sector. These are exclusively banks registered in Poland or operating in Poland as branches of foreign banks. All those institutions have suitable equity and strong, stable market position. The parent's branch registered in Finland is serviced by Nordea Bank Finland PLC based in Finland. As at 30 June 2010 maximum share of one bank in respect of resources deposited by the group was 40%.
Taking into account the above and the short term nature of investment it is considered that the cash and bank deposits credit risk is low.

Cash in bank and on hand:

		as at		
		30 June 2010	**31 December 2009**	**30 June 2009**
-	Bank PeKaO S.A.	22 709	54 398	18 617
-	BANK HANDLOWY w Warszawie S.A.	2 448	14 327	22 528
-	PKO BP S.A.	2 645	10 997	16 354
-	ING BANK ŚLASKI S.A.	5 895	9 678	10 562
-	BRE BANK S.A.	18 667	9 444	14 370
-	FORTIS BANK POLSKA S.A.	2 325	5 944	3 800
-	NORDEA BANK FINLAND PLC	4 753	3 024	1 840
-	RAIFFEISEN BANK POLSKA S.A.	152	150	1 763
-	UKROSOCBANK UniCredit Group	283	0	0
-	CASH	5	10	19
TOTAL		**59 882**	**107 972**	**89 844**

4.3.2 Credit risk arising from derivative financial instruments

The entities with whom the group enters into derivative contracts operate in the financial sector. These are financial institutions (mostly banks) which have suitable equity and strong, stable market position. In H1 2010 the group had derivative instruments, which were Forward transactions for the amount of 1200 thousand EUR with the forward rate of 4.2860 PLN, transaction value 5 143.2 PLN. The transaction will be settled on 23 July 2010.
Value of the derivative instruments transaction as at 30 June 2010 is 159 thousand PLN, they are financial liabilities (note 14).
As only the financial institution with high rating are accepted, the group's exposure to credit risk arising from derivative financial instruments is not significant.

(all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (cont'd)

4.3.3 Credit risk arising from trade and other receivables

Credit risk is also the risk of unfulfilling the contractual obligations by a customer, which can result in financial losses for the group.
The group entities operate in different business sectors, so concentration of credit risk in a single industry does not exist.

The companies of the group have always cooperated with a big number of customers geographically diversified. Vast majority of sales is destined for the domestic market, Scandinavian market and East-European market. Geographical concentration of credit risk arising from trade receivables is the following:

	30 June 2010	31 December 2009	30 June 2009
Poland	84.0%	92.0%	92.0%
Finland	6.8%	3.3%	2.6%
Russia	3.8%	1.1%	3.6%
Israel	1.9%	-	-
Turkey	1.4%	0.6%	0.1%
Austria	1.3%	-	-
Other countries	0.8%	3.0%	1.7%

The group sells its products partially against down payments. Credit quality of counterparties is also regularly monitored on the basis of the condition of receivables. The policy of current monitoring of customers consisting in assessment of their ability to settle financial liabilities allows verifying the related credit exposure, both at the stage of quotations and at the stage of project realization.

The group has hedged some of its receivables with promissory notes, contract bonds and mortgage.

Provision for impairment of trade receivables is made when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the carrying amount and the present value of estimated future cash flows.

(all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (cont'd)

The table below presents the aging analysis of past due trade receivables as of 30 June 2010 as compared with the same period of the previous year:

Current trade receivables	**as at**		
	30 June 2010	**31 December 2009**	**30 June 2009**
1. current	148 384	167 727	116 570
2. overdue:			
a) up to 1 month	8 296	8 835	4 992
b) over 1 month up to 3 months	5 095	5 469	5 297
c) over 3 months up to 6 months	203	116	1 797
d) over 6 months up to 1 year	38	227	4 301
e) over 1 year	0	0	161
TOTAL	**162 016**	**182 374**	**133 118**

The overdue receivables shown in the table are not impaired.
Amounts of impairment provisions are:

- as of 30 June 2010 16 910 thousand PLN,
- as of 30 June 2009 16 204 thousand PLN.

In the first half of 2010 a provision for impairment of receivables in the amount of 6 209 thousand PLN was created), while the provision established in H1 2009 amounted to 5 969 thousand PLN. As at the balance sheet date the group impaired 9.1% of its receivables.
Trade receivables are not impaired if in the opinion of the group they are not uncollectible, taking into account current financial position of the customers and past experience of the group.
Basing on available historic data and long experience in contacts with customers, the parent estimates the risk of not receiving the amounts of trade receivables as low.

4.4 Financial liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities and guarantee lines.

These are manifested by:
- diversification of sources of funding – cooperation with nine banks,
- various methods of funding –bank overdrafts,
- use of various bank products, like balancing of accounts on a day-to-day basis, overnight deposits, certificates of deposits, derivative instrument transactions, negotiated exchange rates,
- versatile cooperation with insurance companies and banks in the scope of insurance and bank contract bonds.

Essential from the point of view of liquidity is also the use of trade credit allowed by suppliers, with extended payment terms.

(all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (cont'd)

The table shows the breakdown of undiscounted financial liabilities of the group into relevant maturity groupings based on the remaining period from the balance sheet to the contractual maturity date:

Undiscounted trade and other receivables as at:	**1 month or less**	**1 -3 months**	**3-6 months**	**6-12 months**	**over 1 year**	**Total**
30 June 2010	93 003	29 682	8 106	159	6 289	**137 239**
31 December 2009	90 480	33 119	8 139	87	6 578	**138 403**
30 June 2009	109 419	2 392	9 296	2 032	6 772	**129 911**

As at 30 June 2010 the entities of the group had credit lines on current accounts available up to 17 000 thousand zloty, of which:
- ELEKTROBUDOWA SA up to 16 000 thousand PLN
- ENERGOTEST sp. z o.o. up to 1 000 thousand PLN

The amounts were not utilized.
As at 30 June 2009 the entities of the group had credit lines on current accounts available up to 24 130 thousand zloty, of which:
- ELEKTROBUDOWA SA up to 23 130 thousand PLN
- ENERGOTEST sp. z o.o. up to 1 000 thousand PLN

The amounts were not utilized.

Both in H1 2010 and in the comparable period, owing to positive cash flows from operating activities and significant amounts of cash balance, the group' external sources of financing were limited to trade credit. Investing the free resources depends on contractual maturity dates for payables, in order to mitigate the liquidity risk as much as possible.

If the market conditions deteriorate and the necessity of additional financing of operations or refinancing of debt through borrowings appear, liquidity risk may increase.

4.5 Price risk

The group is exposed to price risk which arises from current economic situation in the power industry, chemical, building and metallurgy sectors, mainly from prices of electrical materials and equipment and steel products.
Adequate policy, organisational structure and procedures as well as actions related to risk management support the process of negotiating and establishing prices at optimum level.
Period of executing a trade contract, from order acceptance to contract completion, is not long (1 year at average), so adequate selling prices formation is possible.

Notes to the consolidated financial statements (cont'd)

4.6 Fair value change risk

The group is exposed to the risk of change in fair value of its available-for-sale financial assets.
The risk is not significant, as the total amount of available-for-sale financial assets is 33 045 thousand PLN, which is 7.0% of the company's total assets. It is only an estimate, subject to change, as:

- fair value of non-current financial assets available for sale was determined, in respect of shares in third party entities, using the method of discounted cash flows (income method), as since long there has not been any market offer to buy the shares, and also basing on current quotation of participation units in the Investment Funds on the regulated market;
- fair value of current financial assets which are available for sale was determined according to current quotation on the stock exchange in respect to listed securities and basing on present bid price in case of unlisted securities.

Available-for-sale financial assets include:

1. Carrying amount of shares in PI Biprohut Sp. z o.o. based in Gliwice was 2 890 thousand PLN at 30 June 2010 and 30 June 2009. The fair value of shares was measured by an independent expert with the use of the Swiss method.

2. The company received ordinary shares in Mostostal Zabrze S.A. in result of conversion of debt after arrangement with creditors of Mostostal Zabrze. As of the date of acquisition the fair value of the received shares was recognised in the asset item "Available-for-sale financial assets". The shares were remeasured as at 30 June 2010 according to the WSE quotation price of the shares of Mostostal Zabrze S.A. on the day of measurement. The carrying amount of shares in Mostostal Zabrze at the end of the first half of 2010 was 175 thousand PLN, while at 30 June 2009 it was 203 thousand PLN. The Management of the parent decided to sell the shares of Mostostal Zabrze S.A.

3. Ordinary shares in Famak SA based in Kluczbork in the quantity of 5 450 (nominal value of 1 share = 10 PLN) were received in result of conversion of debt after arrangement with creditors. The shares of Famak are not quoted on the stock exchange. Their fair value was measured as of 30 June 2010, basing on the purchase price offered to ELEKTROBUDOWA SA for the purchase of shares. The fair value of the shares did not change and amounted to 24 thousand PLN both on 30 June 201 and 30 June 2009. ELEKTROBUDOWA SA is recognizing the market in order to find a buyer for the shares of Famak.

4. The company received ordinary shares in Energoaparatura S.A. based in Katowice in result of conversion of debt in arrangement with creditors. As of the date of acquisition the fair value of received shares was recognised in the asset item "Available-for-sale financial assets". The shares were measured as at 30 June 2010 according to the WSE quotation price of the shares of Energoaparatura on the day of measurement. After The fair value of the shares did not change and amounted to 23 thousand PLN both on 30 June 201 and 30 June 2009. The management of the entities in the group decided to sell the shares of Energoaparatura S.A.

Notes to the consolidated financial statements (cont'd)

5. The carrying amount of shares in Energotest Diagnostyka Sp. z o.o. based in Brzezie k.Opola was 259 thousand PLN as at 30 June 2010 and 8 thousand PLN as at 30 June 2009.

The shares of Mostostal Zabrze S.A. and Energoaparatura SA are quoted on the WSE, which is bound with increased market risk, as the quotations are frequently changing.

6. In the first half of 2010 the group invested its free cash and purchased in units in open-end investment
   The carrying amount of participation units in Open-end Investment funds at the end of the first half of 2010 amounted to 29 629 thousand PLN.
   The fair value of participation units in open-end investment funds as of 30 June 2010 was established basing on the current quotation in regulated trading.

If the quotation prices of the investment funds dropped by 5% their fair value would be by 1 584 thousand PLN lower and the net financial result of the group would fall by 1 283 thousand PLN.
In usual market conditions Franklin Templeton Investment Funds will carry out its investment strategy by investing its assets in portfolio of debt securities with fixed or variable interest and in debentures issued by governments, governmental institutions and corporations worldwide.
According to the group's estimates, the risk of significant impairment of the purchased units in investment funds in longer time horizon is low.

Notes to the consolidated financial statements (cont'd)

Analysis of sensitivity of the result to the price reduction of units in the Investment Funds.

	Number of units	Quotation price as at 30 June 2010 (PLN)	Fair value of units as at 30 June 2010 (PLN'000)	Prices accounting for 5% reduction (PLN)	Adjusted value of units (PLN'000)	Impact on the result (PLN'000)
SICAV Templeton Global Total Return Fund	519 443.956	56.83	29 625	53.99	28 045	(1 584)

In the first half of 2010 the group did not invest free cash flow in corporate bonds or treasury bills.

(all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (cont'd)

4.7 Capital risk management

The group's objectives when managing the capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, as well as to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. Consistently with others in the industry, the group monitors its capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total trade liabilities and bank borrowings less cash and cash equivalents. Total capital is calculated as equity plus net debt. The group's strategy during the first half of 2010, like in the comparable period, was to maintain the gearing ratio on the level not exceeding 30%.

The gearing ratios in the reportable periods were as follows:

	H1 2010	2009	H1 2009
trade and other payables	136 374	137 407	128 810
bank borrowings	0	0	0
cash and cash equivalents	(59 882)	(107 972)	(89 844)
net financial debt	76 492	29 435	38 966
equity	296 476	289 179	260 287
total capital	372 968	318 614	299 253
gearing ratio (effective debt ratio)	21%	9%	13%

5. New accounting standards and IFRIC interpretations

Standards and Interpretations applied for the first time in 2010

The following amendments to the existing standards issued by the International Accounting Standards Board and adopted by the EU came into force in 2010 and were effective for the period ended 30 June 2010:

Standards and Interpretations issued by IASB and adopted by the EU but not yet effective

At the date of authorisation of these financial statements the company has not applied the following standards, their revisions and interpretations which were published and adopted by the EU but not yet effective:

- **IFRS 1 (revised) "First-time Adoption of IFRS" -** published by IASB on 27 November 2008, adopted by the EU on 25 November 2009 (effective for annual periods beginning on or after 1 January 2010). The revisions included reorganising the contents and moving to appendices most of the Standard's numerous exceptions and exemptions. The Board has removed out-of-date transitional provisions and made some minor wording amendments.

Notes to the consolidated financial statements (cont'd)

- **IFRS 3 (revised) "Business Combinations" -** published by IASB on 10 January 2008, adopted by the EU on 3 June 2009 (effective for annual periods beginning on or after 1 July 2009). The revised IFRS 3 requires recognition of acquisition costs in the period expenses. Revisions to IFRS 3 and the related changes to IAS 27 limit application of acquisition accounting principles only to the moment of control takeover; in consequence, goodwill is calculated as at that date only. IFRS 3 shifts more focus to fair value as at the acquisition date, providing details of its recognition. The change to the standard allows measurement of non-controlling interest (before amendment minority interests) in the acquiree at fair value or proportionally to its share in the identifiable net assets of the acquiree. The revised standard requires measurement of consideration related to the acquisition at fair value as at the acquisition date. The same principle applies to fair value of any contingent consideration due. IFRS 3 allows very few adjustments to measurement at initial recognition of the combination account and only if they result from additional information obtained with regard to facts and circumstances existing as at the acquisition date. Any other changes are recognized in profit/loss. The Standard defines impact on the acquisition accounting if the acquirer and acquiree were parties to a previous relation. IFRS 3 states that an entity has to classify all contractual terms as at the acquisition date with two exceptions: leases and insurance contracts. The acquirer applies its accounting standards and makes decisions in such a way as if the contractual relationship were taken over regardless of the business combination.

- **Amendments to IAS 27 "Consolidated and Separate Financial Statements" (revised) -** issued by IASB on 10 January 2008, adopted by the EU on 3 June 2009 (effective for annual periods beginning on or after 1 July 2009). In specific conditions, early application is permitted. According to the revised standard, changes in the acquiree's interest in its subsidiary that do not result in a loss of control are accounted for in equity as transactions with owners in their capacity as owners. For such transactions, no financial profit/loss is recognized or goodwill remeasured. Any difference between the change in the non-controlling interest and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the parent. The Standard defines accounting procedures to be applied by the parent if control of a subsidiary is lost. Amendments to IAS 28 and IAS 31 extend requirements regarding accounting for loss of control. If therefore an investor has lost significant impact on its associate, the entity should be derecognized and the difference between the total of cash inflows and the preserved interest in fair value and the carrying value of investment in the associate as at the date of losing the significant impact recognized in the profit/loss. A similar approach is required if an investor loses control over a jointly controlled entity.

- **Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" – Eligible hedged items -** published by IASB on 31 July 2008, adopted by the EU on 15 September 2009 (effective for annual periods beginning on or after 1 July 2009). The revised Standard explains two hedge accounting issues: identifying inflation as a hedged risk or its portion; and hedging with options. The amendments make clear that inflation may only be hedged in the instance where changes in inflation are a contractually specified portion of cash flows of a recognised financial instrument. The amendments also clarify that a risk-free or benchmark interest rate portion of the fair value of a fixed-rate financial instrument will normally be separately identifiable and reliably measurable and, therefore, may be hedged. The revised IAS 39 permits an entity to designate purchased (or net purchased) options as a hedging instrument in a hedge of a financial or non-financial item. An entity may designate an option as a hedge of changes in the cash flows or fair value of a hedged item above or below a specified price or other variable (a one-sided risk).

Notes to the consolidated financial statements (cont'd)

- **IFRSs (2009), "Amendments to International Financial Reporting Standards" -** amendments to various standards and interpretations resulting from the annual quality improvement project of IFRS published on 16 April 2009, adopted by EU on 23 March 2010 (effective for annual periods beginning on or after 31 December 2009). (IFRS 2, IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 18, IAS 36, IAS 38, IAS 39, IFRIC 9, IFRIC 16) primarily with a view to removing inconsistencies and clarifying wording (most of changes are effective for annual periods beginning on or after 1 January 2010). The revisions clarify the required accounting recognition in cases where free interpretation used to be permitted. The most important changes include new or revised requirements regarding: (i) scope of IFRS 2 and revised IFRS 3, (ii) disclosures of non-current assets (or disposal groups) classified as held for sale or discontinued operations, (iii) disclosure of information about segment assets, (iv) current/non-current classification of convertible instruments, (v) classification of expenditures on unrecognised assets, (vi) classification of leases of land and buildings, (vii) determining whether an entity is acting as a principal or as an agent in customer loyalty programmes, (viii) unit of accounting for goodwill impairment test, (ix) additional consequential amendments arising from revised IFRS 3; and measuring the fair value of an intangible asset acquired in a business combination, (x) treating loan prepayment penalties as closely related embedded derivatives; scope exemption for business combination contracts; cash flow hedge accounting, (xi) scope of IFRIC 9 and revised IFRS 3, (xii) amendment to the restriction on the entity that can hold hedging instruments.

- **Amendments to IFRS 2 "Share-based Payment" - Group cash-settled share-based payment transactions -** published by IASB on 18 June 2009, adopted by EU on 23 March 2010 (effective for annual periods beginning on or after 1 January 2010). The amendments clarify: (1) the scope of IFRS 2. An entity that receives goods or services in a share-based payment arrangement must account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash, (2) the interaction of IFRS 2 and other standards. The Board clarified that in IFRS 2 a 'group' has the same meaning as in IAS 27 Consolidated and Separate Financial Statements, that is, it includes only a parent and its subsidiaries. The amendments to IFRS 2 also incorporate guidance previously included in IFRIC 8 Scope of IFRS 2 and IFRIC 11 IFRS 2—Group and Treasury Share Transactions. As a result, the IASB has withdrawn IFRIC 8 and IFRIC 11.

- **IFRIC 12 "Service Concession Arrangements" -** published by IASB on 30 November 2006, adopted by the EU on 25 March 2009 (effective for annual periods beginning on or after 30 March 2009). The Interpretation provides guidance for operators in service concession arrangements between the public and private sector with regard to accounting recognition of these arrangements. IFRIC 12 applies to arrangements where concessionaire controls or regulates services to be provided by the operator with the use of specific infrastructure, as well as a material remaining share in the infrastructure as at the end of arrangement delivery.

- **IFRIC 15 "Agreements for the Construction of Real Estate" -** published by IASB on 3 July 2008, adopted by the EU on 22 July 2009 (effective for annual periods beginning on or after 1 January 2010). IFRIC 15 deals with two (related) issues: determines whether a construction contract is subject to IAS 11 "Construction Contracts" or IAS 18 "Revenue" and when revenues from the construction of real estate are to be recognized. The Interpretation provides additional guidance on the distinction between 'construction contracts' (falling within the scope of IAS 11) and other agreements for the construction of real estate (falling within the scope of IAS 18).

Notes to the consolidated financial statements (cont'd)

Agreements involving construction of real estate need to be examined carefully to determine whether they should be accounted for in accordance with IAS 11 or IAS 18. Entities most affected are likely to be those that undertake construction of multiple-unit developments. For agreements falling within the scope of IAS 18 and involving the supply of goods, the Interpretation has introduced a new concept, i.e. that IAS 18's revenue recognition criteria may be met 'continuously as construction progresses'. In such circumstances, revenue is recognised by reference to the stage of completion of construction, using the percentage of completion method.

- **IFRIC 16 "Hedges of a Net Investment in a Foreign Operation" -** published by IASB on 3 July 2008, adopted by the EU on 4 June 2009 (effective for annual periods beginning on or after 1 July 2009). The Interpretation determines: (i) currency risk qualifying for the hedge and the amount that can be hedged; (ii) where to maintain a hedging instrument within the group; (iii) what amount should be recognized in the income statement if a foreign operation is sold.

- **IFRIC 17 "Distributions of Non-Cash Assets to Owners" -** published by IASB on 27 November 2008, adopted by the EU on 26 November 2009 (effective for annual periods beginning on or after 1 November 2009). The Interpretation provides guidance on the appropriate accounting treatment when an entity distributes assets other than cash as dividends to its shareholders. The most significant conclusion reached by the IFRIC is that the dividend should be measured at the fair value of the assets distributed, and that any difference between this amount and the previous carrying amount of the assets distributed should be recognised in profit or loss when the entity settles the dividend payable. The Interpretation does not apply to non-cash assets if distribution does not result in a change of control.

- **IFRIC 18 "Transfers of Assets from Customers" -** published by IASB on 29 January 2009, adopted by the EU on 27 November 2009 (effective for annual periods beginning on or after 1 November 2009). This Interpretation is of particular relevance for the utility sector as it clarifies the accounting for agreements where an entity receives an item of property, plant and equipment (or cash to construct such an item) from a customer and this equipment in turn is used to connect a customer to a network or to provide ongoing access to supply of goods/services.

Standards and Interpretations issued by IASB and adopted by the EU but not yet effective

Approving the present financial statements the group did not apply the following standards and interpretations, issued and adopted by the EU but not yet effective:

- **Amendments to IFRS 1 "First-time Adoption of IFRS" - Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters** - published by IASB on 28 January 2010, adopted by EU on 30 June 2010 (effective for annual periods beginning on or after 1 July 2010). This amendment relieves first-time adopters of IFRSs from providing the additional disclosures introduced in March 2009 by Improving Disclosures about Financial Instruments (Amendments to IFRS 7).

- **Amendments to IAS 32 "Financial Instruments: Presentation" - Accounting for rights issues -** published by IASB on 8 October 2009, adopted by the EU on 23 December 2009 (effective for annual periods beginning on or after 1 February 2011). The amendment addresses the accounting for rights issues (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer. Previously such rights issues were accounted for as derivative liabilities. The amendment requires that, provided certain conditions are met, such rights issues are classified as equity regardless of the currency in which the exercise price is denominated.

Notes to the consolidated financial statements (cont'd)

- **Amendments to IAS 24 "Related Party Disclosures" - Simplifying the disclosure requirements for government-related entities and clarifying the definition of a related party** - published by IASB on 4 November 2009, adopted by the EU on 19 July 2010 (effective for annual periods beginning on or after 1 January 2011). The amendments provide a partial exemption for government-related entities. Until now, if a government controlled, or significantly influenced, the entity was required to disclose information about all transactions with other entities controlled, or significantly influenced by the same government. The revised standard still requires disclosures that are important to users of financial statements but eliminates requirements to disclose information that is costly to gather and of less value to users. The IASB has also simplified the definition and removed inconsistencies.

- **Amendments to IFRIC 14 "IAS 19 — The Limit on a defined benefit Asset, Minimum Funding Requirements and their Interaction" - Prepayments of a Minimum Funding Requirement -** published by IASB on 26 November 2009, adopted by the EU on 19 July 2010 (effective for annual periods beginning on or after 1 January 2011). According to the former version of the interpretation, in some circumstances entities were not permitted to recognise as an asset some minimum funding requirements. The amendments correct this problem.

- **IFRIC 19 "Extinguishing Liabilities with Equity Instruments" -** published by IASB on 29 January 2009 and adopted by the EU on 23 July 2010 (effective for annual periods beginning on or after 1 July 2010). The interpretation clarifies the requirements of International Financial Reporting Standards (IFRSs) when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially.

The group decided not to apply earlier the above standards, amendments to standards or interpretations. According to the estimates by the group's entities, the above standards, amendments and interpretations would not have had a significant impact on the financial statements if they had been applied by them as at the balance sheet date.

Standards and Interpretations issued by IASB but not yet adopted by the EU

IFRS 9 "Financial Instruments" - published by IASB on 12 November 2009 (effective for annual periods beginning on or after 1 January 2013). Standard uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the many different impairment methods in IAS 39.

- **IFRS (2010) „Improvements to the International Financial Reporting Standards"** - issued by IASB on 6 May 2010 (most of them effective for annual periods beginning on or after 1 January 2011). A number of amendments were made to standards and interpretations, a part of the Board's programme of annual improvements to Standards (IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34 and IFRIC 13), which focus on areas of inconsistency in IFRSs or where clarification of wording is required. The introduced amendments clarified the required accounting methods of presentation in situations, where different interpretations were allowed so far.

Notes to the consolidated financial statements (cont'd)

The most important of them are new or revised requirements relating to: (i) Accounting policy changes in the year of adoption, (ii) Revaluation basis as deemed cost, (iii) Use of deemed cost for operations subject to rate regulation, (iv) Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS 3, (v) Measurement of non-controlling interests, (vi) Un-replaced and voluntarily replaced share-based payments awards, (vii) Clarification of disclosures required by IFRS 7, (viii) Clarification of the statement of changes in equity, (ix) Transition requirements for amendments made as a result of IAS 27, (x) Significant events and transactions described in IAS 34, (xi) Fair value of award credit.

The group anticipates that the adoption of these standards, revisions and interpretations would have no material impact on the consolidated financial statements, if they were applied by the group as at the balance sheet date.

At the same time, hedge accounting regarding the portfolio of financial assets and liabilities, whose principles have not been adopted by the EU, is still unregulated. According to the group's estimates, application of hedge accounting for the portfolio of financial assets or liabilities pursuant to **IAS 39: "Financial Instruments: Recognition and Measurement"**, would not significantly impact the consolidated financial statements, if applied as at the balance sheet date.

6. Operations discontinued in the reporting period or to be discontinued in the next period

None operation was discontinued by either of the group's entities in H1 2010 and no such discontinuation is planned in the following period.

7. Segmental information

Primary reporting format – business segments

Business activity of the group is primarily categorised by industries.
Operations of business segments consist in providing construction and installation services, realization of electric power facilities and manufacturing of electrical and automation equipment.
The group's reporting segments are its strategic divisions, identified in respect of organisational structure and strategy, offering different products and services. They are separately managed, as the operations of each require different production technology and different marketing strategy. The group is organized into four reportable segments:

- The segment: Power Generation Division provides services for power and heat generating plants, heavy industry, particularly metallurgy and mining together with processing facilities. The services include electrical installation and erection, commissioning and start up of electrical plant and equipment, and also manufacture and installation of high-current busducts.

