ELEKTROBUDOWA SA GROUP

Interim Consolidated Financial Statements

For the six months covering the period from 1 January to 30 June 2011

This document is a translation from the original Polish version. In case of discrepancies between the Polish and English version, the Polish version shall prevail.

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Statement of Financial Position

	Note	as at 30 June 2011	as at 31 Dec 2010	as at 30 June 2010
ASSETS				
Non-current assets		**172 387**	**186 416**	**158 920**
Property, plant and equipment	8	85 293	85 506	67 846
Intangible assets	9	26 522	26 466	26 050
Investments in associates	11	21 405	23 009	23 593
Available-for-sale financial assets	12.1	27 845	35 560	32 778
Non-current receivables	14.1	5 896	9 455	7 368
Deferred income tax assets	24	3 917	5 090	0
Non-current prepayments	15	1 509	1 330	1 285
Current asssets		**385 510**	**392 967**	**312 873**
Inventories	16	48 915	25 779	24 338
Trade and other receivables	14.2	206 426	236 945	168 227
Available-for-sale financial assets	12.1	4 944	189	267
Current prepayments	18	5 153	3 425	3 948
Amounts due from construction contract work	30.1	97 325	78 399	55 178
Cash and cash equivalents	17	21 320	47 519	59 882
Fixed assets held for sale	19	1 427	711	1 033
Total assets		**557 897**	**579 383**	**471 793**
EQUITY AND LIABILITIES				
Equity		**303 689**	**320 201**	**296 476**
Issued share capital	20	26 375	26 375	26 375
Supplementary capital	21.1	282 520	261 361	261 361
Capital from valuation of available-for-sale investment	21.2	4 377	3 654	1 425
Currency translation differences		(7)	0	0
Capital from currency translation differences		297	(100)	2 154
Retained earnings		(10 049)	28 666	5 043
Total equity attributable to shareholders of the Company		**303 513**	**319 956**	**296 358**
Minority interest in equity		**176**	**245**	**118**
Liabilities				
Non-current liabilities		**8 830**	**8 584**	**9 095**
Deferred income tax liability	24	0	0	1 118
Employee benefit obligations	25	2 754	2 904	2 553
Other liabilities	22.1	6 076	5 680	5 424
Current liabilities		**245 378**	**250 598**	**166 222**
Trade and other payables	22.2	209 326	198 641	130 950
Corporate income tax liabilities		94	6 263	47
Derivative financial instruments	13	49	0	159
Loans, borrowings and debt securities	23	0	0	0
Provisions	25	4 879	4 952	354
Accrued expenses	26	7 867	10 675	7 407
Amounts due to customers for construction contract work	30.2	23 163	30 067	27 305
Total liabilities		**254 208**	**259 182**	**175 317**
Total equity and liabilities		**557 897**	**579 383**	**471 793**

Statement of Comprehensive Income

	Note	six months ended 30 June 2011	2010
Continuing operarations			
Revenue on sales of products, goods and materials	29	372 499	312 634
Cost of products, goods and materials sold	31	(350 289)	(275 582)
Gross profit on sales		**22 210**	**37 052**
Selling costs		(1 407)	(1 764)
Administrative expenses		(6 977)	(5 861)
Other operating expenses	32	(1 330)	(970)
Other gains (losses) - net	33	57	(2 224)
Operating profit		**12 553**	**26 233**
Finance income (costs) - net	34	271	473
Share of net profit of associates measured according to equity method		(540)	(469)
Gross profit before income tax		**12 284**	**26 237**
Income tax expense	35	(1 406)	(4 815)
Net profit from continuing operations for the year		**10 878**	**21 422**
Discontinued operations			
Net profit (loss) from discontinued operations for the period		**0**	**0**
Net profit for the period		**10 878**	**21 422**
of which:			
- attributable to the equity holders of ELEKTROBUDOWA SA		*10 929*	*21 427*
- attributable to minority holders		*(51)*	*(5)*
Other comprehensive income, total			
- of valuation of available-for-sale investments		1 829	(399)
- deferred tax on valuation of available-for-sale investments		(348)	76
- reversal of valuation of available-for-sale investments		(936)	(216)
- deferred tax on reversal of valuation of available-for-sale investments		178	41
- currency translation differences from revaluation of the financial statements		(7)	0
- currency translation differences of subsidiaries and associates		397	2 886
- currency translation differences of minority interests		(32)	3
Total other comprehensive income		**1 081**	**2 391**
Total comprehensive income		**11 959**	**23 813**
of which:			
- attributable to the equity holders of ELEKTROBUDOWA SA		*12 042*	*23 815*
- attributable to minority holders		*(83)*	*(2)*