Notes to the consolidated financial statements (cont'd)

- The segment: Industry Division renders services for broadly understood public sector, trade (retail centres) and industry, including petrochemical, paper & pulp, road building, etc. The services include electrical installation, commissioning and start-up and general realization of investments.

- The segment: Power Distribution Division provides overall services for the power distribution sector and supplies products manufactured by the division. The core business of the segment is the production and selling of low and medium voltage equipment, particularly low and medium voltage switchgear systems and mobile substations, manufacture and sale of steel cable trays and supports, development and selling of control and signalling equipment, the supply of complete distribution substations and turnkey contracts for power transmission and distribution projects.

- The segment: Automation Division provides turnkey realization of electrical part of power facilities. It also supplies turnkey power automation systems, such as: protection, synchronization, power supply changeover systems, signal transmission, control and supervision systems, generator excitation and voltage control systems. The segment also manufactures power automation devices and equipment for switchgear panels. The business operations include also provision of expert systems for power industry, water power stations and industrial plants, event and disturbance recording software. The scope of the segment's activities comprises operational and routine tests of electrical equipment and systems in power plants and combined heat & power stations, industrial facilities and high voltage stations and switchyards.

- Other items include other material and not material services provided for external customers.

The accounting principles applied to the segments are the same as described in the presentation of the significant accounting standards.
Inter-segment transfers or transactions are entered into under the normal commercial terms, as available also to third parties.

Presented below is the analysis of revenues and results of the group's reportable segments:

(all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (cont'd)

Business segment results for H1 2010

	Power Generation Division	**Industry Division**	**Power Distribution Division**	**Automation Division**	**All Other Segments**	**Group total**
Continuing operations						
Sales revenue	111 196	114 493	97 194	15 494	4 166	**342 543**
of which:						
Revenue on external customers	110 124	106 862	80 987	13 558	1 103	**312 634**
Inter-segment sales	1 072	7 631	16 207	1 936	3 063	**29 909**
Operating profit	**10 746**	**4 913**	**11 160**	**(2 763)**	**2 177**	**26 233**
Financial activities result	0	0	0	21	452	**473**
Share of net profit of associates measured according to equity method	0	0	(469)	0		**(469)**
Profit before income tax	**10 746**	**4 913**	**10 691**	**(2 742)**	**2 629**	**26 237**
Income tax expense	(2 297)	(890)	(2 728)	270	830	**(4 815)**
Net profit from continuing operations for the period	**8 449**	**4 023**	**7 963**	**(2 472)**	**3 459**	**21 422**
Discontinued operations						
Net profit (loss) from discontinued operations for the period	**0**	**0**	**0**	**0**	**0**	**0**
Net profit for the period	**8 449**	**4 023**	**7 963**	**(2 472)**	**3 459**	**21 422**
of which:						
net profit of equity holders of ELEKTROBUDOWA SA	8 449	4 023	7 968	(2 472)	3 459	21 427
- net profit of minority shareholders	0	0	(5)	0	0	(5)

Other business segment items recognized in the profit and loss account for H1 2010

	Power Generation Division	**Industry Division**	**Power Distribution Division**	**Automation Division**	**All Other Segments**	**Group total**
depreciation	1 450	678	946	280	925	**4 279**
amortisation	130	67	799	132	28	**1 156**

(all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (cont'd)

Business segment results for H1 2009

	Power Generation Division	Industry Division	Power Distribution Division	Automation Division	All Other Segments	Group total
Continuing operations						
Sales revenue	93 092	97 047	113 711	22 733	3 809	**330 392**
of which:						
Revenue on external customers	92 525	96 491	92 089	22 185	1 118	**304 408**
Inter-segment sales	567	556	21 622	548	2 691	**25 984**
Operating profit	**12 975**	**3 428**	**15 602**	**1 105**	**(563)**	**32 547**
Financial activities result	0	0	0	(6 411)	6 862	**451**
Share of net profit of associates measured according to equity method	0	0	1 072	0	0	**1 072**
Profit before income tax	**12 975**	**3 428**	**16 674**	**(5 306)**	**6 299**	**34 070**
Income tax expense	(2 765)	(693)	(3 472)	(740)	(1 357)	**(9 027)**
Net profit from continuing operations for the period	**10 210**	**2 735**	**13 202**	**(6 046)**	**4 942**	**25 043**
Discontinued operations						
Net profit (loss) from discontinued operations for the period	**0**	**0**	**0**	**0**	**0**	**0**
Net profit for the period	**10 210**	**2 735**	**13 202**	**(6 046)**	**4 942**	**25 043**
of which:						
net profit of equity holders of ELEKTROBUDOWA SA	**10 210**	**2 735**	**13 202**	**(6 046)**	**4 942**	**25 043**

Other business segment items recognized in the profit and loss account for H1 2009

	Power Generation Division	Industry Division	Power Distribution Division	Automation Division	All Other Segments	Group total
depreciation	1 270	655	873	287	759	**3 844**
amortisation	79	70	566	237	28	**980**

(all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (cont'd)

Assets and liabilities of business segments as at 30 June 2010

	Power Generation Division	Industry Division	Power Distribution Division	Automation Division	All Other Segments	Group total
Assets	126 868	124 567	72 188	49 912	98 258	**471 793**
Liabilities	56 330	68 775	39 380	4 600	6 232	**175 317**
Capital expenditure	2 135	770	544	769	8 158	**12 376**

Assets and liabilities of business segments as at 31 December 2009

	Power Generation Division	Industry Division	Power Distribution Division	Automation Division	All Other Segments	Total
Assets	107 726	114 152	63 118	4 283	184 725	**474 004**
Liabilities	58 975	83 911	41 681	4 223	(3 965)	**184 825**
Capital expenditure	4 553	845	2 276	2 921	11 714	**22 309**

Assets and liabilities of business segments as at 30 June 2009

	Power Generation Division	Industry Division	Power Distribution Division	Automation Division	All Other Segments	Group total
Assets	103 986	96 025	65 768	7 161	156 379	**429 319**
Liabilities	57 435	51 020	38 483	6 429	15 665	**169 032**
Capital expenditure	1 251	190	984	1 133	5 425	**8 983**

Impairment of receivables by business segments

	Power Generation Division	Industry Division	Power Distribution Division	Automation Division	All Other Segments	Group total
at 30 June 2010	1 869	1 177	9 778	113	3 973	**16 910**
at 31 December 2009	1 658	1 152	3 956	114	4 039	**10 919**
at 30 June 2009	2 161	5 240	4 586	161	4 056	**16 204**

(all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (cont'd)

Provisions for impairment of receivables by business segments

	Power Generation Division	Industry Division	Power Distribution Division	Automation Division	All Other Segments	Group total
in H1 2010	244	106	5 859	0	0	**6 209**
in 2009	432	497	608	0	3	**1 540**
in H1 2009	753	4 584	620	12	0	**5 969**

Reversal and use of provisions for impairment of receivables by business segments

	Power Generation Division	Industry Division	Power Distribution Division	Automation Division	All Other Segments	Group total
in H1 2010	33	81	37	1	66	**218**
in 2009	334	337	675	544	21	**1 911**
in H1 2009	152	336	57	509	1	**1 055**

Secondary reporting format – geographical segments

ELEKTROBUDOWA SA group operates in the domestic market and in foreign markets.

The geographical division corresponds to the locations of final customers and is as follows:

	period ended		
	30.06.2010	**31.12.2009**	**30.06.2009**
Revenue on sales of products, goods and materials			
- domestic market	264 782	614 350	257 377
- Skandinavian market	19 193	24 932	1 438
- East-European market	19 161	45 016	27 540
- Southwestern Asia	3 311	169	4
- Turkish market	1 555	7 133	2 918
- Western Europe	784	2 162	10 149
- Central America	723	1 714	0
- Australian market	0	489	489
- other markets	3 125	4 983	4 493
	312 634	**700 948**	**304 408**

In H1 2010 the group operated principally in the domestic market (85% of the sales revenues), the Scandinavian market (6%), East-European markets (6%) and South-western Asia (1%).

(all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (cont'd)

Information about key customers

The revenues from the direct sales generated by the Industry Division in the amount of 106.9 million PLN (96.5 million PLN in H1 2009) include the PLN 34.1 million revenue generated on the contract with the biggest customer (in H1 2009 it was PLN 17.6 million). The revenue accounted for 10.9% of total H1 2010 generated by the group, whereas in H1 2009 it revenues in 2009 and 6.0% in 2008.

8. Property, plant and equipment

	as at		
	30 June 2010	**31 Dec 2009**	**30 June 2009**
Property, plant and equipment			
- land	2 746	2 746	3 000
- buildings, facilities	29 319	27 109	23 088
- machinery and technical equipment	9 771	10 191	10 529
- vehicles	9 383	10 148	10 090
- other fixed assets	3 486	3 199	2 924
- construction-in-progress	12 722	8 035	4 190
- downpayments for fixed assets under construction	419	0	0
	67 846	**61 428**	**53 821**

(all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (cont'd)

	land	buildings, facilities	machinery and technical equipment	vehicles	other fixed assets	construction-in-progress	downpayments for fixed tangible assets	Property, plant & equipment
Gross value of fixed tangible assets at 1 January 2010	2 746	33 397	34 805	19 850	10 505	8 035	0	109 338
Additions (of which):	0	3 612	1 041	820	873	4 687	419	11 452
- purchase	0	0	1 041	815	878	987	419	4 140
- internally manufactured	0	0	0	0	0	7 312	0	7 312
- takeover from investment	0	3 612	0	0	0	(3 612)	0	0
- other	0	0	0	5	(5)	0	0	0
Reductions (of which):	0	0	(585)	(310)	(109)	0	0	(1 004)
- selling	0	0	(179)	(300)	0	0	0	(479)
- liquidation	0	0	(406)	(10)	(109)	0	0	(525)
- other	0	0	0	0	0	0	0	0
Other movements	0	(655)	(218)	0	(6)	0	0	(879)
Gross value of fixed tangible assets at 30 June 2010	2 746	36 354	35 043	20 360	11 263	12 722	419	118 907
Accumulated depreciation at 1 January 2010	0	(6 288)	(24 614)	(9 702)	(7 306)	0	0	(47 910)
Current depreciation charge for the period	0	(753)	(1 379)	(1 580)	(567)	0	0	(4 279)
Reduction due to selling, liquidation	0	0	581	310	87	0	0	978
Other movements	0	6	140	(5)	9	0	0	150
Accumulated depreciation at 30 June 2010	0	(7 035)	(25 272)	(10 977)	(7 777)	0	0	(51 061)
Net tangible fixed assets at 30 June 2010	**2 746**	**29 319**	**9 771**	**9 383**	**3 486**	**12 722**	**419**	**67 846**

The group does not have any property plant and equipment with restricted right of use.
As at 30 June 2010 bank borrowings and guarantees were secured on property, plant and equipment for the value 125 605 thousand PLN and a pledge by registration was made for the value 2 441 thousand PLN.
As at 30 June 2010 as well as at 30 June 2009 there were no provisions for impairment of property, plant and equipment.

(all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (cont'd)

	land	buildings, facilities	machinery and technical equipment	vehicles	other fixed assets	construction-in-progress	downpayments for fixed tangible assets	Property, plant & equipment
Gross value of fixed tangible assets at 1 January 2009	0	28 330	33 209	18 708	9 950	2 172	0	92 369
Additions (of which):	3 000	5 363	2 757	2 895	1 056	5 863	0	20 934
- purchase	0	0	2 742	2 895	1 045	8 642	0	15 324
- internally manufactured	0	0	0	0	0	5 370	0	5 370
- takeover from investment	3 000	5 363	15	0	11	(8 389)	0	0
- other	0	0	0	0	0	240	0	240
Reductions (of which):	(254)	0	(1 231)	(1 466)	(508)	0	0	(3 459)
- selling	(254)	0	(494)	(1 434)	(42)	0	0	(2 224)
- liquidation	0	0	(734)	(17)	(466)	0	0	(1 217)
- other	0	0	(3)	(15)	0	0	0	(18)
Revaluation to fair value	0	35	70	(287)	7	0	0	(175)
Other	0	(331)	0	0	0	0	0	(331)
Gross value of fixed tangible assets at 31 December 2009	2 746	33 397	34 805	19 850	10 505	8 035	0	109 338
Accumulated depreciation at 1 January 2009	0	(5 249)	(22 774)	(8 353)	(6 771)	0	0	(43 147)
Current depreciation charge for the period	0	(1 282)	(2 730)	(2 921)	(1 006)	0	0	(7 939)
Reduction due to selling, liquidation	0	0	960	1 156	478	0	0	2 594
Revaluation to fair value	0	152	(70)	416	(7)	0	0	491
Other	0	91	0	0	0	0	0	91
Accumulated depreciation at 31 December 2009	0	(6 288)	(24 614)	(9 702)	(7 306)	0	0	(47 910)
Net tangible fixed assets at 31 December 2009	**2 746**	**27 109**	**10 191**	**10 148**	**3 199**	**8 035**	**0**	**61 428**

(all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (cont'd)

	land	buildings, facilities	machinery and technical equipment	vehicles	other fixed assets	construction-in-progress	downpayments for fixed tangible assets	Property, plant & equipment
Gross value of fixed tangible assets at 1 January 2009	0	28 330	33 209	18 708	9 950	2 172	0	92 369
Additions (of which):	3 000	623	1 428	1 174	239	2 018	0	8 482
- purchase	0	0	1 428	1 174	239	5 641	0	8 482
- takeover from investment	3 000	623	0	0	0	(3 623)	0	0
Reductions (of which):	0	0	(297)	(297)	(127)	0	0	(721)
- selling	0	0	(6)	(280)	0	0	0	(286)
- liquidation	0	0	(291)	(17)	(127)	0	0	(435)
Gross value of fixed tangible assets at 30 June 2009	3 000	28 953	34 340	19 585	10 062	4 190	0	100 130
Accumulated depreciation at 1 January 2009	0	(5 249)	(22 774)	(8 353)	(6 771)	0	0	(43 147)
Current depreciation charge for the period	0	(616)	(1 324)	(1 418)	(486)	0	0	(3 844)
Reduction due to selling, liquidation	0	0	287	276	119	0	0	682
Accumulated depreciation at 30 June 2009	0	(5 865)	(23 811)	(9 495)	(7 138)	0	0	(46 309)
Net tangible fixed assets at 30 June 2009	**3 000**	**23 088**	**10 529**	**10 090**	**2 924**	**4 190**	**0**	**53 821**

(all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (cont'd)

	as at		
	30 June 2010	**31 Dec 2009**	**30 June 2009**
Depreciation of property, plant and equipment is charged to the profit and loss account in:			
- cost of products, goods and material sold	4 104	7 465	3 595
- administrative expenses	175	471	247
- other losses - net	0	3	2
	4 279	**7 939**	**3 844**

	as at		
	30 June 2010	**31 Dec 2009**	**30 June 2009**
Fixed tangible assets by ownership			
- owned	66 046	59 528	53 224
- investment in third party assets	1 800	1 900	597
	67 846	**61 428**	**53 821**

9. Non-current assets held for trading

	as at		
	30 June 2010	**31 Dec 2009**	**30 June 2009**
Non-current assets held for sale			
a) perpetual usufruct of land	304	0	0
b) fixed tangible assets, of which:	729	0	0
- buildings, facilities	649	0	0
- machinery and technical equipment	78	0	0
- other fixed assets	2	0	0
	1 033	**0**	**0**

After the decision to dispose of some non-current assets, the subsidiary Energotest sp. z o.o. identified them and presented in the Consolidated statement of financial situation as at 30 June 2010 in the item "Financial assets held for trading".
The value of the right of perpetual usufruct of land in prior reporting periods was recognized in the "Long-term accruals" item.
Situated on the land fixed tangible assets which are a separate property, included in the fixed assets held for trading, in the prior periods were presented in relevant groups of fixed assets.

(all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (cont'd)

10. Intangible assets

	as at		
	30 June 2010	**31 Dec 2009**	**30 June 2009**
Intangible assets			
- cost of finished development works	1 676	2 379	2 786
- acquired concessions, patents, licences and similar	1 291	1 381	1 093
- cost of unfinished development works	919	368	539
- other intangible assets	0	0	612
- goodwill	22 164	22 164	22 164
	26 050	**26 292**	**27 194**

(all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (cont'd)

	Cost of finished development works	Concessions, patents, licenses and software	Other intangible assets	Cost of development works in progress	Goodwill	Intangible assets, total
Gross value of intangible assets at 1 January 2010	8 326	7 701	1 734	368	22 164	40 293
Additions, of which:	42	321	0	561	0	924
- purchase	0	321	0	0	0	321
- internally generated	0	0	0	603		603
- transfer to the cost of unfinished development works	42	0	0	(42)	0	0
Reductions (of which)	0	0	0	(10)	0	(10)
- liquidation	0	0	0	(10)	0	(10)
Gross value of intangible assets at 30 June 2010	8 368	8 022	1 734	919	22 164	41 207
Accumulated amortisation at 1 January 2010	(5 947)	(6 320)	(1 734)	0	0	(14 001)
Current amortisation charge	(745)	(411)	0	0	0	(1 156)
Accumulated amortisation at 30 June 2010	(6 692)	(6 731)	(1 734)	0	0	(15 157)
Net intangible assets at 30 June 2010	**1 676**	**1 291**	**0**	**919**	**22 164**	**26 050**

The group does not have bank loans or any other liabilities secured against intangible assets.
The group does not have any intangible assets with restricted right of use.
As at 30 June 2010 as well as at 30 June 2009 there were no provisions for impairment of intangible assets.

(all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (cont'd)

	Cost of finished development works	Concessions, patents, licenses and software	Other intangible assets	Cost of development works in progress	Goodwill	Intangible assets, total
Gross value of intangible assets at 1 January 2009	7 061	6 956	2 346	1 082	22 098	39 543
Additions, of which:	1 265	824	0	(714)	0	1 375
- purchase	0	824	0	0	0	824
- internally generated	0	0	0	551		551
- transfer to the cost of unfinished development works	1 265	0	0	(1 265)	0	0
Reductions (of which)	0	(79)	0	0	0	(79)
- liquidation	0	(79)	0	0	0	(79)
Other	0	0	(612)	0	66	(546)
Gross value of intangible assets at 31 December 2009	8 326	7 701	1 734	368	22 164	40 293
Accumulated amortisation at 1 January 2009	(4 597)	(5 605)	(1 734)	0	0	(11 936)
Current amortisation charge	(1 350)	(766)	0	0	0	(2 116)
Reduction due to selling, liquidation of intangible assets	0	54	0	0	0	54
Other	0	(3)	0	0	0	(3)
Accumulated amortisation at 31 December 2009	(5 947)	(6 320)	(1 734)	0	0	(14 001)
Net intangible assets at 31 December 2009	**2 379**	**1 381**	**0**	**368**	**22 164**	**26 292**

(all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (cont'd)

	Cost of finished development works	Concessions, patents, licenses and software	Other intangible assets	Cost of development works in progress	Goodwill	Intangible assets, total
Gross value of intangible assets at 1 January 2009	7 061	6 956	2 346	1 082	22 098	39 543
Additions, of which:	934	110	0	(543)	0	501
- purchase	0	110	0	0	0	110
- internally generated	0	0	0	391	0	391
- transfer to the cost of unfinished development works	934	0	0	(934)	0	0
Reductions (of which)	0	(30)	0	0	0	(30)
- liquidation	0	(30)	0	0	0	(30)
Other	0	0	0	0	66	66
Gross value of intangible assets at 30 June 2009	7 995	7 036	2 346	539	22 164	40 080
Accumulated amortisation at 1 January 2009	(4 597)	(5 605)	(1 734)	0	0	(11 936)
Current amortisation	(612)	(368)	0	0	0	(980)
Reduction due to selling, liquidation of intangible assets	0	30	0	0	0	30
Accumulated amortisation at 30 June 2009	(5 209)	(5 943)	(1 734)	0	0	(12 886)
Net intangible assets at 30 June 2009	**2 786**	**1 093**	**612**	**539**	**22 164**	**27 194**

(all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (cont'd)

	as at		
	30 June 2010	**31 Dec 2009**	**30 June 2009**
Amortisation of intangible assets is recognised in the profit and loss account in items:			
- cost of sold products, goods and materials	1 129	2 049	942
- administrative expenses	27	67	38
	1 156	**2 116**	**980**

11. Capital expenditure

	as at		
	30 June 2010	**31 Dec 2009**	**30 June 2009**
Commenced investments at beginning of period	8 403	3 254	3 254
Expenditure during the reporting period	12 376	22 309	8 983
of which:			
- costs of internal manufacture	7 915	5 921	391
- third party costs	906	8 214	5 874
- cost of purchased machines, equipment and services	3 555	8 174	2 718
Investments transferred to fixed tangible assets and intangible assets	(6 709)	(17 160)	(7 508)
Liquidation due to recognition in other operating expenses	(10)	0	0
Commenced investments at end of period	**14 060**	**8 403**	**4 729**
of which:			
- commenced investments relating to fixed tangible assets	12 722	8 035	4 190
- downpayments for commenced investments of fixed tangible assets	419	0	0
- commenced investments relating to intangible assets	919	368	539

(all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (cont'd)

12. Investment in associates

	Vector Ltd. Votkinsk Russia	Kruelta Ltd. Sankt Petersburg Russia	Saudi ELEKTROBUDOWA L.L.C. Riyadh Saudi Arabia
- % interest held as at 30 June 2010	49%	49%	33%
- % interest held as at 30 June 2009	49%	49%	33%
- purchase price	13 805	1 571	97
- share capital increase in 2009	7 711	0	0
- share capital increase in H1 2010	0	0	152
- measurement as at 30 June 2010	620	(197)	(166)
- investment in associates as of 30 June 2010	22 136	1 374	83
- value of assets	65 149	15 258	1 124
- liabilities	20 012	11 994	873
- revenues from sale of products, goods and materials	10 824	18 317	492
- profit / loss - net	(1 428)	318	226

(all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (cont'd)

13. Financial assets

13.1 Available-for-sale financial assets

	as at		
	30 June 2010	**31 Dec 2009**	**30 June 2009**
Available-for-sale financial assets			
- non-current	32 778	6 934	6 305
- current	267	295	338
	33 045	**7 229**	**6 643**

Non-current financial assets available for sale include shareholding in PI Biprohut Sp. z o.o. based in Gliwice and ENERGOTEST – DIAGNOSTYKA Sp. z o.o. based in Brzezie k.Opola. The fair value of Biprohut, as the market for those shares is not active, has been measured by using a mixed method – Swiss method. The Swiss method measurement is based on weighted average of results obtained from the measurements by discounted cash flows (an income method) and by adjusted net assets value (asset based method).
As of 30 June 2010 and 30 June 2009 the parent has 22.57% share in total voting rights in the General Meeting of Biprohut, while at 31 December 2009 it was 22.53%.
The strategic investor of Biprohut as at 31 December 2009 held 62.15% stake which entitled him to 51.44% of voting rights in the general meeting of shareholders; the remaining shares were held by individual shareholders. Considering the investor relations of Biprohut, the parent does not have significant influence on operating and financial policy of Biprohut and does not control the entity. Following the above and basing on the assumptions of IAS 28 the management of ELEKTROBUDOWA SA does not classify this entity as an associate which should be consolidated by equity method.

The non-current assets include also 17 shares representing 17% of capital of ENERGOTEST – DIAGNOSTYKA Sp. z o.o. and the same share in the total voting rights in the General Meeting of Shareholders. As the group has no influence on managing the operating and financial policies of Energotest Diagnostyka, the Management of the parent did not classify the company as an associate.

Beside shares in the above companies, the non-current financial assets available for sale include units in the sub-fund of the Luxemburg-based SICAV Templeton Global Total Return Fund, managed by Franklin Templeton Investments, and also in AVIVA Investors FIO Ochrony Kapitału i Stabilnego Inwestowania and ING FIO Stabilnego Wzrostu i Zrównoważony.

The fair value of units in the Investment funds was established basing on their current quotation on the regulated market.

(all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (cont'd)

As of 30 June 2010 the carrying amounts of non-current financial assets held for trading are as follows:

	Biprohut Sp. z o.o. Gliwice	**Energotest - Diagnostyka Brzezie k. Opola**	**Units in Open-end Investment Funds**	**Total**
Available-for-sale financial assets at 1 January 2010	2 890	259	3 785	6 934
Increase, of which:	-	-	30 004	30 004
a) received free of charge	-	-	4	4
b) purchased (gross amount)	-	-	30 000	30 000
Measurement as of 30 June 2010 recognized in equity	-	-	(371)	(371)
Recognized of valuation as of 30 June 2010 recognized in equity	-	-	(216)	(216)
Disposal of available-for-sale financial assets	-	-	(3 573)	(3 573)
Available-for-sale financial assets at 30 June 2010	2 890	259	29 629	32 778

Fair value of current assets available for sale has been measured according to the quotation price, on the active market for securities, of shares in Mostostal Zabrze S.A. and Energoaparatura S.A. Katowice, and basing on the present offered purchase price for shares in Famak S.A., Kluczbork.

As of 30 June 2010 the carrying amounts of shareholdings in the above mentioned companies recognized in the current assets available for sale are:

	Mostostal Zabrze S.A.	**FAMAK S.A. Kluczbork**	**Energoaparatura S.A. Katowice**	**Total**
Available-for-sale financial assets at 1 January 2010	203	24	68	295
Measurement as of 30 June 2010 recognized in equity	(28)	0	0	(28)
Available-for-sale financial assets at 30 June 2010	175	24	68	267

(all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (cont'd)

13.2 Held-to-maturity financial assets

	as at		
	30 June 2010	**31 Dec 2009**	**30 June 2009**
Held-to-maturity financial assets			
Treasury bills			
- nominal value	0	0	20 000
- transaction value at purchase date	0	0	19 640
- calculated interest (measurement) charged to other net profit	0	0	348
- carrying value	**0**	**0**	**19 988**

The financial assets held to maturity, as at 30 June 2009 were presented in the current assets. As at 30 June 2010 the group did not have any securities or other financial assets held to maturity.

(all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (cont'd)

13.3 Classification of assets by groups of financial instruments

Type of financial instrument	method of measurement as at 30 June 2010	at 30.06.2010	at 31.12.2009	at 30.06.2009	the amount charged to revaluation capital in H1 2010
1. Extended loans and own receivables		**175 119**	**193 891**	**146 224**	**0**
a) long-term receivables from sale of fixed assets	amortized cost	1 815	1 929	1 715	0
b) long-term receivables from contract bonds	amortized cost	223	207	159	0
c) long-term receivables with deferred payment	amortized cost	5 330	7 006	6 137	0
d) short-term trade receivables	amortized cost	162 016	182 374	133 118	0
e) short-term other receivables	amortized cost	5 735	2 375	5 095	0
2. Assets held to maturity		**0**	**0**	**19 988**	**0**
a) treasury bills	amortized cost	0	0	19 988	0
3. Available-for-sale financial assets		**33 045**	**7 229**	**6 643**	**(399)**
a) interest in PI Biprohut Sp. z o.o.	fair value	2 890	2 890	2 890	0
b) interest in Energotest - Diagnostyka Sp. z o.o.	fair value	259	259	8	0
c) participation units in the Open-end Investment Funds	fair value	29 629	3 785	3 407	(371)
d) interest in Mostostal Zabrze S.A.	fair value	175	203	249	(28)
e) interest in Famak S.A.	fair value	24	24	24	0
f) interest in Energoaparatura S.A.	fair value	68	68	65	0
Total financial assets		**208 164**	**201 120**	**172 855**	**(399)**

Notes to the consolidated financial statements (cont'd)

14. Derivative financial instruments

	as at		
	30 June 2010	**31 Dec 2009**	**30 June 2009**
Forward contracts in foreign currencies			
- negative valuation of fair value	159	147	0

The forward contract refers to the disposal of foreign currency in the amount of 1200 thousand EUR by the parent and is not qualified as hedging. The derivative financial instruments as at 30 June 201 are presented in the group's current liabilities.

15. Trade and other receivables

15.1 Receivables recognised in non-current assets

	as at		
	30 June 2010	**31 Dec 2009**	**30 June 2009**
Long-term receivables			
of which from:			
- disposal of property, plant and equipment	1 815	1 929	1 715
- contract bonds	223	207	159
- receivables with deferred payments	5 330	7 006	6 137
Long-term receivables - net	**7 368**	**9 142**	**8 011**
Discount of receivables	970	1 174	1 341
Long-term receivables - net	**8 338**	**10 316**	**9 352**

Recognized bonds are the sums retained as security required by contracts with the customers.
As at the balance sheet date the current value of long-term receivables is measured by revaluation of discount amount due to passage of time.

	as at		
	30 June 2010	**31 Dec 2009**	**30 June 2009**
Non-current receivables - by currency			
- in Polish zloty	6 626	8 238	7 786
- in foreign currencies (by currencies and translated to PLN)	742	904	225
of which:			
a) in EUR'000	179	220	50
as translated to PLN'000	742	904	225
	7 368	**9 142**	**8 011**

Long-term receivables recognised in non-current assets are usually paid within 6 years.

Notes to the consolidated financial statements (cont'd)

15.2 Receivables recognised in current assets

	as at		
	30 June 2010	**31 Dec 2009**	**30 June 2009**
Current trade and other receivables			
of which:			
- for supplies and services	162 016	182 374	133 118
- other	6 211	2 535	5 436
Total trade and other receivables, net	**168 227**	**184 909**	**138 554**
Receivables impairment charge	16 910	10 919	16 204
Total trade and other receivables, gross	**185 137**	**195 828**	**154 758**

	as at		
	30 June 2010	**31 Dec 2009**	**30 June 2009**
Current trade and other receivables - by currency			
- in Polish currency	154 708	179 010	141 355
- in foreign currencies (by currencies and translated to PLN)	30 429	16 818	13 403
of which:			
a) in thousands of EUR	5 156	3 641	1 513
as translated into thousands of PLN	21 376	14 958	6 759
b) in thousands of USD	1 966	634	1 255
as translated into thousands of PLN	6 674	1 807	3 984
c) in thousands of AUD	19	19	228
as translated into thousands of PLN	55	49	587
d) in thousands of SAR	72	5	5
as translated into thousands of PLN	65	4	4
e) in thousands of RUB	20 802	0	20 282
as translated into thousands of PLN	2 259	0	2 069
	185 137	**195 828**	**154 758**

The balance of receivables for the supply of products and services includes past due receivables which carrying value amounts to 30 502 thousand PLN (25 522 thousand PLN in 2009 and 32 708 thousand PLN in H1 2009), impaired by the amount of 16 870 thousand PLN (10 875 thousand PLN in 2009 and 16 160 thousand PLN in H1 2009). The impairment amount of doubtful receivables includes the receivables due from customers declared bankrupt where the group is in the possession of final judgment, also the debt under enforcement proceedings and the receivables past due for at least 180 days.
The carrying amounts of current receivables reflect their fair values.

(all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (cont'd)

	6 months ended 30.06.2010	12 months ended 31.12.2009	6 months ended 30.06.2009
Provision for impairment of trade and other receivables			
Provision for impairment of receivables at beginning of period	10 919	11 290	11 290
Creating the provision	6 209	1 540	5 969
Use	(218)	(1 911)	(1 055)
of which:			
- paid	(61)	(1 446)	(658)
- written off receivables	(76)	(68)	0
- interests paid or written off	(81)	(397)	(397)
Provision for impairment of receivables at end of period	**16 910**	**10 919**	**16 204**
of which:			
- trade receivables	16 870	10 875	16 160
- other receivables	40	44	44

The impairment amounts of receivables are recognized in “other gains / losses – net” in the income statement and the statement of comprehensive income.

16. Non-current prepayments

	as at		
	30 June 2010	31 Dec 2009	30 June 2009
Non-current prepayments			
- purchase of the right to perpetual usufruct of land	1 137	1 485	1 162
- other	148	257	6
	1 285	**1 742**	**1 168**

The perpetual usufructuary rights acquired by the entities of the group refer to industrial areas related to the core business of the group.

(all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (cont'd)

17. Inventories

	as at		
	30 June 2010	**31 Dec 2009**	**30 June 2009**
Inventories			
- materials	7 882	3 015	10 195
- semi-finished products and work in progress	15 709	1 482	4 607
- finished products	747	826	742
	24 338	**5 323**	**15 544**

The group does not have any bank loans or other liabilities hedged by inventories.

	6 months ended 30.06.2010	**12 months ended 31.12.2009**	**6 months ended 30.06.2009**
Inventory write-down at the beginning of period			
Write-down at the beginning of period	43	173	173
Created	20	27	23
Used	0	(157)	(121)
Inventory write-down at the end of period	**63**	**43**	**75**

The amounts of write-downs of inventories of materials are recognized in “other gains / losses – net” in the consolidated statement of comprehensive income.

18. Cash and cash equivalents

	as at		
	30 June 2010	**31 Dec 2009**	**30 June 2009**
Cash at bank and on hand	59 882	107 972	89 844

Notes to the consolidated financial statements (cont'd)

	as at		
	30 June 2010	**31 Dec 2009**	**30 June 2009**
Cash and cash equivalents - by currency			
- in Polish currency	47 404	96 302	74 291
- in foreign currencies (by currencies and translated to PLN) of which	12 478	11 670	15 553
a) in thousands / EUR	2 389	1 963	2 252
as translated into thousands of PLN	9 904	8 064	10 065
b) in thousands / USD	675	1 265	1 729
as translated into thousands of PLN	2 291	3 606	5 488
c) in thousands / UAH	658	0	0
as translated into thousands of PLN	283	0	0
	59 882	**107 972**	**89 844**

Average effective interest rate for bank deposits was 3% in H1 2010 and 2% in H1 2009.
Components of cash and cash equivalents are identical in the statement of cash flow and in the statement of financial position.

19. Current prepayments

	as at		
	30 June 2010	**31 Dec 2009**	**30 June 2009**
Current prepayments			
- future periods expenses (subscriptions, fees)	1 900	774	1 273
- prepayments for supplies	1 224	1 814	1 544
- provision for the Company Social Benefits Fund (ZFŚS)	824	0	685
	3 948	**2 588**	**3 502**

(all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (cont'd)

20. Share capital

Share capital (structure) of the parent – as at 30 June 2010 is the same as on 31 December 2009 and 30 June 2009

Series / issue	Type of shares	Type of preference	Type of shares restrictions	Number of shares	Value of series/ issue at par on shares	Type of contribution	Date of registration	Right to dividend (since)
A	bearer ordinary	unpreferred	none	3 248 750	6 497	cash	1995-06-07	1995-01-01
B	bearer ordinary	unpreferred	none	722 250	1 953	cash	1995-12-11	1995-01-01
C	bearer ordinary	unpreferred	none	249 096	499	cash	2006-12-06	2006-01-01
D	bearer ordinary	unpreferred	none	527 512	1 055	cash	2008-01-23	2008-01-01
Total number of shares				**4 747 608**				

Par value of 1 share (PLN)	2,00
Issued share capital	10 004
Revaluation of capital due to hyperinflation	16 371
	26 375

(all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (cont'd)

As required by IAS 29, ELEKTROBUDOWA SA restated its share capital and supplementary capital in their share premium portion, as this capital was gained in the conditions of hyper-inflationary economy.

The capital was restated as follows:

Ratios applied:

Period	**Ratio**
Feb-Dec 1992	34.30%
1993	37.60%
1994	29.50%
1995	21.60%
1996	18.50%

The effect of restatement:

	Before restatement	After restatement
Share capital	8 450	24 821
Supplementary capital from series B share premium	8 750	10 369

The ordinary shares, all of which are fully paid, with a par value of 2.00 zł per share, have one vote at the Annual General Meeting of shareholders attached to each of them and have the right to dividend. All shares were acquired for cash consideration.

Shareholders of ELEKTROBUDOWA SA as at 30 June 2010:	**Numbers of shares = number of votes**	**% of votes and % equity**
ING OFE (Open-end Pension Fund)	799 394	16.84
AVIVA OFE AVIVA BZ WBK SA	719 929	15.16
Otwarty Fundusz Emerytalny PZU „Złota Jesień”	464 588	9.79
AXA OFE	342 443	7.21
Amplico OFE	316 572	6.67
Free float	2 104 682	44.33
Total number of shares in the share capital	**4 747 608**	**100.00**

(all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (cont'd)

21. Other capital

21.1 Supplementary capital

	as at		
	30 June 2010	**31 Dec 2009**	**30 June 2009**
Supplementary capital:			
- share premium	100 840	100 840	100 840
- created as required by law	3 334	2 999	2 999
- created acc. to the Articles, over (minimum) value required by law	149 347	107 896	107 896
- other (by type)	7 840	7 680	7 680
a) transferred from reserve capital	5 562	5 562	5 562
b) from distribution of profit of subsidiaries	659	499	499
c) restatement due to hyperinflation	1 619	1 619	1 619
	261 361	**219 415**	**219 415**

According to the Polish commercial companies code "the use of the supplementary capital shall be determined by the general assembly; however, the part of the supplementary capital equal to 1/3 of the share capital may only be applied to finance loss shown in the financial statements".
In case of subsidiaries which are limited liability companies, resolutions on allocation of supplementary capital is adopted by the General Meeting of Shareholders.
The group may decide about allocation of the supplementary capital, as provided in the articles of association. The funds gathered in the supplementary capital may be used particularly for dividend payment, however the dividend may only be paid from the earned profits.

21.2 Capital from valuation of available-for-sale investments

	as at		
	30 June 2010	**31 Dec 2009**	**30 June 2009**
Capital from valuation of available-for-sale investments			
- valuation of available-for-sale investments	1 976	2 375	1 803
- deferred tax related to investment valuation	(376)	(452)	(343)
- reversal of valuation of available-for-sale investments	(216)	0	0
deferred tax related to reversal of investment valuation	41	0	0
	1 425	**1 923**	**1 460**

The capital from measurement of the available-for-sale investments is created by restatement of available-for-sale financial assets. When a restated item of the financial assets is revalued, the effectively realized part of the capital associated with this item is recognized in the consolidated profit and loss account for the period.

Notes to the consolidated financial statements (cont'd)

22. Trade and other payables

22.1 Non-current trade and other payables

	as at		
	30 June 2010	**31 Dec 2009**	**30 June 2009**
Long-term liabilities			
- deferred income tax	1 118	0	0
- employee benefits	2 553	2 659	2 291
- other	5 424	5 582	5 607
Long-term liabilities, net	**9 095**	**8 241**	**7 898**
Discount of liabilities	865	996	1 101
Long-term liabilities,gross	**9 960**	**9 237**	**8 999**

	as at		
	30 June 2010	**31 Dec 2009**	**30 June 2009**
Non-current other liabilities by titles			
- retentions from subcontracts	5 424	5 582	5 607

Present value of non-current payables as at the balance sheet date is measured through revaluation of discount due to passage of time.

	as at		
	30 June 2010	**31 Dec 2009**	**30 June 2009**
Non-current other payables - by currency			
- in Polish currency	5 424	5 582	5 523
- in foreign currencies (by currencies and translated to PLN) of which	0	0	84
a) in thousands of CHF	0	0	29
as translated into thousands of PLN	0	0	84
	5 424	**5 582**	**5 607**

The fair values of non-current payables reflect their carrying amounts.

(all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (cont'd)

22.2 Current trade and other payables

	as at		
	30 June 2010	**31 Dec 2009**	**30 June 2009**
Short-term trade and other payables			
- for supplies and services	81 759	97 555	75 787
- prepayments from customers	8 109	8 198	9 378
- taxes, duties, insurance and other contributions	14 952	17 976	15 721
- remunerations	7 237	6 249	5 934
- Other (by titles)	18 893	1 847	16 383
of which:			
a) acquisition of fixed assets	1 086	1 169	1 132
b) payables to employees	52	61	37
c) dividends	16 616	0	14 243
d) deductions from payroll	474	429	388
e) other	665	188	583
	130 950	**131 825**	**123 203**

Trade payables are realized within 60 days at average.

	as at		
	30 June 2010	**31 Dec 2009**	**30 June 2009**
Taxes, duties, social insurance and other contributions:			
- personal income tax	2 315	1 593	1 683
- taxes in Finland	(238)	807	(118)
- VAT	5 725	9 252	8 249
- social insurance	7 136	6 192	5 896
- National Fund for the Rehabilitation of the Disabled PFRON	14	132	11
	14 952	**17 976**	**15 721**

Notes to the consolidated financial statements (cont'd)

	as at		
	30 June 2010	**31 Dec 2009**	**30 June 2009**
Current trade and other payables - by currency			
- in Polish currency	80 281	94 541	74 043
- in foreign currencies (by currencies and translated to PLN) of which:	1 478	3 014	1 744
a) in thousands of EUR	340	697	377
as translated into thousands of PLN	1 410	2 863	1 688
b) in thousands of USD	0	53	19
as translated into thousands of PLN	0	151	60
c) in thousands of CHF	0	0	(1)
as translated into thousands of PLN	0	0	(4)
d) in thousands of DKK	116	0	0
as translated into thousands of PLN	66	0	0
e) in thousands of SEK	6	0	0
as translated into thousands of PLN	2	0	0
	81 759	**97 555**	**75 787**

The fair values of current trade and other payables reflect their carrying amounts.

Notes to the consolidated financial statements (cont'd)

23. Loans, borrowings and debt securities

Current borrowings and debt securities as at 30 June 2010

Lender	Registered office	Contractual loan amount		Amount to be repaid		Effective interest rate	Contract validity**	Security
		in PLN'000	currency	in PLN'000	currency			
ING BANK ŚLĄSKI overdraft	Katowice	1 000	PLN	0	PLN	WIBOR 1M + 0,7%	unitl 27 March 2011	assignment of accounts receivable at least 1500 thousand PLN, collateral mortgage KW 56388 (Mikołów,Kolejowa Str.) up to 1000 thousand PLN incl. assignment of rights in a policy, enforcement title up to 1500 thousand PLN
BANK PEKAO S.A. overdraft	Kraków	10 000	PLN	0	PLN	WIBOR 1M + 0,75%	until 30 April 2012	debt assignment at least 25 000 thousand PLN, collateral mortgage - KW 13390 up to 11,504.88 thousand PLN (Konin Gosławice, 156 Przemysłowa Str.), 7 blank promissory notes, enforcement title up to 90,200 thousand PLN
PKO BP SA overdraft	Warszawa	5 000	PLN	0	PLN	WIBOR 3M + 4,5%	until 23 February 2012	enforcement title up to 10,000 thousand PLN, 1 blank promissory note up to 5,000 thousand PLN, deblt assignment - at least 3000 thousand PLN
Fortis Bank Polska SA overdraft	Warszawa	1 000	PLN	0	PLN	WIBOR 1M + 2%	until 9 June 2011	
		17 000		**0**				

*** Short-term loans without fixed maturity date; the dates quoted above are the dates of contracts validity.*

Notes to the consolidated financial statements (cont'd)

Current borrowings and debt securities as at 31 December 2009

Lender	Registered office	Contractual loan amount		Amount to be repaid		Effective interest rate	Contract validity**	Security
		in PLN'000	currency	in PLN'000	currency			
BANK HANDLOWY overdraft	Warszawa	6 130	PLN	0	PLN	WIBOR T/N + 0.8%	renewable every 7 days to 15 Jan 2010	assignment of accounts receivable, enforcement title up to 7356 thousand PLN, blank mortgage-backed promissory note enforceable up to 2100 thousand PLN - KW 65708 (Mikołów, Kolejowa Str.) incl. assignment of rights in a policy
ING BANK ŚLĄSKI overdraft	Katowice	1 000	PLN	0	PLN	WIBOR 1M + 0.7%	until 28 March 2010	assignment of accounts receivable at least 1500 thousand PLN, collateral mortgage KW 56388 (Mikołów,Kolejowa Str.) up to 1000 thousand PLN incl. assignment of rights in a policy, enforcement title up to 1500 thousand PLN
BANK PEKAO S.A. overdraft	Kraków	10 000	PLN	0	PLN	WIBOR 1M + 0.75%	until 30 April 2010	debt assignment at least 25 000 thousand PLN, collateral mortgage - KW 13390 up to 11,504.88 thousand PLN (Konin Gosławice, 156 Przemysłowa Str.), 7 blank promissory notes, enforcement title up to 81,200 thousand PLN
PKO BP SA overdraft	Warszawa	5 000	PLN	0	PLN	WIBOR 3M + 2%	until 23 Feb 2012	enforcement title up to 10,000 thousand PLN, 1 blank promissory note up to 5,000 thousand PLN, deblt assignment - at least 3000 thousand PLN
Fortis Bank Polska SA overdraft	Warszawa	1 000	PLN		PLN	WIBOR 1M + 2%	until 09 June 2011	
		23 130		**0**				

*** Short-term loans without fixed maturity date; the dates quoted above are the dates of contracts validity.*

Notes to the consolidated financial statements (cont'd)

Current borrowings and debt securities as at 30 June 2009

Lender	Registered office	Contractual loan amount		Amount to be repaid		Effective interest rate	Contract validity**	Security
		in PLN'000	currency	in PLN'000	currency			
BRE BANK S.A. overdraft	Warszawa	1 000	PLN	0	PLN	WIBOR O/N + 0.7%	until 23 Sept 2009	1 blank promissory note, debt assignment, enforcement title up to 90 000 thousand PLN
BANK HANDLOWY w Warszawie S.A. overdraft	Warszawa	6 130	PLN	0	PLN	WIBOR T/N + 0.8%	renevable every 7 days until 15 Jan 2010	assignment of accounts receivable, enforcement title up to 7356 thousand PLN, blank mortgage-backed promissory note enforceable up to 2100 thousand PLN - KW 65708 (Mikołów, Kolejowa Str.) incl. assignment of rights in a policy, enforcement title up to 26 400 thousand PLN
ING BANK ŚLĄSKI SA overdraft	Katowice	1 000	PLN	0	PLN	WIBOR 1M + 0.70%	until 28 March 2010	assignment of accounts receivable at least 1 500 thousand PLN, collateral mortgage KW 56388 (Mikołów,Kolejowa Str.) up to 1 000 thousand PLN incl. assignment of rights in a policy, enforcement title up to 1 500 thousand PLN, assignment of accounts receivable - at least 18 000 thousand PLN, collateral mortgage KW 18183 (Dąbrowa Górnicza, Laski Str.) up to 1 660 thousand PLN, incl. rights in a policy, registered pledge up to 2 440.6 thousand PLN - enforcement title up to 19 800 thousand PLN
BANK PEKAO S.A. (BPH S.A.) overdraft	Kraków	10 000	PLN	0	PLN	WIBOR 1M + 0.75%	until 30 April 2010	debt assignment at least 25 000 thousand PLN, collateral mortgage - KW 13390 up to 11,504.88 thousand PLN (Konin Gosławice, 156 Przemysłowa Str.), 7 blank promissory notes, enforcement title up to 81,200 thousand PLN
PKO BP SA overdraft	Warszawa	5 000	PLN	0	PLN	WIBOR 3M + 2%	until 23 Feb 2013	enforcement title up to 10,000 thousand PLN, 1 blank promissory note up to 5,000 thousand PLN, debt assignment - at least 3000 thousand PLN
Fortis Bank Polska SA overdraft	Warszawa	1 000	PLN	0	PLN	WIBOR 1M + 2%	until 09 June 2011	
		24 130		**0**				

** *Short-term loans without fixed maturity date; the dates quoted above are the dates of contracts validity.*

(all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (cont'd)

24. Deferred income tax

	as at 30 June 2010	31 Dec 2009	30 June 2009
Deferred income tax assets	**10 997**	**10 458**	**11 967**
- to be recovered after more than 12 months	952	972	895
- to be recovered within 12 months	10 045	9 486	11 072
Deferred income tax liabilities	**(12 115)**	**(9 058)**	**(9 727)**
- to be recovered after more than 12 months	(554)	(589)	(622)
- to be recovered within 12 months	(11 561)	(8 469)	(9 105)
	(1 118)	**1 400**	**2 240**

Structure of the deferred income tax:

period ended 30 June 2010		Construction contracts	Provisions and accrued expenses	Fixed tangible assets	Revaluation of assets	Other	Total
Assets	**beginning of period**	**6 575**	**2 907**	**279**	**26**	**671**	**10 458**
	-changes credited/charged to financial result	(1 387)	(311)	33	1 151	982	**468**
	- changes credited/charged to equity	0	0	0	71	0	**71**
	end of period	**5 188**	**2 596**	**312**	**1 248**	**1 653**	**10 997**
Zobowiązania	**beginning of period**	**(7 961)**	**0**	**(528)**	**(305)**	**(264)**	**(9 058)**
	-changes credited/charged to financial result	(2 532)	0	(25)	(80)	(466)	**(3 103)**
	- changes credited/charged to equity	0	0	0	46	0	**46**
	end of period	**(10 493)**	**0**	**(553)**	**(339)**	**(730)**	**(12 115)**
End of period, total		**(5 305)**	**2 596**	**(241)**	**909**	**923**	**(1 118)**

Year ended 31 December 2009		Construction contracts	Provisions and accrued expenses	Fixed tangible assets	Revaluation of assets	Other	Total
Assets	**beginning of period**	**6 418**	**5 105**	**232**	**489**	**1 338**	**13 582**
	-changes credited/charged to the financial result	157	(2 198)	47	(463)	(667)	**(3 124)**
	end of period	**6 575**	**2 907**	**279**	**26**	**671**	**10 458**
Liabilities	**beginning of period**	**(4 375)**	**(114)**	**(432)**	**(321)**	**(846)**	**(6 088)**
	-changes credited/charged to the financial result	(3 586)	114	(96)	265	582	**(2 721)**
	- changes credited/charged to equity				(249)		**(249)**
	end of period	**(7 961)**	**0**	**(528)**	**(305)**	**(264)**	**(9 058)**
End of period, total		**(1 386)**	**2 907**	**(249)**	**(279)**	**407**	**1 400**

(all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (cont'd)

period ended 30 June 2009		Construction contracts	Provisions and accrued expenses	Fixed tangible assets	Revaluation of assets	Other	Total
Assets	**beginning of period**	**6 418**	**5 105**	**232**	**489**	**1 338**	**13 582**
	-changes credited/charged to financial result	(1 109)	(2 110)	16	649	841	**(1 713)**
	- changes credited/charged to equity	0	0	0	29	69	**98**
	end of period	**5 309**	**2 995**	**248**	**1 167**	**2 248**	**11 967**
Zobowiązania	**beginning of period**	**(4 375)**	**(114)**	**(432)**	**(321)**	**(846)**	**(6 088)**
	-changes credited/charged to financial result	(3 573)	109	17	0	(23)	**(3 470)**
	- changes credited/charged to equity	0	0	0	(169)	0	**(169)**
	end of period	**(7 948)**	**(5)**	**(415)**	**(490)**	**(869)**	**(9 727)**
End of period, total		**(2 639)**	**2 990**	**(167)**	**677**	**1 379**	**2 240**

25. Provisions for and liabilities and other charges

	6 months ended 30.06.2010	12 months ended 31.12.2009	6 months ended 30.06.2009
Change in non-current provision for employee benefits			
At beginning of period	2 659	2 367	2 367
Additions (of which)	0	493	0
- creating a provision (actuarial valuation)	0	493	0
Used (for)	(106)	(169)	(76)
- payment of pension benefits	(106)	(169)	(76)
Reversal of measurement of combined subsidiaries	0	(32)	0
At end of period	**2 553**	**2 659**	**2 291**

(all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (cont'd)

	6 months ended 30.06.2010	12 months ended 31.12.2009	6 months ended 30.06.2009
Movement in current provisions			
At beginning of period	448	1 178	1 178
Additions (of which)	0	79	17
- creating a provision for employee benefits	0	49	17
- creating a provision for warranty repairs	0	30	0
Used (for)	(94)	(809)	(775)
- payment of employee benefits	(31)	(67)	(34)
- incurred cost of warranty repairs	(63)	(742)	(741)
At end of period	**354**	**448**	**420**
of which:			
current provisions for employee benefits	14	45	46
current provisions for warranty repairs	340	403	374

The group's entities create provisions for future payables which maturities or amounts are not certain. Particularly, a provision is recognised for corrective works and warranty repairs, as the contracts for the supply of electrical installation services and equipment require trade guarantees provided for the customers. Generally, a provision of up to 0.20% of contract price is made for warranty repairs.
Provisions for retirement benefits are estimated with the use of an actuarial method.

Main actuarial assumptions adopted for establishing pension benefits are following:

	as at		
	30 June 2010	**31 Dec 2009**	**30 June 2009**
discount rate	5.83% to 5.9%	5.83% to 5.9%	5.9%
expected inflation rate	1% to 2.5%	1% to 2.5%	2.5%
expected salary increases	0% to 3.5%	0% to 3.5%	3.5%
mobility rate	5.2% to 11.2%	5.2% to 11.2%	11.1%

(all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (cont'd)

Long-term and short-term employee benefit obligations:

	6 months ended 30.06.2010	12 months ended 31.12.2009	6 months ended 30.06.2009
Short-term and long-term employee benefit obligations at beginning of period	**2 704**	**2 430**	**2 430**
- interest cost	0	140	0
- current service cost	0	252	17
- benefits paid	(137)	(236)	(110)
- actuarial gains/losses on the obligation	0	118	0
Short-term and long-term employee benefit obligations at end of period	**2 567**	**2 704**	**2 337**

The provision for employee benefits is charged to operating expenses.

26. Accrued expenses

		as at	
	30 June 2010	**31 Dec 2009**	**30 June 2009**
Accrued expenses due to:			
- unused holidays	3 693	2 229	2 909
- annual bonuses	3 498	6 845	3 212
- services	161	132	180
- auditing the financial statements	55	93	75
	7 407	**9 299**	**6 376**

(all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (cont'd)

27. Classification of financial instruments recognized as liabilities

Type of financial instrument	method of measurement as at 30 June 2010	as at 30 June 2010	as at 31 Dec 2009	as at 30 June 2009
1. Financial liabilities held for trading		**159**	**147**	**0**
a) forward contracts in foreign currencies	fair value	159	147	0
2. Other financial liabilities		**113 483**	**114 283**	**104 153**
a) long-term contract bonds from subcontractors	amortised cost	5 424	5 582	5 607
b) short-term payables for supplies and services	amortised cost	81 759	97 555	75 787
c) other short-term payables	amortised cost	18 893	1 847	16 383
d) accrued expenses	amortised cost	7 407	9 299	6 376
Financial instruments recognised in liabilities - total		**113 642**	**114 430**	**104 153**

(all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (cont'd)

28. Net gains / losses on financial instruments – by categories

	H1 2010	2009	H1 2009
Net gains or losses on financial assets , of which relating to:	366	159	382
a) derivative financial instruments (forward)	(12)	(147)	0
b) financial assets held to maturity	0	0	81
c) available-for-sale financial assets	378	306	301
Net gains or losses on trade receivables and trade payables	(3 656)	1 567	(793)
Gains / losses on cash	1 605	116	(302)
Total net gains or losses on the financial instruments	**(1 685)**	**1 842**	**(713)**

29. Sales revenues

	six months ended	
	30 June 2010	30 June 2009
Revenue on sales of products, goods and materials		
- construction & erection services	226 436	219 086
- electrotechnical products	77 270	77 310
- other services	6 678	5 406
- materials	2 250	2 606
of which: export	*1 416*	*0*
	312 634	**304 408**

(all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (cont'd)

	six months ended	
	30 June 2010	**30 June 2009**
Revenue from construction and erection services	226 436	219 086
of which: revenue from contracts continuing as at the balance sheet date	*181 338*	*179 176*
Change in revenue recognized on an accruals basis	(20 580)	(23 246)
Discount of long-term receivables	(147)	(352)
Invoiced sales	205 709	195 488
Incurred costs	210 924	205 539
Net amount of profits	(5 215)	(10 051)

Costs of contracts opened as at the balance sheet date, increased by recognised gains and reduced by incurred losses, amounted to 210 181 thousand PLN in H1 2010 and 181 217 thousand PLN in H1 2009.

30. Construction contracts

Amounts due from customers and amounts owed to customers for construction contracts in progress.

The Management estimates a contract performance basing on a contract budget, work progress and capability of its further execution.

30.1 Amounts due from customers for contract works

		as at 31 December	
	30 June 2010	**31 December 2009**	**30 June 2009**
Amounts due from customers for contract work	55 178	41 898	41 137

The group presents as an asset the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognized profits (less recognized losses) exceed progress billings, except retention which is included in non-current assets within the "receivables" item.

(all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (cont'd)

30.2 Amounts due to customers for contract works

	30 June 2010	as at 31 December 31 December 2009	30 June 2009
Amounts due to customers for contract work	27 305	34 605	28 642

The group presents as a liability the amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognized profits (less recognized losses).

31. Cost of products, goods and materials sold

	six months ended 30 June 2010	 30 June 2009
Expenses by nature		
- depreciation and amortisation	5 435	4 822
- materials and energy	107 967	118 491
- third party services	105 258	76 049
- taxes and charges	1 575	1 520
- salaries and wages	63 053	56 638
- social security and benefits	15 214	13 815
- other expenses by nature, of which:	6 683	5 771
a) representative and advertising expenses	818	439
b) business travels	4 244	3 383
c) property and personal insurance	837	813
d) other	784	1 136
Total expenses by nature	**305 185**	**277 106**
Movements in inventories of products and accrued expenses	(15 835)	(9 133)
Cost of products manufactured for own needs (negative value)	(7 915)	(391)
Selling costs (negative value)	(1 764)	(1 828)
General administrative expenses (negative value)	(5 861)	(6 174)
Cost of materials sold	1 772	2 360
Manufacture costs of products sold	**275 582**	**261 940**

(all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (cont'd)

32. Other operating expenses

	six months ended	
	30 June 2010	**30 June 2009**
Other operating expenses		
- commission and fees	(873)	(830)
- legal charges and penalties	(97)	(236)
	(970)	**(1 066)**

33. Other gains (losses) – net

	six months ended	
	30 June 2010	**30 June 2009**
Other gains/(losses) - net		
- income from disposal of non-finance fixed assets	30	(21)
- income from disposal of financial assets	378	1
- donations	(150)	(87)
- impairment	(5 820)	(4 694)
- interests	1 327	1 348
- currency translation differences	2 356	2 475
- forward contract valuation	(12)	0
- revenue from forward contracts	0	0
- other	(333)	125
	(2 224)	**(853)**

34. Finance income (costs) – net

	six months ended	
	30 June 2010	**30 June 2009**
Net finance gains (costs)		
- dividends and share in profits	473	452
- interests	0	(1)
	473	**451**

(all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (cont'd)

35. Income tax

	six months ended	
	30 June 2010	**30 June 2009**
The income tax:		
Profit before tax	26 237	34 070
Tax calculated at Polish 19% tax rate	3 706	6 473
Tax calculated on permanent differences in tax basis	(215)	2 019
Change in other temporary differences for which no deferred income tax asset was recognized	1 182	367
Income tax paid in Finland	142	168
Income tax	**4 815**	**9 027**

According to Polish regulations tax authorities may inspect the books and tax documents of the company within 5 years after the year in which tax declarations were submitted and charge the company with additional amount of tax including interest and penalties. In the opinion of the Management of the parent there are no circumstances indicating the possibility of any related essential liabilities to arise.

	six months ended	
	30 June 2010	**30 June 2009**
The income tax:		
Profit before tax	26 237	34 070
Tax calculated at Polish 19% tax rate	3 706	6 473
Tax calculated on permanent differences in tax basis	(215)	2 019
Change in other temporary differences for which no deferred income tax asset was recognized	1 182	367
Income tax paid in Finland	142	168
Income tax	**4 815**	**9 027**

(all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (cont'd)

36. Earnings per share

Calculation of (diluted) earnings per ordinary share in H1 2010 was based on:

	Earnings	Shares	Earnings per share
Net profit attributable to equity holders of ELEKTROBUDOWA SA for the period (in PLN)	21 427 310		
Weighted average number of shares		4 747 608	
Basic earnings per share (in PLN)			4,51
Diluted earnings per share (in PLN)			4,51

Calculation of (diluted) earnings per ordinary share in H1 2009 was based on:

	Earnings	Shares	Earnings per share
Net profit attributable to equity holders of ELEKTROBUDOWA SA for the period (in PLN)	25 043 466		
Weighted average number of shares		4 747 608	
Basic earnings per share (in PLN)			5,27
Diluted earnings per share (in PLN)			5,27

37. Dividend per share

Following the Resolution adopted by the Annual General Meeting of ELEKTROBUDOWA SA on 26 April 2010 on distribution of 2009 profit, the amount of 58 413 268.18 PLN was distributed as follows:
- amount of 16 616 628.00 PLN to be paid as dividend, i.e. 3.50 PLN per share;
- amount of 20 000.00 PLN for servicing the dividend by the National Depositary for Securities;
- amount of 41 776 640.18 for supplementary capital.

Dividend record date was established as 23 July 2010, dividend payment date as 9 August 2010.

Following the Resolution adopted by the Annual General Meeting of Shareholders of KONIP Sp. z o.o. on 21 April 2010 on distribution of 2009 profit, the whole amount of profit, 160 029.03 PLN was allocated to supplementary capital.

Following the Resolution adopted by the Annual General Meeting of Shareholders of ENERGOTEST Sp. z o.o. on 12 May 2010 on distribution of 2009 profit, the whole amount of profit 3 294.14 PLN was designated for dividend. The dividend was paid on 12 August 2010.

(all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (cont'd)

Following the Resolution adopted by the Annual General Meeting of Shareholders of KRUELTA Ltd. on 13 March 2010 on distribution of 2009 profit, the amount of 64 542 751.91 RUB (6 228 375.56 PLN) was designed for dividend. Until 31 May 2010 the amount of 24 542 751.91 RUB (2 368 375.56 PLN) was paid to the shareholders, the remaining 40 000 000 RUB (3 860 000.00 PLN) will be paid before 30 September 2010.

38. Statement of cash flow

	six months ended	
	30 June 2010	**30 June 2009**
Amortisation		
- expenses by nature	5 435	4 822
- other operating expenses	0	2
Amortisation in the statement of cash flow	**5 435**	**4 824**

Explanation of differences between balance sheet changes in certain items and changes in those items recognized in cash flow statement:

	six months ended	
	30 June 2010	**30 June 2009**
Change in available-for-sale financial assets		
- balance sheet change of available-for-sale assets	(25 816)	(1 038)
- adjustment relating to consolidation of subsidiaries	(615)	735
- change in assets recognised in equity	30 000	0
- change in assets recognised in profit or loss	(3 951)	0
- acc. to the statement of cash flow	**(382)**	**(303)**

	six months ended	
	30 June 2010	**30 June 2009**
Gains / losses from disposal of PPE		
- acc. to the statement of comprehensive income	(30)	21
a) costs relating to sales of fixed assets	(5)	(19)
- acc. to the statement of cash flow	**(35)**	**2**

(all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (cont'd)

	six months ended	
	30 June 2010	**30 June 2009**
Movement in trade and other receivables		
- balance sheet change of receivables, of which:	18 456	55 429
a) balance sheet change of trade and other receivables recognised in non-current assets	1 774	2 702
b) balance sheet change of trade and other receivables recognised in current assets	16 682	52 727
- change in net receivables due to disposal of non-current asset items	0	(57)
- dividend of subsidiaries and associates	2 008	2 014
- other	0	223
Change in trade and other receivables reflected in the statement of cash flow	**20 464**	**57 609**

	six months ended	
	30 June 2010	**30 June 2009**
Movement in trade and other payables		
- Balance sheet change of payables, of which:	(1 446)	(18 041)
a) balance sheet change of long-term payables	(264)	(1 700)
b) balance sheet change of short-term payables	(1 088)	(15 583)
c) balance sheet change in provisions	(94)	(758)
- change in net liabilities due to investment expenditure	285	974
- calculated dividend	(16 616)	(14 243)
- adjustment of legal and public liabilities	451	(386)
- other	(23)	(296)
Change in liabilities reflected in the statement of cash flow	**(17 349)**	**(31 992)**

(all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (cont'd)

	six months ended	
	30 June 2010	**30 June 2009**
Income tax paid		
- income tax in the statement of comprehensive income	(2 038)	(3 676)
- change in corporate income tax liabilities	(213)	164
- income tax paid in Finland	(238)	(168)
Income tax paid reflected in the statement of cash flow	**(2 489)**	**(3 680)**

	six months ended	
	30 June 2010	**30 June 2009**
Change in settlements of construction contracts		
- balance sheet change in settlements of construction contracts	(20 580)	(23 246)
- other	0	(163)
Change in settlements of construction contracts	**(20 580)**	**(23 409)**

	six months ended	
	30 June 2010	**30 June 2009**
Other adjustments		
- valuation of forward contract	12	0
- income tax paid in Finland not to be deducted	(142)	0
- fixed assets held for sale	(304)	0
- other	16	0
Other adjustments in the statement of cash flow	**(418)**	**0**

	six months ended	
	30 June 2010	**30 June 2009**
Dividends and share in profits		
- acc. to the statement of comprehensive income	473	452
a) dividend received from associates	1 044	0
- acc. to the statement of cash flows	**1 517**	**452**

(all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (cont'd)

39. Joint venture disclosures

On 15 December 2009 the parent entered into a Consortium Agreement with QUMAK – SEKOM S.A. and „AGAT" S.A. with the purpose of cooperation targeted at preparation of a joint quotation for the project called: "The supply of overall electrical, small current, automation and BMS installations for Stage 2 Construction of the National Stadium, Warsaw". As the contract was awarded to the Consortium, the cooperation of its parties concerns also execution of the project. ELEKTROBUDOWA SA was appointed as the Consortium leader who has the right to manage its affairs and represent the Consortium before the Employer and the third parties. The percentage share in the joint venture is as follows:

- ELEKTROBUDOWA SA	- 41,09%;
- QUMAK – SEKOM S.A.	- 31,61%;
- Przedsiębiorstwo „AGAT" S.A.	- 27,30%.

In H1 2010 the above entities generated the 1 547 thousand PLN revenue on the joint venture. The parties of consortium have the following share in the revenue:

	six months ended 30 June 2010
- ELEKTROBUDOWA SA	865 thousand PLN
- QUMAK – SEKOM S.A.	-
- Przedsiębiorstwo "AGAT" S.A.	682 thousand PLN

The consortium agreement is in force until the completion of the project, including the warranty period, and expires when all claims arising from the contract expire.
The contract execution was secured by the performance bond for the amount of 9 100 thousand PLN, valid until 4 August 2011.

(all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (cont'd)

40. Related party transactions

Transactions with related parties were carried out on arm's length basis.

Transactions between the parent and its related parties, who are the related parties for ELEKTROBUDOWA SA, were eliminated in consolidation and are not disclosed in this note.

In the reporting period the parent, ELEKTROBUDOWA SA carried out the following transactions with subsidiaries and associates:

a) Sales:

- sales of goods - KRUELTA Ltd.	11 439	thous PLN
- sales of goods – the Electrotechnical Company VECTOR Ltd.	1 918	thous PLN
- sales of services – the Electrotechnical Company VECTOR Ltd.	30	thous PLN
- sales of materials - the Electrotechnical Company VECTOR Ltd.	1 373	thous PLN
- sales of goods – SAUDI ELEKTROBUDOWA LLC	5	thous PLN
- sales of services – SAUDI ELEKTROBUDOWA LLC	40	thous PLN

Mutual balances between the parent and its associates as at 30 June 2010:

- payables of KRUELTA to ELEKTROBUDOWY SA	4 839	thous PLN
- payables of the Electrotechnical Company VECTOR Ltd. to ELEKTROBUDOWA SA	1 592	thous PLN
- payables of SAUDI ELEKTROBUDOWA LLC to ELEKTROBUDOWA SA	91	thous PLN

The unsettled balances of receivables and payables with the associates are unsecured and will be settled in cash in the agreed payment dates.
The parent, ELEKTROBUDOWA SA did not extend any guarantees to the associates for securing contract bonds.
As of 30 June 2010 ELEKTROBUDOWA SA created an impairment provision in the amount of 4 thousand PLN for the receivable from SAUDI ELEKTROBUDOWA LLC.

(all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (cont'd)

41. Contingencies and contractual obligations

a) guarantees

As of 30 June 2010 and 30 June 2009 ELEKTROBUDOWA SA extended contract guarantees, comprising performance bonds and warranty bonds, through:

	as at		
	30 June 2010	**31 December 2009**	**30 June 2009**
PKO S.A.	47 640	44 526	35 030
Bank PeKaO S.A.	8 202	0	0
BRE Bank S.A.	44 685	42 717	49 207
T.U. ALLIANZ POLSKA SA	24 489	13 396	8 938
BPH S.A.	0	9 662	6 523
ING Bank Śląski S.A.	8 524	8 122	9 816
Bank Handlowy w Warszawie S.A.	8 077	6 527	9 805
FORTIS BANK Polska SA	2 229	2 320	2 575
Gerling Towarzystwo Ubezpieczeniowe S.A.	2 396	1 918	2 458
PZU S.A.	637	643	367
Total amount of guarantees	**146 879**	**129 831**	**124 719**

b) Promissory notes

As of 30 June 2010 ELEKTROBUDOWA SA group issued promissory notes as security for performance bonds for the total amount of 16 169 thousand PLN, and also:

- 1 promissory note issued in favour of BRE Bank S.A.o/Katowice as security for the facility used for financing of current operations;
- 10 blank promissory notes as security for insurance guarantee claim of T.U. Allianz Polska S.A. from insurance guarantees;
- 1 blank promissory note as security for bank loan from PKO S.A.;
- 5 blank promissory notes with ''without protest" restriction in favour of Gerling Polska T.U. S.A. as security for the issued bank guarantees;
- 2 blank promissory notes as security for the credit and guarantee line provided by the bank PKO BP S.A.;
- 1 blank promissory note as security for the guarantee line provided by Bank Handlowy w Warszawie SA;
- 1 blank promissory note as security for the guarantee line provided by ING Bank Śląski SA;
- 1 blank promissory note as security for FORTIS BANK POLSKA S.A. relating to bank guarantees;
- 5 blank promissory notes with declaration in favour of Gerling Polska T.U. S.A. as security for insurance guarantees;
- 5 blank promissory notes with declaration and a certificate of deposit for the amount of 150 thousand PLN in favour of PZU S.A. as security for the issued guarantees.

Notes to the consolidated financial statements (cont'd)

As of 30 June 2009 the ELEKTROBUDOWA SA group issued promissory notes for the total amount of 12 230 thousand PLN, and also:

- 1 promissory note issued in favour of BRE Bank S.A.o/Katowice as security for the facility used for financing of current operations;
- 10 blank promissory notes as security for insurance guarantee claim of T.U. Allianz Polska S.A. from insurance guarantees;
- 7 blank promissory notes as security for bank loan from PKO S.A.
- 10 blank promissory notes with ''without protest" restriction in favour of Gerling Polska T.U. S.A. as security for the issued bank guarantees;
- 1 blank promissory note as security for the loan provided by the bank PKO BP S.A.;
- 1 blank promissory note as security for the loan provided by Bank Handlowy w Warszawie SA;
- 5 blank promissory notes with ''without protest" restriction in favour of Gerling Polska T.U. S.A. as security for the issued insurance guarantees.

c) Sureties

As of 30 June 2010 as well as of 30 June 2009 the group did not grant any sureties.

d) Rental, lease and similar commitments

Estimated value of rent for the lease of offices will amount to 2 424 thousand PLN in the coming year, while in the period over 1 year to 5 years it will be 10 461 thousand PLN.
The contractual value of rent from the lease of offices was 1 364 thousand zloty in H1 2010.

The parent keeps the off-balance sheet records of land used under the perpetual usufruct right received free of charge by virtue of law provisions in force.
The group's commitments resulting from the right of perpetual usufruct of land were estimated on the basis of annual rates, announced in the form of administrative decisions, and the period of use. Average period of use of land which the company has the right to use free of charge and which the company purchased is 78 years. The estimated payments for the use of land in the present year will amount to 88 thousand PLN, while in the period above 1 year up to 5 years 325 thousand PLN and over 5 years: 5 937 thousand PLN. In estimating the payments the fact was taken into account that the subsidiary ENERGOTEST sp. z o.o. placed on sale the land to which it has the right of perpetual usufruct, together with real property situated on the land. It is expected that the offered property will be disposed of until the end of this year.

(all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (cont'd)

42. Employment

Average number of employees by professions (in job equivalents):

	average number of employees		
	In H1 2010	**in 2009**	**in H1 2009**
Total number of employees	**1 949**	**1 877**	**1 858**
of which:			
Manual jobs	1 083	1 025	1 020
White-collar jobs	859	842	828
Persons on child care leaves or unpaid leaves	7	10	10

The above data refer to average number of employees in the parent and subsidiaries of the ELEKTROBUDOWA SA group.

43. The Management Board and the Supervisory Board

In H1 2010 there were no changes in the composition of the governing and managing bodies.

Composition of the Management Boards of the parent and the subsidiaries at 30 June 2010

Management Board
ELEKTROBUDOWA SA

Jacek Faltynowicz	-	President
Jarosław Tomaszewski	-	Member
Ariusz Bober	-	Member
Tomasz Jaźwiński	-	Member
Stanisław Rak	-	Member
Arkadiusz Klimowicz	-	Member

Management Board
KONIP Sp. z o.o.

Lamch Tadeusz	-	President

(all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (cont'd)

Management Board
ENERGOTEST sp. z o.o.
Arkadiusz Klimowicz - President

Executive Body
ELEKTROBUDOWA UKRAINA Ltd.
Karnaushenko Oleksandr - Director

Aggregate amount of remuneration and rewards (in cash, in kind or in any other form), paid or due to the managing persons of the parent and subsidiaries

	period from 1 January 2010 to 30 June 2010			
	Remuneration paid			
	Base salary	Bonus for 2009	Total remuneration	Extra benefits *
Management Board	**989**	**1 210**	**2 199**	**44**
Faltynowicz Jacek	240	340	580	18
Tomaszewski Jarosław	210	310	520	13
Bober Ariusz	180	280	460	0
Jaźwiński Tomasz	179	0	179	8
Rak Stanisław	180	280	460	5
Management Board				
KONIP Sp. z o.o.	**48**	**30**	**78**	**0**
Lamch Tadeusz	48	30	78	0
Management Board				
ENERGOTEST sp. z o.o.	**180**	**0**	**180**	**5**
Arkadiusz Klimowicz	180	0	180	5
Executive Body				
ELEKTROBUDOWA UKRAINA Ltd.	**4**	**0**	**4**	**0**
Karnaushenko Oleksandr	4	0	4	0

** Extra benefits include civil liability insurance premium for members of company's governing bodies, life insurance, tied accommodation benefit and a Christmas voucher.*

(all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (cont'd)

	period from 1 January 2009 to 30 June 2009			
	Remuneration paid			
	Base salary	Bonus for 2008	Total remuneration	Extra benefits *
Management Board	**989**	**1 660**	**2 649**	**39**
Faltynowicz Jacek	240	400	640	18
Tomaszewski Jarosław	210	360	570	12
Bober Ariusz	180	300	480	1
Jaźwiński Tomasz	180	300	480	8
Rak Stanisław	179	300	479	0
Management Board KONIP Sp. z o.o.	**47**	**30**	**77**	**0**
Lamch Tadeusz	47	30	77	0
Management Board ENERGOTEST sp. z o.o.	**210**	**0**	**210**	**5**
Arkadiusz Klimowicz	210	0	210	5

** Extra benefits include civil liability insurance premium for members of company's governing bodies, life insurance, tied accommodation benefit and a Christmas voucher.*

As at 30 June 2010 a provision in the expenses of the parent was created for 2010 bonuses (including charges) due to the Management Board members in the amount of: 516 thousand PLN.
The bonuses will be paid against a Resolution of the Supervisory Board, following the rules bonus remuneration for the members of the Management Board, employees of ELEKTROBUDOWA SA, for 2010.

According to the non-competition clause in their employment contracts, the members of the Management Board of the parent have the right to compensation in the amount of 100% base salary for each month of competition prohibition, within 12 months after termination of the employment contract with ELEKTROBUDOWA SA.

Composition of the Supervisory Board of the parent at 30 June 2010

Supervisory Board

Dariusz Mańko	-	Chairman
Karol Żbikowski	-	Vice-Chairman
Aleksander Chłopecki	-	Member
Jacek Chwałek	-	Member
Tomasz Mosiek	-	Member
Ryszard Rafalski	-	Member
Dariusz Wojda	-	Member

(all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (cont'd)

Aggregate amount of remuneration and rewards (in cash, in kind or in any other form), paid or due to the supervising persons of the parent

	period from 1 January 2010 to 30 June 2010		
	Remuneration paid		
	Base salary	Bonus for 2008	Total remuneration
Supervisory Board	**279**	**0**	**279**
Mańko Dariusz	49	0	49
Żbikowski Karol	45	0	45
Chłopecki Aleksander	37	0	37
Chwałek Jacek	37	0	37
Mosiek Tomasz	37	0	37
Rafalski Ryszard	37	0	37
Wojda Dariusz	37	0	37

	period from 1 January 2010 to 30 June 2010		
	Remuneration paid		
	Base salary	Bonus for 2008	Total remuneration
Supervisory Board	**265**	**0**	**265**
Mańko Dariusz	47	0	47
Żbikowski Karol	42	0	42
Chłopecki Aleksander	35	0	35
Rafalski Ryszard	35	0	35
Wojda Dariusz	35	0	35
Wnorowski Michał	35	0	35
Zalewski Roman	36	0	36

Remuneration of the Supervisory Board members is based on the average salary paid in the sector of enterprises for the last month of previous quarter. Pursuant to the resolution of the Annual General Meeting of ELEKTROBUDOWA SA Shareholders the following remunerations were agreed for the Supervisory Board members:

- Chairman - the above mentioned salary multiplied by 2
- Vice-Chairman - the above mentioned salary multiplied by 1.8
- Other members - the above mentioned salary multiplied by 1.5

Notes to the consolidated financial statements (cont'd)

Disclosures on the amount of advances, loans, borrowings, guarantees or warrants extended to the members of the parent's Boards and not yet repaid

As at 30 June 2010 the group's companies did not extend any guarantees, borrowings or warrants to the members of the Boards.

44. Polish zloty exchange rates

Polish zloty exchange rates in the periods covered by the consolidated financial statements and the comparative consolidated financial figures

In the table "Selected Financial Data" of the consolidated financial statements of ELEKTROBUDOWA SA group, the H1 2010 and H1 2009 items have been translated into EUR as follows:
a) asset and liabilities items – according to the rate announced at:
- 30 June 2010 4.1458 zł / EUR;
- 30 June 2009 4.4696 zł / EUR;

b) items in the consolidated profit and loss account and the consolidated statement of cash flow - according to the rate being the arithmetic mean of average euro rates announced by the National Bank of Poland at the end of each month of the financial year:
- from 01.01.2010 to 30.06.2010 4.0042 zł / EUR;
- from 01.01.2009 to 30.06.2009 4.5184 zł / EUR.

45. Changes in the applied accounting standards

Adopted by the group accounting standards and the methods of establishing the financial result and preparation of the consolidated financial statements are continued in the subsequent fiscal year.

46. Changes in presentation of the financial statements

In the consolidated financial statements for H1 2010 the presentation of comparable H1 2009 data was adjusted as follows:

a) the consolidated statement of financial position
- presentation of units of the Open-end Investment Funds
  - Available-for-sale financial assets 3 407 thous. PLN
  - Financial assets at fair value through profit and loss (3 407) thous. PLN

Change in presentation does not refer to the change of rules of valuation of units of the Open-end Investment Funds in the comparable periods.

Notes to the consolidated financial statements (cont'd)

– retained earnings adjustment

• Retained earnings	12 705	thous. PLN
• Net profit (loss)	(25 043)	thous. PLN
• Prior years' net profit (loss)	12 338	thous. PLN

b) statement of changes in equity

– retained earnings adjustment

• Retained earnings	12 705	thous. PLN
• Net profit (loss)	(25 043)	thous. PLN
• Prior years' net profit (loss)	12 338	thous. PLN

In H1 2010 as compared to H1 2009 the group changed the principles for presentation of the items: "Prior years' loss" and "Net profit". In the Statement of Financial Position and the Statement of Changes in Equity for the current reporting period, the items were shown together as "Retained earnings".

c) the consolidated statement of cash flow

– presentation of participation units of Investment Funds

• change in available-for-sale financial assets	(303)	thous. PLN
• change in financial assets at fair value through profit and loss	303	thous. PLN

47. Remuneration for the entity authorized to audit the financial statements

A contract for reviewing the interim financial statements of ELEKTROBUDOWA SA and the ELEKTROBUDOWA SA group for the period 01.01-30.06.2010 and for auditing the annual Financial Statements of ELEKTROBUDOWA SA and the annual Consolidated Financial Statements of the ELEKTROBUDOWA SA group for 2010 was concluded with Deloitte Audyt Sp. z o.o., having their registered office in Warsaw, on 30 June 2010.

The remuneration for the above review and auditing of the 2010 financial statements was as follows (in PLN'000):

- review of the half-year financial statements of ELEKTROBUDOWA SA and consolidated financial statements of the ELEKTROBUDOWA SA group	55
- Audit of the annual financial statements of ELEKTROBUDOWA SA and consolidated financial statements of the ELEKTROBUDOWA SA group	90
Review and auditing of the financial statements	**145**

Deloitte Audyt Sp. z o.o. was also appointed to audit the 2010 Financial statements of the subsidiary, ENERGOTEST sp. z o.o. The agreed remuneration for auditing the subsidiary amounts to 25 thousand PLN.

The entity authorized to audit the financial statements did not provide any other services for the group in the first half of 2010.

Notes to the consolidated financial statements (cont'd)

48. Additional information

Comparability of the consolidated financial statements

The comparable data are presented according to the same accounting principles as were applied for preparation of the consolidated financial statements for 2009.

Legal claims against the parent or subsidiaries

In the opinion of the Management Board of ELEKTROBUDOWA SA there are no circumstances indicating any substantial obligations to arise due to claims against any of the group's companies.

Amounts due to the Budget or local government for obtaining the right to buildings or structures.

As at 30 June 2010 the group did not have any debt towards the Budget or local government due to obtaining the right to buildings or structures.

Significant events from previous years disclosed in the financial statements for the current period

There were no significant events concerning prior years, which should be disclosed in the consolidated report for H1 2010.

Contractual commitments due to the acquisition of fixed assets and intangible assets

As at 30 June 2010 and 30 June 2009 the group does not have any contractual commitments due to the acquisition of fixed tangible assets or intangible assets.

Significant events after the balance sheet date

In the form of the Notarial Deed Repertory A No. 3924/2010 of 16 July 2010, ENERGOTEST sp. z o.o. entered into a Memorandum of Agreement with KPE REAL ESTATE S.A. with registered office in Radzionków, in which the parties mutually agreed to conclude, within 31 December 2010, a contract for the sale of:

- perpetual usufructuary right to the land entered in the mortgage register KW no. 19461 and title to a building and structure situated on the land and being separate properties;
- a share of ½ part of the perpetual usufructuary right to the land entered in the mortgage register KW no. 19462 and title to a building situated on the land for the prices in total amount of 475 thousand PLN.

On 24 August 2010, in the form of the Notarial Deed Repertory A No. 4738/2010, a conditional sale of the above right to perpetual usufruct to the land, title to a building an a structure, share in the right to perpetual usufruct of the land and share in the ownership of the structure was effected.
ENERGOTEST sp. z o.o. released the relevant land, buildings and structures to KPE REAL ESTATE S.A. on the date of signing the contract for sale.

Statement by the Management Board

The Management Board of ELEKTROBUDOWA SA declares that on 27 August 2010 they approve the present consolidated financial statements of ELEKTROBUDOWA SA group for H1 2010.

SIGNATURES OF ALL MANAGEMENT BOARD MEMBERS

Name and surname	Position / Function	Date	Signature
Jacek Faltynowicz	President	27.08.2010	
Jarosław Tomaszewski	Board Member	27.08.2010	
Ariusz Bober	Board Member	27.08.2010	
Stanisław Rak	Board Member	27.08.2010	
Tomasz Jaźwiński	Board Member	27.08.2010	
Arkadiusz Klimowicz	Board Member	27.08.2010	

SIGNATURE OF THE PERSON IN CHARGE OF ACCOUNTING BOOKS

Name and surname	Position / Function	Date	Signature
Sylwia Wojtas	Chief Accountant	27.08.2010	

Report on the Activities

of

ELEKTROBUDOWA SA GROUP

H1 2010

Index to the Consolidated Report on the Activities

1. STRUCTURE OF THE ELEKTROBUDOWA SA GROUP

1.1 The Parent ELEKTROBUDOWA SA

with its registered office in Katowice, 12, Porcelanowa Str., 40-246 Katowice.
Principal activity of the company according to the Polish Classification of Activities (PKD 4321Z) is executing of electrical installations in buildings and structures. A sector according to the Warsaw Stock Exchange classification: building.

The business activity of ELEKTROBUDOWA SA includes:

- comprehensive electrical installation works for new, extended and modernized power stations and industrial facilities,
- supply of electric power equipment, mainly the energy transmission and distribution equipment,
- design engineering, testing and commissioning services.

1.2 A subsidiary KONIP Sp. z o.o. (Ltd)

with its registered office at 12, Porcelanowa Str., 40 -246 Katowice.
ELEKTROBUDOWA SA holds a 100% stake in KONIP Sp. z o.o.
KONIP Sp. z o.o. administers the real property owned by or in perpetual usufruct of ELEKTROBUDOWA SA. The scope of their business particularly includes maintenance and administration of building and structures, renting the useful areas, fire protection services, cleaning the rooms and area, as well as maintenance of fixed tangible assets, execution of investment and repairs plans, property protection, managing the traditional and mobile telephone communications, maintaining the parent's archives and the reception service.

1.3 A subsidiary - ENERGOTEST sp. z o.o.

with registered office in Gliwice, 44 B Chorzowska Str., 44-100 Gliwice.
ELEKTROBUDOWA SA holds 100% share in the equity of the company, representing 100% votes in the General Meeting of Shareholders.
Basic activity of ENERGOTEST comprises services related to construction, modernization and operation of power generating facilities and also manufacturing of electrical equipment, switchgear and controlgear, and also tests and technical surveys.

1.4 A subsidiary ELEKTROBUDOWA UKRAINA Ltd.

with registered office in Sevastopol, in General Petrov Street, Bldg 20 office 7, 9901 Sevastopol, Ukraine.ELEKTROBUDOWA SA holds a 62% stake in ELEKTROBUDOWA UKRAINA Ltd.
The objects of ELEKTROBUDOWA UKRAINA Ltd. comprise selling of high, medium and low voltage electrical systems, including switchgear panels and distribution substations, in the Ukrainian market,

assembly of electrical equipment, switching and control devices, maintenance and repairs of electrical distribution and control devices.

1.5 An associate - KRUELTA Ltd.

with its registered office at 17A, Magnitogorska Street, St Petersburg, the Russian Federation.

As at 30 June 2010 ELEKTROBUDOWA SA holds a 49% stake of KRUELTA's representing 49% of its equity and has significant influence on the associate's financial and economic policies. The percentage of ELEKTROBUDOWA's stake in the equity of VECTOR is equal to the percentage of voting rights in its General Meeting of Shareholders.

Principal business of KRUELTA is the assembly and selling of medium voltage switchgear systems in the Russian market. This offer is complemented with low voltage switchgear and mobile containerized substations.

1.6 An associate – the Electrotechnical Company VECTOR Ltd.

with registered office in Votkinsk, at 2, Pobiedy Str., an Autonomic Republic of Udmurtia of the Russian Federation.

ELEKTROBUDOWA SA holds 49% of VECTOR's capital. As at 30 June 2010 the percentage of ELEKTROBUDOWA's stake in the equity of VECTOR is equal to the percentage of voting rights in its General Meeting of Shareholders. ELEKTROBUDOWA SA has significant influence on the associate's financial and economic policies.

Principal business activity of VECTOR comprises manufacturing of electrical and radio components, parts for electrical vacuum devices, and also providing construction works and wholesale of electrical production facilities, including communication devices.

1.7 An associate - SAUDI ELEKTROBUDOWA LLC

with registered office in Riyadh, Al. Sittin, P.O. Box 3936 11481 Riyadh, the Kingdom of Saudi Arabia.

As at 30 June 2010 ELEKTROBUDOWA SA holds 33% of shares which represent 33% of the share capital of SAUDI ELEKTROBUDOWA, equal to the percentage of voting rights in the General Meeting of Shareholders. ELEKTROBUDOWA SA has significant influence on the associate's financial and economic policies.

Business scope of SAUDI ELEKTROBUDOWA includes trading low, medium and high voltage electrical systems, including switchgear panels, distribution boards and electrical substations, as well as installation, repair and maintenance services for energy control and distribution systems.

2. THE PRESENT AND ANTICIPATED FINANCIAL POSITION. KEY ECONOMIC AND FINANCIAL FIGURES

2.1 Sales Revenues - Principal Products and Services

In the first half of 2010 the revenues from sales of goods, services and materials of the group amounted to 312 634 thousand PLN. Major part of sales revenues was generated by the basic operations of the group, that is electrical installation services. These services earned 226 436 thousand PLN for the group, which was 72.4% of total sales revenues generated by the group.

The H1 2010 sales rose by 8 226 thousand PLN, i.e. by 2.7% on H1 2009.

In H1 2010 the group recorded an increase of export sales, which include supplies of goods and services within the EU. Revenue from export amounted to 47 852 thousand PLN and was by 1.8% higher than in H1 2009. The increase was mainly owed to sales of construction, erection and other services.

The table below presents the structure of net revenue from the sales of products, goods and materials in H1 2010 and H1 2009.

	H1 2010		H1 2009		Change
	PLN'000	%	PLN'000	%	PLN'000
Revenue from sales of products, merchandise and materials	**312 634**	**100,0**	**304 408**	**100,0**	**8 226**
construction and erection services	226 436	72,4	219 086	72,0	7 350
electrotechnical products	77 270	24,7	77 310	25,4	(40)
other services	6 678	2,1	5 406	1,8	1 272
merchandise and materials	2 250	0,8	2 606	0,8	(356)

The ELEKTROBUDOWA SA group specializes in providing electric installation services and in manufacturing of equipment used for transmission and distribution of electric energy; these accounted for 72.4% and 24.7% of total H1 2010 sales revenue respectively. Maintaining the position of a leading supplier of medium-voltage switchgear on the Polish market is one of the key strategic objectives of the group. In H1 2010 the group sold industrial goods for the sum of 94 520 thousand PLN. From this amount, 17 250 thousand PLN falls to the internal sales, whereas direct (external) sales reached the value of 77 270 thousand PLN.

The presented sales volume of finished goods accounts for consolidation exclusions in the group.

Production of principal products by volume and value in H1 2010 and H1 2009 was as follows:

- By volume:

Type of Product	Unit of measure	Quantity	
		2009	2008
Medium voltage switchgear	panels	1 128	1 546
Low voltage switchgear	segments	480	438
Mobile substations	sets	55	38
Busducts	m	1 909	1 799
Cable trays	tons	24	53
Electrical switchgear and controlgear	pcs	145	126
Measuring and control equipment (recording devices)	pcs	859	848
Peripheral devices (separators, converters, controllers)	pcs	2 943	2812

- By value:

Product	2009		2008	
	Value (PLN'000)	percentage (%)	Value (PLN'000)	percentage (%)
Medium voltage switchgear	28 338	29.6	52 568	45.7
Low voltage switchgear	9 021	9.4	10 803	9.4
Mobile substations	39 359	41.1	27 173	23.6
Busducts	9 763	10.2	13 573	11.8
Cable trays	216	0.2	419	0.3
Electrical switchgear and controlgear	1 552	1.6	1 349	1.2
Measuring and control equipment (recording devices)	1 133	1.2	1 118	1.0
Electrical switchgear and controlgear	497	0.5	474	0.4
Other products	5 976	6.2	7 632	6.6
Total	**95 855**	**100.0**	**115 109**	**100.0**

2.2 Financial result and basic factors or untypical events which impact its amount

The economic and financial results of the reporting period closed with the 21 422 thousand PLN net profit, in the last few years they were systematically decreasing. The net profit dropped by 3 621 thousand PLN on H1 2009 and by 3 961 thousand PLN as compared with the first half of 2008.

In the years between 2005 and 2008 the construction production volume was in growth trend; not only the construction industry indices rose but the financial results of the companies in this sector improved as well. From 2009 this trend changed, and in the assessment of the economic situation of the construction market, at present the building companies are in the most critical position for over five years. Polish building industry is experiencing a severe downturn in its workload, the construction companies are going through hard times and have to face new hardship. Investment slowdown in the real property market translated into decreasing volume of orders and the stringent credit policy brought about problems with financing current operations. While market conditions are still tough, moods among the construction companies have improved within the last six months. The Polish construction sector is projected to rise slightly in 2010 (by 4.7) and the growth should maintain similar level (5.2%) in 2011.

The second quarter of 2010 brought more optimistic than in the first quarter assessment of current order backlog, construction and erection production and financial situation. However, companies still notice certain limitations of their growth opportunities. The biggest obstacle seems to be of regulatory nature, also the lack of relevant legal regulations which would protect the Polish market against foreign companies offering dumping prices of construction services, too complicated public procurement procedures, excessive bureaucracy. Strong competition, also in prices, as well as high labour costs and taxes are often quoted factors which make doing business for the construction companies difficult. Further improvement of business and operating efficiency, enhancement of suppliers and subcontractors selection process will be the main priority for Polish construction companies in the nearest months to come. Factors which at present facilitate doing business in the Polish construction market include reliability, professionalism, integrity of the companies, good references and experience. In the times of slowing down economy, business contacts, and especially good, long-lasting relations with customers, investors and subcontractors are very important for the companies.

The level of revenues generated by the group in H1 2010 accounted for 45% of annual revenues and did not differ from the budget assumptions. Smaller share of H1 revenue in annual planned revenues was anticipated as early as at the stage of budget planning, which accounted for slower activity at the construction sites in the first months of the year. Weather conditions in this period impeded most of the construction works, but the delay was partially made up for in the months that followed. The sales invoiced in H1 2010 often concerned execution of big construction contracts for electrical installation services and supply of electrical equipment, such as:

-	electrical installations in the Nuclear Power Plant in Finland	PLN 16.0m
-	revamping of the Refinery Water units 1,3,4 Stage 1 BWR-4 for PKN Orlen S.A.	PLN 13.4m
-	erection of electrical equipment and electrical, control & instrumentation system in the Bełchatów Power Plant	PLN 10.7m
-	turnkey supply of TESCO retail facility in Oława, including technical infrastructure for ST Projekt III Sp. z o.o.	PLN 9.1m
-	turnkey supply of TESCO 3K retail facility in Radzymin Podlaski for Tesco Polska Sp. z o.o., Warsaw	PLN 7.9m
-	installation of the terephthalic acid plant for PKN Orlen S.A.	PLN 7.2m
-	turnkey supply of Decathlon shopping centre in Łódź for Pradera Central Łodź Gallery Sp. z o.o.	PLN 7.2m
-	modernization of OPR-P41 station of the Ethylene Oxide and Glycol Plant for PKN Orlen S.A.	PLN 6.5m
-	repair of the breakdown caused by coal dust explosion in Dolna Odra Power Station	PLN 6.0m
-	modernization of the 220/110kV substation Janów for PSE OPERATOR, Warsaw	PLN 5.9m

The biggest contracts of the group were concluded by the parent. 95.7% of the group's revenues were generated by the parent, ELEKTROBUDOWA SA, while the subsidiary, ENERGOTEST sp.z o.o. has a 4.3% share in this income.

The main profit and loss items for H1 2010 and H1 2009 are as follows:

	H1 2010		***H1 2009***		**Change**
	PLN'000	***%***	***PLN'000***	***%***	***PLN'000***
Net sales revenues	312 634	100.0	304 408	100.0	8 226
Cost of products, goods and materials sold	(275 582)	88.1	(261 940)	86.0	(13 642)
Gross profit on sales	**37 052**	**11.9**	**42 468**	**14.0**	**(5 416)**
Selling costs	(1 764)	0.6	(1 828)	0.6	64
Administration expenses	(5 861)	1.9	(6 174)	2.0	313
Other operating expenses	(970)	0.3	(1 066)	0.4	96
Other gains / losses - net	(2 224)	0.7	(853)	0.3	(1 371)
Operating profit	**26 233**	**8.4**	**32 547**	**10.7**	**(6 314)**
Finance income / costs – net	473	0.2	451	0.2	22
Share in profits of associates	(469)	(0.2)	1 072	0.3	(1 541)
Profit before income tax	**26 237**	**8.4**	**34 070**	**11.2**	**(7 833)**
Net profit for the period	**21 422**	**6.9**	**25 043**	**8.2**	**(3 621)**

Relations between sales and costs and their impact on the profit amount are described by sales profitability ratios. Values of those ratios reflect the sales' ability to generate earnings.

The H1 2010 profitability ratios dropped as compared with H1 2009. Gross profit margin fell by 2.8 percentage point, whereas the operating profit margin by 1.3 percentage point. The decrease of gross profit margin in H1 2010 is the result of the growth rate of cost of products, goods and materials sold which was higher than the growth rate of net sales revenues. Growth in cost of products, goods and materials sold by 5.2% was accompanied by the 2.7% growth in net sales revenues. Higher growth rate of costs, as compared with revenues, by approx. 2.5 percentage points resulted in the decrease of gross profit on sales by 5 416 thousand PLN on the earnings in the first half of the previous year.

Selling costs in H1 2010 amounted to 1 764 thousand PLN and were by 64 thousand PLN lower than in H1 2009. The share of selling costs in the net sales revenues remained on the same level in the comparable periods.

The H1 2010 administration costs amounted to 5 861 thousand PLN and were by 313 thousand PLN lower than in H1 2009, their percentage share in total sales was 1.9% in H1 2010 and 2.0% in H1 2009. The ratios indicate the constant character of the costs.

Other operating costs of the group for H1 2010 in the amount of 970 thousand PLN are by 96 thousand PLN lower than incurred in the same period of 2009 and include charges and fees of the bank and insurance guarantees (873 thousand PLN) and legal fees and penalties (97 thousand PLN).

Other expenses in H1 2010 exceeded the amount of other income by 2 224 thousand PLN, while in H1 2009 loss on other income and costs amounted to 853 thousand PLN. The H1 2009 other losses increased by 1 371 thousand PLN on H1 2009, largely due to impairment of receivables.

Major items of other income:

- Positive currency translation differences 2 356 thous. PLN
- interest received on cash in bank 1 342 thous. PLN
- earnings on disposal of financial assets 378 thous. PLN
- compensation received 138 thous. PLN
- reversal of impairment of receivables 128 thous. PLN
- reversal of discount of long-term receivables 56 thous. PLN
- earnings on disposal of non-financial assets 30 thous. PLN

Major items of other costs:

- impairment of receivables 5 856 thous.PLN
- cost of control of subsidiaries and associates 252 thous.PLN
- donations 149 thous.PLN
- claims settlement costs 127 thous.PLN
- debt write-off 60 thous.PLN
- VAT on written off debt 13 thous.PLN
- negative valuation of FORWARD contracts 12 thous.PLN

Operating profit generated by the group for H1 2010 reached 26 233 thousand PLN and the operating profit margin was 8.4%, which is by 2.3 percentage point lower than for H1 2009.

The group recorded a 473 thousand PLN profit on financial activities. The profit consists of dividends: 452 thousand PLN received by the parent on shares in PI Biprohut Sp. z o.o. and 21 thousand PLN received by the subsidiary, ENERGOTEST sp. z o.o. on shares in ENERGOTEST Diagnostyka Sp. z o.o.

The group's H1 2010 profit before income tax amounted to 26 237 thousand PLN whereas net profit was 21 422 thousand PLN, that is by 3 621 thousand PLN lower than in H1 2009.

2.3 Financial analysis

The H1 2010 group's balance sheet total increased by 42.5 million PLN as compared with H1 2009. The growth was recorded both in non-current assets (by 39.6 million PLN) and current assets (by 2.9 million PLN). The current assets items rose significantly: trade and other receivables by 29.7 million PLN, amounts due for construction contract work by 14.0 million PLN and inventories by 8.8 million PLN. The growth in non-current assets in H1 2010 was attributable mainly to increase of available-for-sale financial assets by 26.5 million PLN and property, plant and equipment by 14.0 million PLN.

On the equity and liabilities side, an increase in equity was accompanied by a relative decrease of liabilities by 2.2%. In H1 2010 equity rose by 36.2 million PLN and liabilities rose by 6.3 million PLN as compared with H1 2009. The growth in equity is principally attributed to the increase of supplementary capital by 41.9 million PLN from distributed 2009 profit.. The increase in liabilities was to a large extent caused by the 7.7 million PLN increase in short-term trade and other payables drop in other payables. The relations between equity and liabilities indicate the increased coverage of assets by equity.

The group implemented the policy of financing its operations from its own funds, partly supported by borrowing capital in the form of liabilities which were temporarily in the group's disposal.

Selected ratios describing the economic and financial position of the group:

		H1 2010	H1 2009	H1 2008
I.	**Profitability ratios**			
1.	Net profit margin *net profit / sales revenues*	6.9%	8.2%	6.8%
2.	Gross profit margin *profit before taxes / sales revenues*	8.4%	11.2%	8.3%
3.	operating profit margin *operating profit / sales revenues*	8.4%	10.7%	7.9%
4.	Return on equity (ROE) *net profit / average equity capital*	7.3%	9.8%	15.6%
5.	Return on assets (ROA) *net profit / average assets*	4.5%	5.7%	6.8%
II.	**Liquidity ratios**			
1.	Current ratio *average current assets / average current liabilities*	1.9	1.9	1.7
2.	Quick ratio *(average current assets – inventories)/ (average current liabilities*	1.7	1.8	1.5
III.	**Turnover ratios**			
1.	Receivables turnover ratio (days) *average trade debtors x 360 days / sales revenues*	99	95	87
2.	Accounts payable turnover ratio (days) *average trade creditors x 360 days sales revenues*	52	49	54
3.	Inventory turnover (days) *average inventories x 360 days / sales revenues*	9	7	10
4.	Assets turnover *sales revenues /average total assets*	0.7	0.7	1.0
IV.	**Debt ratios**			

1.	Borrowed capital ratio *average borrowed capital /average total assets*	37.2%	39.4%	47.6%

The presented ratios in a synthetic form reflect the measurement of effectiveness of the group management, which should be assessed as good.

Profitability ratios define the ability of sales to generate earnings. For the last few years return on sales ratios have shown fluctuations, correlated with changes in net profit earned by the group in the successive comparable periods for the years 2008 – 2010. In the reporting period the net profit margin was 6.9% whereas gross profit margin 8.4%. In H1 2010 net profit margin fell by 1.3 percentage point on H1 2009, nearing the value in H1 2008 (6.8%).

The return on assets ratio (ROA), which indicates ability to generate earnings after taxes by all assets used in the group was 4.5% in H1 2010, a drop by 1.2 percentage point on H1 2009 and by 2.3 percentage point on H1 2008. Although ROA is in the falling trend during the analysed periods, its levels indicate the effective use of assets employed.

The return on equity (ROE) dropped in H1 2010 by 2.5 percentage point on H1 2009 and by 8.3 percentage point on H1 2008. The decrease in ROE means that the growth in own capital was greater than the growth in profits. This growth in equity strengthened the group's financial position, as its share in covering the assets increased.

Current ratio did not change during the comparable six months' periods, but it rose by 0.2 as compared with H1 2008. Quick ratio shows small fluctuations in the analysed periods. In H1 2010 it fell by 0.1 as compared with H1 2009 and rose by 0.2 on H1 2008. Quick ratio should approximate one or be slightly higher. Level of the group's liquidity ratios in H1 2010 indicates good financial credibility of the group.

Liquidity ratios provide information about the short-time financial security of the group; their values should be correlated with the level of the turnover ratio. In H1 2010 the collection period of trade receivables was 99 days, by 4 days longer than in H1 2009 and by 12 days longer than in H1 2008. During the analysed periods the receivables turnover ratio was in the growing trend, which indicates longer periods of trade credit granted to customers. Although receivables payment period is longer, majority of debtors adhere to payment discipline and effect payments when due. However, as of the balance sheet, some of the group's trade receivables are in debt enforcement proceedings or filed for bankruptcy assets as hardly recoverable. These receivables were impaired in the amount of 16 910 thousand PLN.

According to the data in the balance sheet, payables are settled within 52 days. Maturity dates for payables are different, from 14 days to 60 days. In the analysed periods accounts payable turnover ratio did no vary significantly: for H1 2009 it was 49 days and 54 days for H1 2008. The group pays its debt when due, which is reflected in the payables turnover ratios calculated for the analysed periods. Turnover period for payables was shorter than for receivables, which indicates that group more often extends trade credit to its customers than utilized such credit from its suppliers.

Inventories turnover in H1 2010 was 9 days, by 2 days longer than in H1 2009 but 1 day shorter than in H1 2008. Similar inventories turnover cycles in the successive comparable periods indicate optimization of relation of stock to sales stock management.

Increase in the group's assets and significant decrease of liabilities in H1 2010 resulted in the drop of borrowed capital ratio by 2.2 percentage point on H1 2009 and by 10.4 percentage point on H1 2008.

The analysis of structure of assets in recent years, and significant share of owners' equity in particular, shows that the group attained financial stability. Levels of liquidity ratios and inventories turnover ratio as well as average periods in which the group pays its liabilities allow for a positive opinion of the financial statement of the group and its financial strategy. The group's payables are fully secured by the assets owned and equity gathered.
Presented above key parameters and ratios characterising the economic and financial position of the group and its capital have been calculated basing on the financial statements prepared on the going concern assumption.

2.4 Financial resources management

The group implemented the policy of financing its operations from its own funds, party supported by borrowed capital in the form of long- and short term liabilities, which was temporarily in its disposal. In the reporting period the group did not utilize any bank loans or borrowings.

Cooperation of the group's entities with several banks allows to implement the policy of even credit involvement in particular banks, providing opportunity for reasonable utilization of the whole range of products offered by them, such as balancing the accounts, automatic deposits of cash surplus, negotiated interest on deposits, negotiated exchange rates for payments in foreign currencies, credit lines and guarantees.

Such behaviour significantly contributed to lower level of financial cost, as well as limited credit risk and better management of financial liquidity.

Allocation the group's excess liquidity aims at optimum gains from financial transactions in a longer period of time. Free cash flows in the disposal of the parent were employed as long-term investment in the first half of 2010. ELEKTROBUDOWA SA purchased units of the investment fund, Templeton Global Return Fund, managed by Franklin Templeton Investment Funds, for the amount of 30 million PLN.

The entities in the group have the guarantee lines opened in banks and insurance companies to provide tender deposits, performance bonds and warranty bonds, which increase the entities' ability to actively participate in all tender procedures and strengthen their negotiating position, as they may offer more competitive contract terms.

The group's activity relating to foreign exchange transactions was determined by the exchange rates of basic currencies, EUR and USD. Transactions in foreign currencies are carried out principally by the parent. Because of the unstable position of PLN against these currencies, in 2009 the parent concluded a currency exchange hedging transaction, realized in July 2010. On settling the transaction the income of

222 thousand PLN was earned. In its financial policy the group consequently does not use foreign currency options or any other risky financial instruments.

In H1 2010, because of negative effects of the financial crisis, banks tightened their terms of cooperation with customers. Owing to its good financial standing the parent did not suffer from the pressure from the banks to renegotiate the terms of revolving credit lines, and maintained the levels of overdraft limits gave the company strong position in public procurement tenders (necessity to prove the crediting ability). Because of high financial liquidity the group's entities did not utilize their opened credit facilities (limit up to 17 million PLN). Contracts concluded with banks by the group's entities are mainly the guarantee lines, with the limit up to 224 million PLN, utilized in the amount of 119 million PLN as at 30 June 2010.

Assessing the funds owned and the amounts of expected inflows and expenses it must be pointed out that the generated surplus of cash flows allows the group to finance the investments planned for H2 2010 and its current operating activity, with no risk for the group's entities of destabilizing their financial liquidity.

2.5 Human capital management

In H1 2010 average monthly employment in the whole group (excluding parental leaves and unpaid leaves) was 1942 job equivalents and was about 5.1% higher than in H1 2009. At 30 June 2010 there were 2019 employees, of which 506 seasonal workers employed for the realization of specific contracts. The H1 2010 employment rose by 131 persons as compared with H1 2009. In the average number of employees, 1083 job equivalents fell to direct labour, whereas 859 job equivalents to white-collar staff. In both groups there was an increase on H1 2009, with bigger growth in the group of manual workers (6.2% rise), than in non-manual workers (3.7% rise).

In respect of employment structure by education, the number of personnel with higher education, mainly engineering, regularly increases. As at the end of June 2010 the number of employees with degrees accounted for 31.6% of total.

The H1 2010 productivity of employment, calculated as the relation of sales revenues and average monthly employment, amounted to 161 thousand PLN. Profitability of employment, calculated as the relation of gross profit and average monthly employment was 14 thousand PLN.

In the period from 1 January to 30 June 2010, 285 new people were employed altogether in different professions, from direct labour through specialist in various areas to managerial posts. This was related with the increasing demand for highly-qualified professionals, having good command of English, and with the contract executed in Finland.

In H1 2010 no bigger problems with job terminations were recorded. Redundancies made by the employer, resulting from organisational changes, were not frequent and were the consequence of optimisation of employment in the organisational units of the group's entities.

On 14 January 2010 an additional protocols to the Company Collective Labour Agreement was registered in the parent, establishing the limit of contribution to the Company Social Benefits Fund for 2010. In the subsidiary ENERGOTEST sp. z o.o. an Addendum to the Remuneration Rules dated 1 April 2010 introduced a business trip allowance.

Average monthly pay in the group in H1 2010 was 5 347 PLN, by nearly 5.6% higher on the comparable period. Growth of average monthly remuneration in H1 2010 was noted principally in the group of direct labour employed for the contract in Finland carried out by the parent. The group consequently applies the incentive system tying the remuneration with economic performance.

The group consequently develops the non-financial incentives programmes to support the process of recruitment and retaining employees and to increase the level of motivation and effective work. The "Parent-Friendly Company" plan was developed, MULTISPORT cards were introduced and health preventive plan is continued.

Development of employee's qualifications and competence is a crucial issue in the development of the company. As in prior periods, in H1 2010 training policy was being implemented as planned, basing on the Procedure for Personnel Training. Expenditure on training principally concerned the policy of regular development of the project management-focused corporate culture and also issues of enhancing professionalism of work teams, particularly managerial skills and language skills.

In H1 2010 the group invested the amount of 847 thousand PLN for training of its personnel, which gives an average of 436 PLN per one employee. Training costs accounted for 1.3% of the total remuneration fund for H1 2010.

As in previous years the group supported and respected generally accepted human rights as well as observed worker standards in the scope of the right of association and collective negotiations and counteracting discrimination practices.

2.6 Occupational Health and Safety Management

On 10 June 2010 ELEKTROBUDOWA SA obtained the following certificates:

- No. 78778-2010-AKSO-POL-FINAS for compliance with the requirements of Occupational Health and Safety Management System standard OHSAS 18001:2007 in the scope of engineering, production, erection and service of power installations and automation systems;
- No. 78779-2010-AKSO-POL-DNV for compliance with the requirements of Occupational Health and Safety Management System standard PN-N-18001:2004 in the scope of engineering, production, erection and service of power installations and automation systems; investment project management in construction.

The certificates were issued by DET NORSKE VERITAS.

In H1 2010 no incidents of occupational illness were recorded in any entity of the group.

As of 30 June 2010 no claims were raised against the group's entities due to non-observance of safety requirements or due to accidents at work.

2.7 Quality System Management

The key issue in the group's operations is the continual improvement of product quality, with respect to the environment. The group's entities are permanently involved in quality issues through application of the certified systems. ELEKTROBUDOWA SA applies Quality Management System according to EN ISO 9001, and the Environmental Management System based on the model presented in the EN ISO 14001 standard. The Quality System is supplemented with:

- the NATO requirements defined in the document AQAP-2110,
- quality assurance requirements in nuclear power stations - acc. to KTA1401,
- the requirements for welding - according to PN-EN ISO 3834-2.

ENERGOTEST sp. z o.o. has a certificate of compliance to PN-EN ISO 9001:2009.

All the above systems, including supplements, are regularly audited and recertified to the relevant standard. The audits carried out in H1 2010 did confirmed that the integrated quality, environmental and occupational health & safety management system requirements are adhered to.

Plans for H2 2010 in respect of quality assurance and environmental protection include:

- modification of the system documentation (reducing the quantity of documents),
- further training of staff and other personnel in legal requirements related to quality and environment,
- preparation of documents (instructions, guidelines) supporting the application of methods enhancing the systems in place and uploading them in QMS and intranet.

Positive results of customer satisfaction survey concerning the supplied goods and performed services prove that the systems applied by the group's entities function correctly and that the supplied products and services comply with the requirements agreed in contracts for supplies and services.

2.8. Prospects for development of business of the ELEKTROBUDOWA SA group and significant risks and threats

The recession which engulfed the whole Western world left its mark on the construction sector as well. After the 2009 slowdown the moods in the Polish construction companies are slowly improving. Although market conditions are still tough, Polish construction sector is forecast to grow by 4.7% in 2010. In H1 2010 the construction companies recorded a bigger number of prospective or concluded contracts than last year. General economic climate felt in H1 2010 in the construction sector is reflected in the group's performance.

As at 30 June 2010 the order backlog of the parent amounted to 645.7 million PLN and rose by 18.6% as compared with the state on 30 June 2009. The orders received by the parent in H1 2010 reached the amount of 333.9 million PLN and exceeded the volume of orders received in H1 2009 by 62.6 million PLN, i.e. by 23.1%.

In H1 2010 the group noted the growth in sales revenues by 8.2 million PLN (by 2.7%) as compared with the same period of the previous year.

Positive changes in the volume of orders received and generated revenues were possible to achieve owing to:

- building competences for General Realization of Investments.
- diversifying the order range.
- consistent building of territorial customer service network.
- continual increase of export share.

The sale offer of the ELEKTROBUDOWA SA group in H1 2010, as in previous years, was not significantly changing and still is based on the following products and services:

1. Overall electric installation in the range of medium and low voltages for new, modernized and retrofitted power generation facilities.
2. Turnkey supply of electrical, I&C and automation systems.
3. Manufacture of indoor medium and low voltage switchgear assemblies.
4. LV. MV, HV stations.
5. Commissioning tests and start-up.
6. Design engineering.
7. Manufacture of automation equipment for electrical projects.
8. Servicing.
9. General execution of investments, including public utility facilities, retail centres, industrial facilities.
10. Conceptual work and consulting.
11. Property management.

Customers are offered complex (EPC) project performance, starting with designing and prefabrication of equipment through delivery, installation, start-up together with operation during the trial period, and ending with after-sales service. The group's potential allows it to put into effect the majority of complex projects with its own resources.

The growth of ELEKTROBUDOWA SA group to a large extent depends on customers representing the following branches: power industry, building and petrochemical industries, mining, metallurgy, retail sector and the army. Each of the foregoing branches has specific requirements in the area of services and products involved with generation, transmission and use of electric energy, have different method of functioning and economic situation of each is different.

Future income of the group will undoubtedly depend on such factors as:

- favourable economic situation in the power, chemical, metallurgy and building trades,
- price level of electrical materials and equipment as well as metallurgy products,
- intensification of soliciting activities, particularly on the markets of Central and Eastern Europe,
- course of privatization processes, especially in the power industry,
- consistent reducing the administration costs incurred by the group.

In performing their business operations the entities in the group are exposed to various risks, such as:

- market risk (including foreign exchange risk, change in fair value or cash flow caused by changes of interest rate and price risk);
- credit risk;
- liquidity risk.

Detailed description of risks is presented in item 4 of the financial statements for the first half of 2010.

Risk management includes risk identification and evaluation processes and defines the methods of risk handling. The Management establishes the general rules for risk management, policies for specific risk areas, use of derivative instruments and ways of investing the excess liquidity.

3. MARKET SITUATION - SALES AND PROCUREMENT

3.1 Sales destinations

The activity of the group mainly concentrates on the Polish market. The group decided to build up its competitiveness in foreign markets and to increase its exports systematically. Export sales in H1 2010, which included supplies within the EU and to the countries outside the EU, generated the revenue of 47 852 thousand PLN, which made up 15.3% of the total sales revenues, as compared with 15.4 in H1 2009.

Itemized below are the sales revenues of ELEKTROBUDOWA SA group according to business sectors to which the sales were made in H1 2010 and H1 2009:

Business areas	H1 2010		H1 2009	
	Value (PLN'000)	%	Value (PLN'000)	%
Power generation industry	104 601	33.5	118 267	38.9
Export of products	47 852	15.3	47 031	15.4
Chemical industry	46 510	14.9	44 241	14.5
Mining	35 125	11.2	17 584	5.8
Retail facilities	26 320	8.4	22 110	7.3
Housing and utility building	17 842	5.7	6 195	2.0
Other	9 623	3.1	14 221	4.7
Paper & pulp	8 710	2.8	18 234	6.0
Environmental protection plants	6 508	2.1	4 265	1.4
Metallurgy	5 110	1.6	2 636	0.9
Power distribution industry	1 416	0.4	945	0.3
Industrial automation	1 238	0.4	0	0.0
Building materials	798	0.3	1 433	0.5
Electronic industry	500	0.2	6 505	2.1
Automotive	426	0.1	285	0.1
Transport	33	0.0	378	0.1
Food industry	22	0.0	78	0.0
Total	**312 634**	**100.00**	**304 408**	**100.0**

Traditionally, the power generating sector was the biggest source of income in H1 2010 (33.5% in the sales breakdown by industries) where the group is present with its products and comprehensive range of electric installation works in all newly erected, extended or modernized power stations. The group also provides installations relating to the environmental protection projects, which share in H1 2010 sales structure by industries is 2.1%.

The second biggest area of the group's activity in H1 2010 was the chemical industry. The sales to the chemical industry in H1 2010, which made up 14.9% of the total revenues, basically concerned PKN ORLEN S.A. in Płock and Zakłady Azotowe Anwil S.A..

The group still has significant customers for its products and services in mining industry, among them lignite mines, coal mines and copper mines. Proceeds from this industry had a 11.2% share in H1 2010 total sales.

A substantial share of 8.4% in total sales had the supplies and works performed in new and modernized retail centres, i.e. supermarkets, chains of stores such as TESCO or Decathlon. Contracts of this type have been performed successfully by the group for several years.

In H1 2010, like in 2009, the group also marked its presence in the housing building and broadly understood public utility building. Revenues generated from sales to this sector in the reporting period constituted 5.7% of total revenues earned by the group.

Other market segments, responsible for 8.9% share in sales, allowed the group to considerably supplement its sales outside the forenamed basic industries.

The destinations and structure of exports are presented below:

	H1 2010		**H1 2009**	
	Value (PLN'000)	**%**	**Value (PLN'000)**	**%**
Finland	19 177	40.1	9 919	21.1
Russia	14 760	30.8	22 171	47.1
Israel	3 220	6.7	0	0.0
Ukraine	2 304	4.8	922	2.0
Austria	2 144	4.5	0	0.0
Belarus	2 097	4.4	882	1.9
Turkey	1 555	3.3	2 918	6.2
Hungary	786	1.6	0	0.0
Holland	740	1.6	0	0.0
Trinidad & Tobago	723	1.5	0	0.0
Czech Republic	165	0.3	0	0.0
Saudi Arabia	91	0.2	4	0.0
Slovenia	24	0.1	3 546	7.5
Lithuania	0	0.0	3 566	7.6
Belgium	0	0.0	796	1.7
France	0	0.0	746	1.6
Bosnia	0	0.0	627	1.3
Australia	0	0.0	488	1.0
Other countries	66	0.1	446	1.0
Total export sales	**47 852**	**100.0**	**47 031**	**100.0**

Substantial growth was recorded in the execution of electrical installation services provided in the Scandinavian market. Export of services to Finland in H1 2010 amounted to 19.2 million PLN, which constituted 40.1% of total export sales by the group. Sales revenues were generated mainly on the contract for electrical and I&C systems for the NPP Olkiluoto 3 in Finland, which contract price is

€ 33.6m and the completion time is scheduled for 2011. The invoiced value of works performed at this site in H1 2010 was 16.0 million PLN, corresponding to 33.4% of total export sales revenues.

Export to Russia has the substantial share in total export revenue (30.8%) of H1 2010. The H1 2010 revenues from sales to Russia amounted to 14.8 million PLN, and though the income dropped by 33.4% on H1 2009, the Russian market is the most significant in the company's export sales. The group sells its products and services on the Russian market through its associates, KRUELTA Ltd. and VECTOR Ltd. Total export to KRUELTA in H1 2010 amounted to 11.5 million PLN and constituted 24.0% of total exports. Export to VECTOR in H1 2010 amounted to 3.3 million PLN and constituted 6.9% of total export volume. Both to KRUELTA and VECTOR the group mainly sold the D-12P and D-12PT switchgear panels, one of the best designs meeting the requirements of the most demanding Russian customers. Other exported products were mobile substations which can be equipped with switchgear panels or other power equipment, providing the possibility of constructing electric power facilities in any configuration for voltages between 0.4kV to 35kV.

In H1 2010 the ELEKTROBUDOWA SA group with its products entered new markets such has Israel, Austria, Hungary and some others, which are less significant for the group's export sales The most significant of the new markets is Israel, where the revenue generated in H1 2010 reached 3.2 million PLN, 6.7% of total export revenues. Transactions with Israel concerned the supply of finished goods (busducts).

3.2 Dependence on one or more customers

In H1 2010 the group noted its highest sales income on performance of the contract for electrical and I&C systems for the NPP Olkiluoto 3, Finland. Value of works performed for this project in the reporting period was 16.0 million PLN, which constituted 5.1% of the group's revenues generated in this period.

3.3 Sources of supply

In H1 2010 the sources of supply did not change much as compared with previous years. The group does not depend on one or several suppliers, whose share in sales revenues would exceed 10%. However, keeping in mind the necessity of cutting costs the group is looking for new suppliers of materials who would offer more favourable purchasing conditions.

4. SIGNIFICANT CONTRACTS

4.1 Construction contracts and contracts for supply of goods

Total value of orders received in H1 2010 by the parent amounted to 350.7 million PLN.

The awarded contracts included:

1. Impulse lines installations in the NPP Olkiluoto 3 for AREVA NP SAS-AREVA NP GmbH,
2. Erection of TESCO retail facility in Oława for ST Projekt III Sp. z o.o.
3. Erection of TESCO retail facility in Radzymin Podlaski for Tesco Polska Sp. z o.o.
4. Isolated-phase busduct type ELPE-24/10.7 for the site Kraftwerke Linth-Limmern AG in Linthal, Switzerland, for ABB AG Energy & automation
5. Erection and extension of track system substation in Gdynia for Przedsiębiorstwo Komunikacji Trolejbusowej Sp. z o.o.
6. Adaptation of building No. 88 for the needs of "Informatics Centre Świerk" for the Institute for Nuclear Problems in Świerk
7. Modernization of four rectifier stations in Wrocław, including modernization of their supply areas, for MPK Sp. z o.o.
8. Services relating to the project called "Erection of the Ethoxilation Plant in Płock" for PCC Rokita S.A., Brzeg Dolny
9. Supply, erection, commissioning of the electrical system of the biomass-fuelled boiler in the Szczecin Power Plant, for Mostostal Zabrze Holding S.A.
10. The 6kV supply system of the Flue Gas Desulfurization Plant for units 5, 6 in the Dolna Odra Power Plant, for PGE Zespół Elektrowni ZEDO Dolna Odra S.A.

4.2 Insurance contracts

The group maintains the property and personal insurance policies in the following scope:

- car insurance;
- all-risks contractor's insurance;
- business civil liability insurance,
- insurance of property against fire and other events,
- insurance of cash against theft and burglary;
- cargo insurance,
- casualty insurance for employees delegated abroad,
- group life insurance,
- civil liability insurance for the Members of the Management Board, Proxies and the Supervisory Board.

The entities of the group cooperate with Towarzystwo Ubezpieczeniowe HDI ASEKURACJA SA in Warsaw, Towarzystwo Ubezpieczeń i Reasekuracji "WARTA" SA in Warsaw, Towarzystwo Ubezpieczeniowe Allianz Polska S.A. in Warsaw, CHARTIS Europe S.A. in Warsaw, Towarzystwo Ubezpieczeń HDI Gerling Polska S.A., ING Nationale Nederlanded Polska S.A.

5. INVESTMENTS

5.1 Investments carried out in H1 2010

Total capital expenditure earmarked by the group in H1 2010 amounted to 12 727 thousand PLN, of which 11 933 thousand PLN was spent by the parent and 794 thousand PLN by the subsidiaries, in this ENERGOTEST sp. z o.o. 769 thousand PLN and ELEKTROBUDOWA Ukraina Ltd. 25 thousand PLN.

The H1 2010 investment outlays included:

- investment in equity 351 thousand PLN,
- expenditure on fixed assets 11 452 thousand PLN,
- expenditure on intangible assets 924 thousand PLN,

  of which:
- outlays for development 603 thousand PLN.

Equity investments constituted 2.8% of total investment expenditure and concerned the acquisition of share capital in the subsidiary, ELEKTROBUDOWA Ukraina Ltd., in the amount of 199 thousand PLN, and increase of share capital in the associate, SAUDI ELEKTROBUDOWA LLC, in the amount of 152 thousand PLN.

A considerable part of the expenditure on non-financial fixed assets was earmarked for further modernization and current reproduction of fixed tangible assets of the company, as well as for the purchase of computer software and for R&D.

The expenditure on the construction of the Busduct Factory in Tychy amounted to 7 467 thousand PLN, whereas for modernization and reconstruction of buildings and structures 430 thousand PLN.

Major modernization works concerned the following facilities:

- construction of the warehouse & erection bay between bays 3 and 4 in Konin,
- replacement of windows in bay 4 and in the western and southern part of bay 3 in Konin,
- replacement of windows in high voltage laboratory.

In H1 2010 the equipment to streamline the production and assembly processes was bought for the sum of 2 094 thousand PLN, which included:

- powder and liquid painting shop equipment for the value of 487 thousand PLN,
- compressor room equipment for the amount of 361 thousand PLN,
- portable testing units (3 sets) for the value of 331 thousand PLN,
- 5T overhead crane for the sum of 123 thousand PLN,
- mobile scaffolding (13 sets) for 100 thousand PLN,

Furthermore, the replacement of computer hardware was continued for the amount of 646 thousand PLN, and modern software was purchased for the sum of 321 thousand PLN

Outlays for transport means amounted to 815 thousand PLN, mainly to extend the fleet of vans and motors cars.

The H1 2010 year investments were financed from the group's own funds, only a small part of those resources came from selling of some tangible assets.

5.2 Investment plan for H2 2010

Planned investment outlays for non-finance fixed assets in the second half of 2010 amount to 26.7 million PLN and include:

-	construction of new facilities with equipment	13.5	million PLN
-	modernisation of buildings and structures	4.1	million PLN
-	purchase of machines and equipment	4.2	million PLN
-	vehicles and transport equipment	2.1	million PLN
-	computer hardware	0.9	million PLN
-	intangible assets	1.4	million PLN
-	land	0.5	million PLN

Implementation of investment plans

Taking into account good financial standing of the company described in item 1.2 of this report, stable liquidity ratios and the H1 2010 order backlog, it is evident that realization of the investment plans, including capital investments is not at risk. As in the previous year, the group is going to finance the investments from its own funds, which finds confirmation in the gathered monetary resources.

6. RELATED PARTY TRANSACTIONS

In H1 2010 the entities of the ELEKTROBUDOWA SA group entered into mutual transactions which were typical, routine transactions concluded under normal commercial terms, resulting from the current operating activity.
Transactions between the parent and its related parties, who are the related parties for ELEKTROBUDOWA SA, were eliminated in consolidation and are not disclosed in this note.

In the reporting period the parent, ELEKTROBUDOWA SA carried out the following transactions with subsidiaries and associates:

a) Sales:

- sales of goods - KRUELTA Ltd.	11 439	thous PLN
- sales of goods – the Electrotechnical Company VECTOR Ltd.	1 918	thous PLN
- sales of services – the Electrotechnical Company VECTOR Ltd.	30	thous PLN
- sales of materials - the Electrotechnical Company VECTOR Ltd.	1 373	thous PLN
- sales of goods – SAUDI ELEKTROBUDOWA LLC	5	thous PLN
- sales of services – SAUDI ELEKTROBUDOWA LLC	40	thous PLN

Mutual balances between the parent and its associates as at 30 June 2010:

- payables of KRUELTA to ELEKTROBUDOWY SA 4 839 thous PLN
- payables of the Electrotechnical Company VECTOR Ltd. to ELEKTROBUDOWA SA 1 592 thous PLN
- payables of SAUDI ELEKTROBUDOWA LLC to ELEKTROBUDOWA SA 91 thous PLN

The unsettled balances of receivables and payables with the associates are unsecured and will be settled in cash in the agreed payment dates.

The parent, ELEKTROBUDOWA SA did not extend any guarantees to the associates for securing contract bonds.

As of 30 June 2010 ELEKTROBUDOWA SA created an impairment provision in the amount of 4 thousand PLN for the receivable from SAUDI ELEKTROBUDOWA LLC.

7. INFORMATION ON CREDITS, LOANS, SECURITIES AND GUARANTEES.

7.1 Credit contracts as at 30 June 2010

	Bank	**Type of loan**	**Contract validity**	**Limit of credit**
1.	ING Bank Śląski w Katowicach	overdraft	27.03.2011	1 million PLN
2.	Bank PEKAO S.A. w Krakowie	overdraft	30.04.2012	10 million PLN
3.	PKO BP SA w Warszawie	overdraft	23.02.2012	5 million PLN
4.	Fortis Bank S.A	overdraft	23.02.2012	1 million PLN

In H1 2010 the entities of the group did not use open credit lines.

As at 30 June 2010 the group did not have any liabilities due to bank loans.

7.2 Loan agreements

In H1 2010 the ELEKTROBUDOWA SA group neither was granted nor extended any loans.

7.3 Guaranties and Sureties

As at 30 June 2010 the ELEKTROBUDOWA SA group extended a guarantee securing the tender deposits, performance bonds and warranty bonds through banks and insurance companies, for the total amount of 146.9 million PLN.

Promissory notes issued by the group to secure performance of contracts and payments resulting from the concluded contracts for the total amount of 16.2 million PLN are also a form of guarantee. The promissory bonds issued by the group also secure credit lines and guarantees issued by banks or insurance companies.

In H1 2010 the group did not extend any sureties.

8. DIFFERENCES BETWEEN H1 2010 PERFORMANCE AND THE PUBLISHED FORECAST

From the point of view of the performance after the first half of the year, in the opinion of the Management Board of the parent the realization of the announced Budget is not at risk.

The 2010 consolidated budget of the ELEKTROBUDOWA SA group, published on 17 February 2010, assumed that the annual sales revenues will reach the level of 697 678 thousand PLN and net profit will amount to 44 403 thousand PLN (of which 44 403 thousand PLN attributable to the company's shareholders). The consolidated financial results of the group after 6 months of 2010 include the sales revenues of 312 634 thousand PLN and net profit of 21 422 thousand PLN, of which 21 422 thousand PLN attributable to the company's shareholders.

It results from the above figures that the budgeted sales revenues were realized in 45% and the net profit in 48%. It is in line with the Budget guidelines, resulting from the seasonality of business in the construction sector.

9. BASIS FOR PREPARATION

These financial statements of the group have been prepared under the assumption that the group will continue with its operations in the foreseeable future. As of the day of preparing the statements no circumstances exist which would indicate that the continuation of business is at risk.

The financial statements were prepared under the historical cost convention, with the exception of revaluation of some fixed assets and financial recognised at fair value.

10. MAJOR TECHNICAL DEVELOPMENT WORKS

In H1 2010 development works were implemented in the following scope:

- a new variant of DC switchgear RT-1/15 designed for the trolley bus system was certified. The switchgear also passed the performance tests in the substation supplying the trolleybus track system;
- the DC switchgear type RT3 was constructed and certified, designed for applications in the railway track system;
- a transformer cubicle, cooperating with PREM-G1dM switchgear, was constructed, tested and certified. WUG (State Mining Authority) approval for use was obtained;
- specifications were developed of new variants of PREM-G1dM switchgear dedicated for mining, which were also certified. The switchgear is provided with vacuum circuit breakers of new types and the protection system MUPASZ-710. WUG approval for use was obtained;
- A new variant of D-12-2S switchgear was constructed and additional type tests were performed; increasing the arcing short-circuit capacity to 31.5kA in 1s;
- works were started on development of a modern, compact switchgear with protection against explosion;
- a variant of D-40P switchgear was built, dedicated for VECTOR, supplementary tests were performed successfully;

- A variant of PREM-G1dM switchgear with a pressure relief duct was built, arc resistance of 25kA in 1 full second;
- construction works on the medium voltage SF6-insulated switchgear were continued;
- implementation works of a new version of EKM2/RJ45 converter were completed.

R&D plans for H2 2010:

- performance tests of RT-3 switchgear;
- continuation of Works on explosion-proof switchgear (project co-financed by the Ministry of Science and Higher Education);
- continuation of works on the medium voltage SF6-insulated switchgear, which is intended to complementing the series of types of medium voltage switchgear systems, designed for distribution of electrical energy in 17.5V and 24 kV systems;
- tests on low voltage busbar trunking system PONTIS, testing its fire resistance in 120 minutes;
- extension of series D switchgear to increase rated short-circuit current and rated continuous current up to 3600A in ambient temperature of 40° C;
- continuation of implementation works on communication module MRY-01, development of new AZRs and the IEC 61850 protocol.

11. SETTLEMENT OF PROCEEDS FROM THE ISSUANCE OF SERIES D SHARES OF THE PARENT AS OF 30 JUNE 2010

1.	Cash inflow from the share issue		89 677	thousand PLN
	of which:			
	-	share capital	1 055	thousand PLN
	-	supplementary capital	88 622	thousand PLN
2.	Equity investment		69 065	thousand PLN
	2.1	ENERGOEFEKT Sp. z o.o. Ruda Śląska	10 852	thousand PLN
	2.2	ENERGOTEST sp. z o.o. Gliwice	36 600	thousand PLN
	2.3	VECTOR Ltd. Votkinsk, the Russian Federation	21 516	thousand PLN
	2.4	SAUDI ELEKTROBUDOWA LLC, the Kingdom of Saudi Arabia	97	thousand PLN
3.	Expenditure for the purchase of fixed assets and intangible assets		20 612	thousand PLN
4.	Total investment expenditure as at 30 June 2010		89 677	thousand PLN
5.	Proceeds from the share issue which were not used as at 30 June 2010		0	thousand PLN

12. STATEMENT OF CONFORMITY WITH LEGISLATION

The financial statements of the group were prepared according to the International Financial Reporting Standards as adopted by the European Union.

The Management Board of ELEKTROBUDOWA SA declares that all information required by the Regulation of the Minister of Finance dated 19 February 2009 on current and interim information provided by issuers of securities and with the conditions of acknowledging the equivalence of information required by laws of a non-member country were included in the group's Financial Statements, except those which do not apply to the group.

13. STATEMENT ON CHOICE OF AN AUDITOR

The Management Board of ELEKTROBUDOWA SA declares that the Deloitte Audyt Sp z o.o. based in Warsaw, with registered office at 19, Jana Pawła Str. 00-854 Warsaw was chosen to audit the Financial statements of ELEKTROBUDOWA SA and the Consolidated financial statements of the ELEKTROBUDOWA SA group for the year 2010 and for the review of interim financial statements of ELEKTROBUDOWA SA and the ELEKTROBUDOWA SA group for the period from 1 January 2010 to 30 June 2010 in conformity with provisions of the law. The audit company and chartered accountants who conducted the audit of the statements fulfilled the conditions of expressing an unbiased and independent opinion of the audit, conformable with relevant regulations.

Information about the contract concluded with the auditor

A contract for reviewing the interim financial statements of ELEKTROBUDOWA SA and the ELEKTROBUDOWA SA group for the period 01.01-30.06.2010 and for auditing the annual Financial Statements of ELEKTROBUDOWA SA and the annual Consolidated Financial Statements of the ELEKTROBUDOWA SA group for 2010 was concluded with Deloitte Audyt Sp. z o.o., having their registered office in Warsaw on 30 June 2010.

The remuneration for the above review and auditing of the 2010 financial statements was as follows (in PLN'000):

- review of the half-year financial statements of ELEKTROBUDOWA SA and consolidated financial statements of the ELEKTROBUDOWA SA group	55
- Audit of the annual financial statements of ELEKTROBUDOWA SA and consolidated financial statements of the ELEKTROBUDOWA SA group	90
Review and auditing of the financial statements	**145**

Deloitte Audyt Sp. z o.o. was also appointed to audit the 2010 Financial statements of the subsidiary, ENERGOTEST sp. z o.o. The agreed remuneration for auditing the subsidiary amount to 25 thousand PLN.

The entity authorized to audit the financial statements did not provide any other services for the group in the first half of 2010.

14. STATEMENT ON OBSERVING THE CORPORATE GOVERNANCE RULES

14.1 The scope in which the corporate governance rules are applied

The Management Board of ELEKTROBUDOWA SA declares that in H1 2010 the company and its bodies fully observed the corporate governance rules contained in the document "Code of Best Practice for WSE Listed Companies". Details of corporate governance rules are available on the web page of the parent: www.elbudowa.com.pl.

ELEKTROBUDOWA SA does not implement the corporate governance practices which are not required by the Polish law. Last year ELEKTROBUDOWA SA applied all provisions covered in the corporate governance rules.

14.2 Rules for operations of the General Meeting of the parent

The rules for activity of the General Meeting and its essential powers together with the rights of shareholders and how they are exercised are presented in the Articles of the Company and in the By-Laws of the General Meeting. Following the amendments to the Articles introduced in 2009, the General Meeting assembled on 26.04.2010 introduced relevant changes to the Articles to approved their consolidated text.

General Meeting of ELEKTROBUDOWA SA can be annual or extraordinary, in compliance with the provisions of the Commercial Companies Code and the Articles, according to the rules specified in the By-Laws of the General Meeting. General Meetings of Shareholders are held in Katowice or Warsaw.

Annual General Meeting of Shareholders shall be convened by the Management Board of the Company. Annual General Meeting shall be held within six months of the end of each financial year. Extraordinary General Meeting shall be convened by the Management Board of the Company on its own initiative, on written request of the Supervisory Board, its Chairman, any three members of the Supervisory Board or at a written request of Shareholders representing at least 5% (ten percent) of the share capital. Extraordinary General Meeting shall be convened within 14 (fourteen) days from the date of filing the said request. Extraordinary General Meeting can also be convened by shareholders representing at least a half of the share capital or at least half of the total number of votes in the company.

General Meeting may adopt resolutions only in matters included in the agenda, unless the entire share capital is represented at the Meeting and no person present objected to holding the Meeting or placing specific matters in the agenda. The agenda is determined by the subject convening the General Meeting of Shareholders. The Supervisory Board, its Chairman, any three members of the Supervisory Board, as well as Shareholders representing at least 5% (ten percent) of the share capital may demand that specific matters are placed in the agenda of the nearest General Meeting. If such a demand is filed after the convening of the General Meeting, it shall be treated as a request for convening Extraordinary General Meeting. General Meeting is valid and may adopt resolutions irrespective of the number of present shareholders and represented shares, unless provisions of the Law or these Articles provide otherwise. Each share shall give the right to one vote at the General Meeting. Resolutions at the General Meeting of

Shareholders are adopted by absolute majority of votes unless provisions of the Law or the Articles provide otherwise. In the situation specified in art.397 of the Code of Commercial Companies, a resolution of liquidation of the Company shall be adopted by a majority of three/fourth of votes. A resolution of abandoning to consider the matter placed on the agenda can be passed only for important reasons. A relevant motion shall be substantiated in detail. Voting shall be open. A secret ballot shall be ordered in the case of election and on motions to remove members of authorities or liquidators of the Company, or to hold such persons liable, and in matters concerning personal issues. Furthermore, a secret ballot shall be ordered at the request of at least one shareholder from among those present pr represented at the General Meeting. Resolutions concerning a substantial change in the objects of the Company shall always be taken in an open voting by roll call.

General Meeting is opened by Chairman of the Supervisory Board or a person indicated by him, then from those with the right to vote a Chairman of the General Meeting shall be elected. In case those persons are absent, the General Meeting is opened by President of the Management Board or a person appointed by the Management Board. Resolutions of the General Meeting, apart from matters specified in this section or in the Articles, shall be required for:

1) examination and approval of the Management Board report on activities of the Company and financial statements for the previous financial year,

2) acknowledgement of the fulfilment of duties by members of authorities of the Company,

3) decisions concerning claims for redressing damage inflicted upon formation of the Company or exercising management or supervision;

4) disposal or lease of the business enterprise or an organized part of it, or establishment of a property right thereon,

5) issue of convertible bonds or bonds with priority right,

6) acquisition of own shares, which are to be offered to employees or persons that were employed at the Company or a company related to it during the period of at least three years,

7) adopting a resolution on division of profits or covering losses,

8) changes in the objects of activities of the Company,

9) amendments to the Articles of the Company,

10) increase or decrease of the share capital,

11) redemption of shares (except of immediate redemption: of shares acquired with infringement of provisions of Art. 362 §1 and §2 of the CCC, which were not disposed of within a year after they had been acquired by the company and the remaining part of company's own shares which exceeds 10% of the share capital, not disposed of within two years since acquisition),

12) merging, dividing or liquidation of the Company,

13) dissolution and liquidation of the Company,

14) fixing the date of acquiring rights to dividend and the date of payment of dividends,

15) conclusion by the Company of a contract of credit, loan, guarantee or other similar agreements with a member of the Management Board, the Supervisory Board, auditing committee, proxy, liquidator or for the benefit of any of those persons,

16) specifying remuneration for members of the Supervisory Board.

17) concluding an agreement with a subsidiary, which provides for managing the subsidiary or transferring the profit by such entity.

Competence specified above in points 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14 is exercised by the General Meeting as follows:

a/ on a motion of the Management Board of the Company, presented jointly with written opinion of the Supervisory Board,

b/ on a motion of shareholders representing at least 5% (ten percent) of the share capital, with opinions of the Management Board of the Company and the Supervisory Board. If no opinion is received when requested at least 14 (fourteen) days before the General Meeting, it shall be understood as lack of objections.

14.3. Composition and rules of procedure of the managing and supervising bodies and their committees

14.3.1 The Management Board of the Company

The Management Board consists of 3 to 7 people appointed for three-year terms of office.

Composition of the Management Board of ELEKTROBUDOWA SA in H1 2010 was as follows:

Jacek Faltynowicz	-	President – appointed on 24.04.2009
Jarosław Tomaszewski	-	Board Member – appointed 24.04.2009
Ariusz Bober	-	Board Member – appointed 24.04.2009
Tomasz Jaźwiński	-	Board Member – appointed 24.04.2009
Stanisław Rak	-	Board Member – appointed 24.04.2009
Arkadiusz Klimowicz	-	Board Member – appointed 24.04.2009

Regulations for the Management Board operation are defined in the Articles and the By-Laws of the Management Board approved by the Supervisory Board.

The Management Board shall manage the affairs of the company and represents the company. The Management Board holds meetings presided by its President. President of the Management Board is also Director of the company. Resolutions of the Management Board are adopted by absolute majority of votes. In case of equal number of votes President of the Management Board has got a casting vote. All matters that are not reserved for General Meeting of Shareholders or the Supervisory Board fall within the competence of the Management Board. Two members of the Management Board acting jointly or one member of the Management Board acting jointly with a proxy are authorized to represent the company. The Management Board may grant commercial proxy with prior consent of the Supervisory Board. Proxies acting independently within their authorizations may be appointed for performing actions of specific character or kind.

The rules of appointing and dismissal of the managing persons have not changed. President is appointed by the Supervisory Board. Members of the Board are appointed by the Supervisory Board on President's motion.

The managing persons have no powers to take decisions on issuance or redemption of shares, they can only initiate the actions to decide in these issues.

The rules of procedure for the Management Boards of subsidiaries are established in their Articles and By-Laws of the Management Board, approved by the General Meeting of Shareholders.

Agreements between ELEKTROBUDOWA SA and the managing persons

As at 30 June 2010 no agreements existed, except the non-competition agreements concluded between ELEKTROBUDOWA SA and the managing persons, which would stipulate that a compensation is due in the case their resignation or dismissal with no serious cause, or in the case of their removal or dismissal is in consequence of business combination through acquisition.

14.3.2 The Supervisory Board of the parent

The Supervisory Board is composed of 5 to 7 members appointed by General Meeting of Shareholders for a joint three years term of office.

Composition of the Supervisory Board of ELEKTROBUDOWA SA in H1 2010 was as follows:

Dariusz Mańko	-	Chairman – appointed 24.04.2008
Karol Żbikowski	-	Vice-Chairman –appointed 24.04.2008
Aleksander Chłopecki	-	Member – appointed 24.04.2008
Jacek Chwałek	-	Member – appointed 24.04.2008
Tomasz Mosiek	-	Member – appointed 24.04.2008
Dariusz Wojda	-	Member – appointed 24.04.2008
Ryszard Rafalski	-	Member – appointed 24.04.2008

The Supervisory Board acts on the basis of the Articles and its By-Laws approved by the Supervisory Board. Resolutions of the Supervisory Board are adopted by absolute majority of votes. In case of equal number of votes Chairman of the Supervisory Board has got a casting vote

Apart from powers and duties of the Supervisory Board stipulated the Code of Commercial Companies and other provisions of these Articles, the following matters fall within special competence of the Supervisory Board:

1) to examine the Directors' Reports provided by the Management Board and financial statement for the previous business year for their compatibility with the books and documents and the actual state of affairs,

2) to assess motions of the Management Board concerning division of profit or covering a loss,

3) to submit the annual written report on the results of the examination of Directors' Report and financial statement for the previous business year for their compatibility with the books and documents and the actual state of affairs as well as motions of the Management Board concerning division of profit or covering a loss to the General Meeting of Shareholders,

4) to appoint and dismiss members of the Management Board,

5) to suspend, for important reasons, individual or all members of the Management Board in the performance of their functions,

6) to assign member or members of the Supervisory Board, for the period not longer than three months, to perform temporarily the duties of those members of the Management Board who have been dismissed, have resigned or who are unable to perform their duties for other reasons,

7) to approve the regulations of the Management Board of the company,

8) to approve annual budgets and strategic plans of the company,

9) to appoint certified auditor for examination of financial statement

10) to represent the company in agreements concluded between the company and Members of the Management Board , as well as in disputes with them,

11) to determine remuneration for members of the Management Board.

- and to grant consent to:

a) making commitments by the company or expenditures concerning one transaction or a series of related transactions in the amount exceeding the equivalent of 100,000 (one hundred thousand) USD fixed according to average exchange rate for USD published by the NBP on the day preceding the day of request for approval made by the Management Board to the Supervisory Board, not planned in the approved budget and outside ordinary management of the company,

b) acquisition of interest or shares in other companies,

c) joining other legal persons and sale of assets of the company, the value of which exceeds 10% (ten percent) of net value of fixed assets, with the exclusion of those, which constitute stock marketable in the course of normal operation of the company,

d) taking credits and loans with the period of repayment over one year not planned in the approved budget, other than trade credits taken by the company within the scope of ordinary management,

e) granting guaranties or securities by the company not planned in the approved budget and charging the assets of the company with obligations not planned in the budget,

f) concluding agreements between the company and a close person of Member of the Management Board or in any way related to him – in each case, and between the company and the employees of the company who report directly to the Members of the Management Board - in the case of one contract or a series of related contracts for the amount exceeding 10,000 (ten thousand) USD fixed according to average exchange rate for USD published by the NBP on the day of concluding the contract

g) employing (on employment contracts or civil law contracts) advisers and other people from outside the Company, especially as consultants, lawyers, agents, if annual total costs of employing a person mentioned above would exceed the equivalent of 100,000 (one hundred thousand) USD fixed according to average exchange rate for USD published by the NBP on the day preceding the day of request for approval made by the Management Board to the Supervisory Board,

h) making advance payments against future dividend,

i) acquisition and disposal of real property or a share in a real property.

j) as long as the company remains a listed company and subject to representing the company in agreements between the company and he Management Board Members and also in disputed with them – giving consent to entering into agreement with related parties in the meaning of the Regulation of the

Minister of Finance on current and interim information provided by the issues of securities and the condition of equivalence of the information required by the laws of a non-member country or another legal act which will replace this Regulation. Consent is not required in respect of typical transactions entered into on usual market terms within the operating activity carried out by the company with a related party in which the company has majority interest.

Two committees were operating in the Supervisory Board of ELEKTROBUDOWA SA in H1 2010: the Audit Committee and the Nominating and Remuneration Committee of the Supervisory Board.

In H1 2010 the Audit Committee worked in the following composition:

- Dariusz Wojda – Chairman of the Committee
- Aleksander Chłopecki – Member
- Tomasz Mosiek – Member
- Ryszard Rafalski – Member

In H1 2010 the Nominating and Remuneration Committee worked in the following composition :

- Ryszard Rafalski – Chairman of the Committee
- Aleksander Chłopecki – Member
- Karol Żbikowski – Member

The rules of procedure for the Supervisory Boards of subsidiaries are established in their Articles and By-Laws of the Supervisory Board, approved by the General Meeting of Shareholders.

14.4 Presentation of the internal control and risk management systems applied in preparing the financial statements

The group maintains multi-level internal control and risk management systems. The key roles in them are performed by the governing bodies of the parent: the Management Board and Supervisory Board of ELEKTROBUDOWA SA.

The duties of the Audit Committee appointed from among the members of the Supervisory Board comprise the streamlining of the Board's work by giving instructions on preparation of decisions to be taken in respect of:

- monitoring the independence of a statutory auditor (external auditor) by complying with mandatory guidelines for the rotation of audit partners and reviewing the character and scope of services other than auditing;
- monitoring the accuracy of financial information presented by the company, by reviewing the applied accounting methods;
- evaluation of internal control and risk management systems, by reviewing the systems in respect of financial risks.

One of the essential elements of control in the process of preparing the financial statements is verification of financial statements by an independent auditor. Tasks of an auditor include in particular: review of the half-year financial statements and preliminary and basic auditing of the annual statements. An auditor is selected by the Supervisory Board in the procedure of quotations, from among prime auditing companies which guarantee high standards of service and required independence.

Preparation of the consolidated financial statements, interim reports and current management accounting of the group lies within the responsibilities of departments of the parent, reporting to the Finance Director. Financial statements are prepared by middle managers and checked by the Finance Director before submitting to the auditors for review. On this stage functional control and identification of risk, if any, with their elimination, are performed.

The group maintains relevant procedures for preparing its financial statements, which aim at providing completeness and correctness of recognizing all business transactions in the reporting period. These procedures include:

- Accounting Policy and the Company's Plan of Accounts, which conform to requirements of the International Financial Reporting Standards,
- Principles of balance sheet depreciation of fixed tangible assets and amortization of intangible assets,
- Stock-taking instruction,
- Documentation of the accounting data processing system,
- Other procedures related to appropriate internal communication concerning the process of preparing the consolidated financial statements, planning all works relating to such preparation and to development of detailed plan of action, including assigning responsibilities for specific tasks.

Financial data for financial statements and interim reports come from monthly or quarterly financial reporting of the entities in the group. Middle and top managers, after closing books for the end of each calendar month, together analyse the financial results of the company as a whole and of its units, comparing them with the business assumptions. Any identified errors are corrected at current basis in the company books, according to the adopted accounting policy.

Accounting policy concerning financial reporting which is implemented by the group, is applied both in budgeting and forecasting process and in periodical management accounting, which means that the entities of the group use coherent accounting principles in presenting its financial data in the annual and interim financial statements as well as other reports provided to the shareholders.

Organisation of financial risk management process separates the functions of units responsible for negotiating market transactions from to the functions of units responsible for their authorization, settlement and preparing information on valuation of those transactions. Such organizational structure, which is in keeping with global best practices of risk management, enables the control of business transacting process and elimination of transactions not authorized by the governing bodies.

In result of financial risk management, reducing other operating and finance costs in which the financial risk is actually reflected contributes to improvement of the group's profitability ratios. On the other hand, efficiency of the applied risk control and management procedures is reflected in preparing the financial statements, contributing to their high quality, acknowledged by the auditors' opinions issued so far and appreciated by the persons to whom the statements are addressed.

Risk areas to which the group is exposed, are described in detail in item 4 of the additional information to the consolidated financial statements for the six months ended 30 June 2010.

14.5 Information on shareholders of the parent

To the best of their knowledge ELEKTROBUDOWA SA discloses a list of shareholders with qualifying holdings, indicating the number of shares held, their percentage in the share capital, number of voting rights attached to them with the percentage of the total vote in the general meeting:

Shareholders as at 17 May 2010:	**Numbers of shares = number of votes**	**% of votes and % equity**
ING Open-ended Pension Fund	799 394	16.84
Aviva OFE BZ WBK SA (former Commercial Union Open-end Pension Fund BPH CU WBK)	719 929	15.16
Amplico OFE (former AIG Open-ended Pension Fund)	316 572	6.67
Open-ended Pension Fund PZU Złota Jesień	464 588	9.79
AXA OFE	342 443	7.21
Float	2 104 682	44.33
Total	**4 747 608**	**100.00**

Shareholders as at 31 August 2010:	**Numbers of shares = number of votes**	**% of votes and % equity**
ING OFE (Open-end Pension Fund)	609 398	12.84
AVIVA OFE AVIVA BZ WBK SA	721 094	15.19
Otwarty Fundusz Emerytalny PZU „Złota Jesień”	464 588	9.78
AXA OFE	390 723	8.23
Generali OFE	273 849	5.77
Amplico Open-end Pension Fund	253 791	5.34
Free float	2 034 165	42.85
Total	**4 747 608**	**100.00**

ELEKTROBUDOWA SA has not issued any securities with special controlling rights for their holders. No restrictions exist for exercising the voting right from the company’s securities. No restrictions exist on transferring the right of ownership of ELEKTROBUDOWA’s securities.

Number and nominal value of shares in ELEKTROBUDOWA SA and shares in the Company’s subsidiaries held by the managing or supervisory persons

Shares in ELEKTROBUDOWA SA held by its key executives did not change since the date of submitting the Q1 2010 report and on 31 August 2010 was as follows:

Jacek Faltynowicz - no shares held

Stanisław Rak	-	337 shares
Ariusz Bober	-	no shares held
Jarosław Tomaszewski	-	no shares held
Tomasz Jaźwiński	-	no shares held
Arkadiusz Klimowicz	-	no shares held

As of 31 August 2010 the key executives of the parent did not hold any shares in entities related to ELEKTROBUDOWA SA; the supervisory persons did not hold shares in ELEKTROBUDOWA SA or its related companies.

The persons managing or supervising the subsidiaries and associates did not hold shares in ELEKTROBUDOWA SA or other entities of the group. as of 31 August 2010.

14.6 Information about employee share plans control system

The group does not have any employee share plans.

14.7 Legal claims against ELEKTROBUDOWA SA

In the opinion of the Management Board of the parent there are no circumstances indicating any substantial obligations to arise due to claims against any of the group's entities.

There are not legal proceedings against the entities either in court, arbitration or administrative body in respect of their liabilities or receivables.

The Management Board of ELEKTROBUDOWA SA declares that in H1 2010 the group and its governing bodies fully observed the corporate governance rules contained in the document "Code of Best Practice for WSE Listed Companies". Details of corporate governance rules are available on the web page of the parent: www.elbudowa.com.pl.

The group does not implement the corporate governance practices which are not required by the Polish law.

In the reporting period the group applied all provisions covered in the corporate governance rules.

SIGNATURES OF ALL MANAGEMENT BOARD MEMBERS

Name and surname	Position / Function	Date	Signature
Jacek Faltynowicz	President	27.08.2010	
Jarosław Tomaszewski	Board Member	27.08.2010	
Ariusz Bober	Board Member	27.08.2010	
Stanisław Rak	Board Member	27.08.2010	
Tomasz Jaźwiński	Board Member	27.08.2010	
Arkadiusz Klimowicz	Board Member	27.08.2010	

SIGNATURE OF THE PERSON IN CHARGE OF ACCOUNTING BOOKS

Name and surname	Position / Function	Date	Signature
Sylwia Wojtas	Chief Accountant	27.08.2010	

Deloitte.

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AUDITOR'S REPORT ON THE REVIEW OF THE CONDENSED INTERIM SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD FROM 1 JANUARY 2010 TO 30 JUNE 2010

To the Shareholders and Supervisory Board of ELEKTROBUDOWA SA

We have reviewed the attached condensed interim separate financial statements of ELEKTROBUDOWA SA with its registered office in Katowice at Porcelanowa 12, including a statement of financial position prepared as of 30 June 2010, statement of comprehensive income, statement of changes in equity, statement of cash flows for the period from 1 January 2010 to 30 June 2010 and notes, comprising a summary of significant accounting policies and other explanatory information.

Compliance of these condensed interim financial statements with the requirements laid down in IAS 34 "Interim Financial Reporting" as endorsed by the European Union ("IAS 34") and with other regulations in force is the responsibility of the Management Board and Supervisory Board of the Company. Our responsibility was to review the financial statements.

Our review has been conducted in accordance with the national auditing standards issued by the National Council of Statutory Auditors. These Standards require that we plan and conduct the review in such a way as to obtain reasonable assurance that the financial statements are free from material misstatement.

Our review has been conducted mainly based on an analysis of data included in the financial statements, examination of the accounting records as well as information provided by the management and the financial and accounting personnel of the Company.

The scope and methodology of a review of condensed interim financial statements differ significantly from an audit, which serves as the basis for expressing an opinion on compliance of annual financial statements with the applicable accounting principles (policy) and an opinion on their fairness and clarity. Therefore, no such opinion on the attached financial statements may be issued.

Based on our review, we have not identified any issues which would prevent us from concluding that the condensed interim separate financial statements have been prepared, in all material respects, in compliance with the requirements laid down in IAS 34 "Interim Financial Reporting" as endorsed by the European Union.

...
Joanna Sklarz-Snopek
Key certified auditor
conducting the review
No. 10781

..
represented by

..
entity authorized to audit
financial statements entered under
number 73 on the list kept by the
National Council of Statutory Auditors

Warsaw, August, 27 2010

The above auditor's report on the review is a translation from the original Polish version. In case of any discrepancies between the Polish and English version, the Polish version shall prevail.

ELEKTROBUDOWA SA

H1 2010
Condensed Financial Statements

for the six months from 1 January to 30 June 2010

Index to the financial statements

(all amounts in PLN thousands unless otherwise stated)

Statement of the Financial Situation

	as at		
	30 June 2010	31 Dec 2009	30 June 2009
ASSETS			
Non-current assets	**180 320**	**146 791**	**136 425**
Property, plant and equipment	65 259	58 036	51 583
Intangible assets	2 880	3 463	4 103
Investments in associates	23 336	23 184	19 565
Interest in subsidiaries	47 722	47 523	47 523
Available-for-sale financial assets	32 519	2 890	2 890
Non-current receivables	7 319	8 543	7 362
Deferred income tax assets	0	1 751	2 247
Non-current prepayments	1 285	1 401	1 152
Current asssets	**291 378**	**321 536**	**288 457**
Inventories	22 448	3 330	13 130
Trade and other receivables	166 216	175 349	133 386
Available-for-sale financial assets	222	250	295
Held-to-maturity financial assets	0	0	19 988
Current prepayments	3 561	2 183	3 220
Amounts due from construction contract work	52 610	39 225	35 911
Cash and cash equivalents	46 321	101 199	82 527
Total assets	**471 698**	**468 327**	**424 882**
EQUITY AND LIABILITIES			
Shareholders' Equity	**299 605**	**287 271**	**260 409**
Authorized share capital	26 375	26 375	26 375
Supplementary capital	260 702	218 916	218 916
Capital from valuation of available-for-sale investment	1 225	1 548	1 584
Retained earnings	11 303	40 432	13 534
Liabilities			
Non-current liabilities	**9 081**	**8 139**	**7 669**
Deferred income tax liabilities	1 200	0	0
Employee benefit obligations	2 431	2 537	2 118
Other liabilities	5 450	5 602	5 551
Current liabilities	**163 012**	**172 917**	**156 804**
Trade and other payables	128 940	130 131	119 984
Corporate income tax liabilities	46	257	2 492
Derivative financial instruments	159	147	0
Provisions	341	435	392
Accruals	6 782	8 739	5 850
Amounts due to customers for construction contract work	26 744	33 208	28 086
Total liabilities	**172 093**	**181 056**	**164 473**
Total equity and liabilities	**471 698**	**468 327**	**424 882**

(all amounts in PLN thousands unless otherwise stated)

Statement of Comprehensive Income

	six months ended 30 June 2010	six months ended 30 June 2009
Continuing operarations		
Revenue on sales of products, goods and materials	299 688	285 189
Cost of products, goods and materials sold	(262 839)	(245 205)
Gross profit on sales	**36 849**	**39 984**
Selling costs	(1 711)	(1 825)
Administrative expenses	(4 084)	(4 304)
Other operating expenses	(850)	(984)
Other gains (losses) - net	(2 514)	(2 034)
Operating profit	**27 690**	**30 837**
Finance income (costs) - net	6 799	8 876
Gross profit before income tax	**34 489**	**39 713**
Income tax expense	(5 196)	(8 188)
Net profit from continuing operations for the year	**29 293**	**31 525**
Discontinued operations		
Net profit (loss) from discontinued operations for the period	**0**	**0**
Net profit for the period	**29 293**	**31 525**
Other comprehensive income, total		
available-for-sale investments	(399)	888
deferred tax relating to available-for-sale investments	76	(169)
Total other comprehensive income	**(323)**	**719**
Total comprehensive income	**28 970**	**32 244**
Earnings (loss) per share from continuing and discontinued operations (in PLN per share)		
- basic	6,17	6,64
- diluted	6,17	6,64

(all amounts in PLN thousands unless otherwise stated)

Statement of Changes in Equity

	Share capital	Supplementary capital from share premium	Other supplementary capital	Capital from valuation of available-for-sale investment	Retained earnings	Total equity
1 January 2010	**26 375**	**100 840**	**118 076**	**1 548**	**40 432**	**287 271**
net profit					*29 293*	*29 293*
valuation of available-for-sale-investments				*(399)*		*(399)*
deferred tax on valuation of available-for-sale investments				*76*		*76*
total comprehensive income				**(323)**	**29 293**	**28 970**
distribution of profit			41 776		(41 776)	0
dividend payment					(16 616)	(16 616)
other changes			10		(30)	(20)
30 June 2010	**26 375**	**100 840**	**159 862**	**1 225**	**11 303**	**299 605**

	Share capital	Supplementary capital from share premium	Other supplementary capital	Capital from valuation of available-for-sale investment	Retained earnings	Total equity
1 January 2009	**26 375**	**100 840**	**76 025**	**865**	**38 333**	**242 438**
net profit					*58 413*	*58 413*
valuation of available-for-sale-investments				*844*		*844*
deferred tax on valuation of available-for-sale investments				*(161)*		*(161)*
total comprehensive income				**683**	**58 413**	**59 096**
distribution of profit			42 047		(42 047)	0
dividend payment					(14 243)	(14 243)
other changes			4		(24)	(20)
31 December 2009	**26 375**	**100 840**	**118 076**	**1 548**	**40 432**	**287 271**

(all amounts in PLN thousands unless otherwise stated)

	Share capital	Supplementary capital from share premium	Other supplementary capital	Capital from valuation of available-for-sale investment	Retained earnings	Total equity
1 January 2009	**26 375**	**100 840**	**76 025**	**865**	**38 333**	**242 438**
net profit					*31 525*	*31 525*
valuation of available-for-sale-investments				*888*		*888*
deferred tax on valuation of available-for-sale investments				*(169)*		*(169)*
total comprehensive income				**719**	**31 525**	**32 244**
distribution of profit			**42 047**		(42 047)	0
dividend payment					(14 243)	(14 243)
other changes			**4**		(34)	(30)
30 June 2009	**26 375**	**100 840**	**118 076**	**1 584**	**13 534**	**260 409**

(all amounts in PLN thousands unless otherwise stated)

Notes to the financial statements (continued)

Statement of Cash Flow

	six months ended	
	30 June 2010	**30 June 2009**
Cash flows from operating activities		
Gross profit before taxes	34 489	39 713
Depreciation and amortisation	4 937	4 483
Gains/losses from currency translation differences	(310)	(295)
Interest and share in profit (dividends)	(6 799)	(8 876)
Profit from/loss on sale of property, plant and equipment (PPE)	(62)	4
Change in inventories	(19 118)	(8 584)
Change in financial assets held to maturity	0	(127)
Change in trade and other receivables	15 660	54 446
Change in liabilities, except loans and borrowings	(17 657)	(32 613)
Income tax paid	(2 476)	(3 175)
Change in current prepayments and accrued expenses	(3 335)	(6 366)
Change in non-current prepayments and accrued expenses	116	7
Change in settlements of construction contracts	(19 849)	(18 843)
Other adjustments	(130)	0
Net cash generated from/used in operating activities	**(14 534)**	**19 774**
Cash flows from investing activities		
Sale of intangible assets and PPE	67	92
Dividend and share in profits	1 496	6 862
Purchase of intangible assets and PPE	(11 866)	(8 863)
Purchase of shares in subsidiaries and associates	(351)	(4 159)
Purchase of available-for-sale financial assets	(30 000)	0
Net cash used in investing activities	**(40 654)**	**(6 068)**
Cash flows from financial activities		
Net cash generated from/used in financial activities	**0**	**0**
Net increase/decrease in cash and bank ovedrafts	(55 188)	13 706
Balance sheet change in cash and bank overdrafts	(54 878)	14 001
Change in cash due to currency translation differences	310	295
Cash and bank ovedrafts at beginning of period	101 199	68 526
Cash and bank ovedrafts at end of period	**46 321**	**82 527**

Notes to the financial statements (continued)

1. Selected explanatory data

Since 1 January 2005 ELEKTROBUDOWA SA has implemented and applied the accounting standards based on the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), applying the same principles for the current period and comparable periods.
The present condensed financial statements have been prepared in compliance with IAS 34 (Interim Financial Reporting).
The same accounting principles (policies) and calculation methods have been followed in the interim financial statements as in the last annual financial statements prepared as at 31 December 2009.
The presented condensed financial statements for Q1 2010 have been pursuant to the Regulation of the Minister of Finance dated 19 February 2009 on current and interim information provided by the issuers of securities and on the conditions of acknowledging the equivalence of information required by laws of a non-member country.

ELEKTROBUDOWA SA, as the parent in the group, has also prepared the consolidated financial statements as of 30 June 2010 in conformance with the International Financial Reporting Standards adopted by the EU, to which the same principles for the current period and comparable periods were applied. The condensed separate report of ELEKTROBUDOWA SA is attached to the condensed consolidated financial statements for the 1st half of 2010.

Revenues from the sales of products, goods and materials generated by the company during the 1st half of 2010 amounted to 299.7 million PLN, which accounts for 46.2% of the 2010 budgeted revenues, whereas in the same period of 2009 this share was 43.1%.
The budget of sales revenues for H1 2010 was realized in 103.4%, as compared to 90.3% in the comparable period of 2009. More dynamic growth in H1 2010 than in H1 2009 concerned principally the construction and erection sector. The beginning of 2010 was tough for the construction companies. The main reason of that was exceptionally severe winter, which, particularly in the first two months, hampered the execution of most construction works. Since February 2010 a rapid growth in production has been observed each month, and in May and June last year's level was exceeded. Seasonality impact on execution of construction and installation services was considered in the company's budget, which assumed the following realization of the annual budget: 18% in the first quarter, 27% in the second quarter, 26% in the third quarter and 29% in the fourth quarter.

The growth rate of revenues is correlated with the growth rate of prime cost of products, goods and materials sold; which, after the first half of the year, had a 44.0% share in the value budgeted for 2010. The H1 2010 performance of prime costs corresponds to its budgeted percentage. Owing to favourable dynamics between revenues, which grew by 3 percentage points, and costs, which did not show any variance from budgeted amounts, the budgeted H1 2010 profit on sales was exceeded by PLN 9.9m.

After having considered the result of other operating activity and financial activity, the net income of the financial period amounted to 29.3 million PLN, which is by 8.2 million PLN better than assumed in the H1 2010 budget.

Notes to the financial statements (continued)

2. Segment reporting

Primary reporting format – business segments

The IFRS 8 requires that operating segments are defined in line with internal reports on components of the company subject to periodic review by a person in charge of operating decisions for the purpose of resource allocation and performance evaluation.
The Company's business activity is primarily categorised by industries.
The operations of business segments consist in providing construction and installation services and manufacturing of electrical equipment.
The company's reporting segments are its strategic divisions, identified in the company's organizational structure and offering different products and services. They are separately managed, as the operations of each require different production technology and different marketing strategy. The company is organized into four reportable segments:

- The segment: Power Generation Division provides services for power and heat generating plants, heavy industry, particularly metallurgy and mining together with processing facilities. The services include electrical installation and erection, commissioning and start up of electrical plant and equipment, and also manufacture of high-current busducts.

- The segment: Industry Division renders services for broadly understood public sector, trade (retail centres) and industry, including petrochemical, paper & pulp, road building, etc. The services include electrical installation, commissioning and start-up and general realization of investments.

- The segment: Power Distribution Division provides overall services for the power distribution sector and supplies internally manufactured products. The core business of the segment is the production and selling of low and medium voltage equipment, particularly low and medium voltage switchgear systems and mobile substations, manufacture and sale of steel cable trays and supports, development and selling of control and signalling equipment, the supply of complete distribution substations and turnkey contracts for power transmission and distribution projects.

- The segment: Automation Division supplies control, supervision and automation systems for electrical substations and switchgear panels. Services rendered by the division include also monitoring, control and overall automation systems for manufacturing and processing industries. Also the electrical, instrumentation and control services are provided for water treatment and environmental protection facilities. Automation solutions are also provided for construction industry, power sector and heat-generating industry.

- Other items include other tangible and intangible services provided for external customers.

Identification of the reportable segments depends directly on the actual organizational structure and the company's management structure.

(all amounts in PLN thousands unless otherwise stated)

Notes to the financial statements (continued)

With the effect from 1 July 2009 the company changed its organizational structure by winding up the Automation Division. The works performed by the division to that date were transferred to the Power Generation Division or the Industry Division for execution or contracted out to the subsidiary, Przedsiębiorstwo Usług Elektroenergetycznych ENERGOTEST sp. z o. o.

Inter-segment transfers or transactions are entered into under the normal commercial terms, as available also to third parties.

Presented below is the analysis of revenues and results of the company's reportable segments:

Business segment results for H1 2010

	Power Generation Division	Industry Division	Power Distribution Division	Automation Division	All other segments	Total
Continuing operations						
Sales revenue	111 196	114 493	97 194	0	4 200	**327 083**
of which:						
Revenue on external customers	110 614	106 862	81 075	0	1 137	**299 688**
Inter-segment sales	582	7 631	16 119	0	3 063	**27 395**
Operating profit	**10 698**	**4 419**	**10 358**	**0**	**2 215**	**27 690**
Financial activities result	0	0	3 052	0	3 747	**6 799**
Profit before income tax	**10 698**	**4 419**	**13 410**	**0**	**5 962**	**34 489**
Income tax expense	(2 297)	(890)	(2 850)	0	841	**(5 196)**
Net profit from continuing operations for the period	**8 401**	**3 529**	**10 560**	**0**	**6 803**	**29 293**
Discontinued operations						
Net profit (loss) from discontinued operations for the period	**0**	**0**	**0**	**0**	**0**	**0**
Net profit for the period	**8 401**	**3 529**	**10 560**	**0**	**6 803**	**29 293**

Other items of business segments recognized in the profit and loss account for H1 2010

	Power Generation Division	Industry Division	Power Distribution Division	Automation Division	All other segments	Total
depreciation	1 450	678	946	0	840	**3 914**
amortisation	130	67	799	0	27	**1 023**

(all amounts in PLN thousands unless otherwise stated)

Notes to the financial statements (continued)

Business segment results for H1 2009

	Power Generation Division	Industry Division	Power Distribution Division	Automation Division	All other segments	Total
Continuing operations						
Sales revenue	93 092	97 047	113 711	3 478	3 845	**311 173**
of which:						
Revenue on external customers	92 525	96 491	92 089	2 930	1 154	**285 189**
Inter-segment sales	567	556	21 622	548	2 691	**25 984**
Operating profit	**12 975**	**3 428**	**15 602**	**(520)**	**(648)**	**30 837**
Financial activities result	0	0	2 014	0	6 862	**8 876**
Profit before income tax	**12 975**	**3 428**	**17 616**	**(520)**	**6 214**	**39 713**
Income tax expense	(2 765)	(693)	(3 472)	91	(1 349)	**(8 188)**
Net profit from continuing operations for the period	**10 210**	**2 735**	**14 144**	**(429)**	**4 865**	**31 525**
Discontinued operations						
Net profit (loss) from discontinued operations for the period	**0**	**0**	**0**	**0**	**0**	**0**
Net profit for the period	**10 210**	**2 735**	**14 144**	**(429)**	**4 865**	**31 525**

Other items of business segments recognized in the profit and loss account for H1 2009

	Power Generation Division	Industry Division	Power Distribution Division	Automation Division	All other segments	Total
depreciation	1 270	655	873	78	748	**3 624**
amortisation	79	70	566	116	28	**859**

Assets and liabilities of business segments at 30 June 2010

	Power Generation Division	Industry Division	Power Distribution Division	Automation Division	All other segments	Total
Assets	126 997	124 654	71 915	0	148 132	**471 698**
Liabilities	56 730	69 019	40 080	0	6 264	**172 093**
Capital expenditure	2 135	770	519	0	8 158	**11 582**

(all amounts in PLN thousands unless otherwise stated)

Notes to the financial statements (continued)

Assets and liabilities of business segments at 31 December 2009

	Power Generation Division	Industry Division	Power Distribution Division	Automation Division	All other segments	Total
Assets	107 726	114 152	62 392	1	184 056	**468 327**
Liabilities	58 975	83 911	41 681	464	(3 975)	**181 056**
Capital expenditure	4 553	845	2 276	40	11 707	**19 421**

Assets and liabilities of business segments at 30 June 2009

	Power Generation Division	Industry Division	Power Distribution Division	Automation Division	All other segments	Total
Assets	103 986	96 025	63 660	5 417	155 794	**424 882**
Liabilities	57 435	51 020	38 483	1 879	15 656	**164 473**
Capital expenditure	1 251	190	984	40	5 423	**7 888**

Impairment of receivables by business segments

	Power Generation Division	Industry Division	Power Distribution Division	Automation Division	All other segments	Total
as at 30 June 2010	1 869	1 177	9 778	0	3 973	**16 797**
as at 31 December 2009	1 658	1 152	3 956	0	4 039	**10 805**
as at 30 June 2009	2 161	5 240	4 586	0	4 056	**16 043**

Amounts of impairment of receivables by business segments

	Power Generation Division	Industry Division	Power Distribution Division	Automation Division	All other segments	Total
in H1 2010	244	106	5 859	0	0	**6 209**
in 2009	432	497	608	0	3	**1 540**
in H1 2009	753	4 584	620	0	0	**5 957**

(all amounts in PLN thousands unless otherwise stated)

Notes to the financial statements (continued)

Reversal and use of impairment of receivables by business segments

	Power Generation Division	Industry Division	Power Distribution Division	Automation Division	All other segments	Total
in H1 2010	33	81	37	0	66	**217**
in 2009	334	337	675	3	21	**1 370**
in H1 2009	152	336	57	3	1	**549**

Secondary reporting format – geographical segments

ELEKTROBUDOWA SA operates in the domestic market and in foreign markets. Geographical segmentation, based on location of final customers, is as follows:

	six months ended 30 June 2010	six months ended 30 June 2009
Revenue on sales of products, goods and materials		
- domestic market	252 001	238 433
- Skandinavian market	19 193	1 438
- East-European market	19 161	27 540
- Southwestern Asia	3 311	4
- Turkish market	1 555	2 918
- Western Europe	784	10 149
- Central America	723	0
- Australian market	0	489
- other markets	2 960	4 218
	299 688	**285 189**

The main geographical area of the company's operation in H1 2010 was the domestic market (84% of sales revenues), Scandinavian market (6%), East-European markets (6%), and Southwestern Asia (1%).

Information about key customers

The revenues from direct sales made by the Industry Division, amounting to 106.9 million PLN (96.5 million PLN in H1 2009), include the 34.1 million PLN revenues (17.6 million PLN in H1 2009) from sales to the biggest customer of the company. In H1 2010 they accounted for 11.4%, whereas in H1 2009 for 6.2 of total revenues of ELEKTROBUDOWA SA.

(all amounts in PLN thousands unless otherwise stated)

Notes to the financial statements (continued)

3. Changes in provisions for and impairment of receivables and income tax

	as at		
	30 June 2010	**31 Dec 2009**	**30 June 2009**
Provisions for impairment of receivables	**16 797**	**10 805**	**16 043**
of which:			
- in bankruptcy proceedings	9 230	9 230	9 586
- in arrangement	0	0	151
- receivables vindicated in court	287	365	324
- other overdue debtors	7 280	1 210	5 982

	as at		
	30 June 2010	**31 Dec 2009**	**30 June 2009**
Deferred income tax assets	**10 124**	**10 043**	**10 774**
- to be recovered after more than 12 months	952	972	895
- to be recovered within 12 months	9 172	9 071	9 879
Deferred income tax liabilities	**(11 324)**	**(8 292)**	**(8 527)**
- to be recovered after more than 12 months	(554)	(589)	(622)
- to be recovered within 12 months	(10 770)	(7 703)	(7 905)
Deferred corporate income tax	**(1 200)**	**1 751**	**2 247**

4. Changes in contingencies

	as at		
	30 June 2010	**31 Dec 2009**	**30 June 2009**
Contingent liabilities	**157 302**	**141 741**	**133 611**
of which:			
guarantees	142 039	126 237	121 381
promissory notes	15 263	15 504	12 230

(all amounts in PLN thousands unless otherwise stated)

Notes to the financial statements (continued)

5. Changes in presentation of the financial statements

Adjustment of the financial data of the comparable period (period from 1 January 2009 to 30 June 2009) did not impact the balance sheet total or the financial result, but consisted only in changed presentation of the following items.

a) in the statement of financial position and statement of changes in equity:

– adjustment of retained earnings

▪ retained earnings	13 534	thous PLN
▪ gains (losses) - net	(31 525)	thous PLN
▪ prior years' gains (losses) - net	17 991	thous PLN

6. Earnings per share

Calculation of diluted earnings per share for H1 2010 was based on:

	Earnings	**Shares**	**Earnings per share**
Net profit for the period (in PLN)	29 293 337		
Weighted average number of shares		4 747 608	
Basic earnings per share (in PLN)			6,17
Diluted earnings per share (in PLN)			6,17

Calculation of diluted earnings per share for H1 2009 was based on:

	Earnings	**Shares**	**Earnings per share**
Net profit for the period (in PLN)	31 525 365		
Weighted average number of shares		4 747 608	
Basic earnings per share (in PLN)			6,64
Diluted earnings per share (in PLN)			6,64

(all amounts in PLN thousands unless otherwise stated)

Notes to the financial statements (continued)

7. Book value per share

	as at		
	30 June 2010	**31 Dec 2009**	**30 June 2009**
shareholders' equity	299 605	287 271	260 409
number of shares (pcs)	4 747 608	4 747 608	4 747 608
book value per share	**63,11**	**60,51**	**54,85**

8. Dividend, paid or declared, per share

Pursuant to the Resolution of the Annual General Meeting of ELEKTROBUDOWA SA on distribution of 2009 profit, adopted on 26 April 2010, the amount of 16 616 628.00 PLN was allocated for dividend, that is 3.50 PLN per share. Dividend record date was set as 23 July 2010, dividend payment date for 9 August 2010.

9. Significant events after the balance sheet date

No events took place subject to disclosure in the H1 2010 financial statements.

10. Statement of the Management Board of ELEKTROBUDOWA SA on earlier forecast

From the viewpoint of the results attained after the first quarter, in the opinion of the Management Board realization of the published forecast is not at risk.
Announced on 17 February 2010 annual budget for ELEKTROBUDOWA SA assumed that total sales revenues will reach 648 335 thousand PLN, whereas net profit 44 099 thousand PLN. After the six months of 2010 the company generated the net profit of 29 293 thousand PLN with 299 688 thousand PLN revenues. The company enters the 3rd quarter with order backlog of 645 658 thousand PLN, which ensures the execution of annual sales according to the budget assumptions.

SIGNATURES OF ALL MANAGEMENT BOARD MEMBERS

Name and surname	Position / Function	Date	Signature
Jacek Faltynowicz	President	27.08.2010	
Jarosław Tomaszewski	Board Member	27.08.2010	
Ariusz Bober	Board Member	27.08.2010	
Stanisław Rak	Board Member	27.08.2010	
Tomasz Jaźwiński	Board Member	27.08.2010	
Arkadiusz Klimowicz	Board Member	27.08.2010	

SIGNATURE OF THE PERSON IN CHARGE OF ACCOUNTING BOOKS

Name and surname	Position / Function	Date	Signature
Sylwia Wojtas	Chief Accountant	27.08.2010	