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	currency translation differences from revaluation of the financial statements	Retained earnings	Capital from revaluation of associates	Attributable to minority holders	Total equity
note	**20**	**21.1**	**21.1**	**21.2**					
1 January 2011	**26 375**	**100 676**	**160 685**	**3 654**	**0**	**28 666**	**(100)**	**245**	**320 201**
currency translation differences					*(7)*		*397*	*(32)*	*358*
net profit						*10 929*		*(51)*	*10 878*
valuation of available-for-sale-investments				*1 829*					*1 829*
deferred tax on valuation of available-for-sale investments				*(348)*					*(348)*
reversal of valuation of available-for-sale investments				*(936)*					*(936)*
deferred tax on reversal of valuation of available-for-sale investments				*178*					*178*
total comprehensive income				**723**	**(7)**	**10 929**	**397**	**(83)**	**11 959**
distribution of profit			21 159			(21 159)		30	30
dividend payment						(28 485)			(28 485)
adjustment of share issue cost recognition									0
other changes								(16)	(16)
30 June 2011	**26 375**	**100 676**	**181 844**	**4 377**	**(7)**	**(10 049)**	**297**	**176**	**303 689**

	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	currency translation differences from revaluation of the financial statements	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**	**0**	**42 198**	**(732)**	**0**	**289 179**
currency translation differences							*632*	*(15)*	*617*
net profit						*45 050*		*30*	*45 080*
valuation of available-for-sale-investments				*2 353*					*2 353*
deferred tax on valuation of available-for-sale investments				*(447)*					*(447)*
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				**1 731**		**45 050**	**632**	**15**	**47 428**
distribution of profit			41 936			(41 936)			0
dividend payment						(16 616)			(16 616)
adjustment of share issue cost recognition		(164)	164						0
other changes			10			(30)		230	210
31 December 2010	**26 375**	**100 676**	**160 685**	**3 654**	**0**	**28 666**	**(100)**	**245**	**320 201**

	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	currency translation differences from revaluation of the financial statements	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**	**0**	**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			0			(16 616)			(16 616)
other changes			10			(30)		120	100
30 June 2011	**26 375**	**100 840**	**160 521**	**1 425**	**0**	**5 043**	**2 154**	**118**	**296 476**

Notes to the consolidated financial statements

Statement of Cash Flow

	Note	six months ended 30 June 2011	2010
Cash flows from operating activities			
Gross profit before taxes		12 284	26 237
Share of net profit of associates measured according to equity method		540	469
Depreciation and amortisation	38	6 270	5 435
Gains/losses from currency translation differences		(290)	(310)
Interest and share in profit (dividends)		(268)	(473)
Profit from/loss on sale of property, plant and equipment (PPE)	38	196	(35)
Change in inventories		(23 136)	(19 015)
Change in available-for-sale financial assets	38	(1 197)	(382)
Change in trade and other receivables	38	34 893	20 464
Change in liabilities, except loans and borrowings	38	(14 667)	(17 349)
Income tax paid	38	(8 042)	(2 489)
Change in current prepayments and accrued expenses		(4 536)	(3 252)
Change in non-current prepayments and accrued expenses		(179)	457
Change in settlements of construction contracts	38	(25 830)	(20 580)
Other adjustments	38	(169)	(418)
Net cash generated fromoperating activities		**(24 131)**	**(11 241)**
Cash flows from investing activities			
Sale of intangible assets and PPE		377	69
disposal of interest in other entities		161	0
Disposal of other available-for-sale financial assets		9 808	3 951
Dividend and share in profits		963	1 517
Purchase of intangible assets and PPE		(8 718)	(12 656)
Purchase of shares in subsidiaries and associates		0	(152)
Purchase of available-for-sale financial assets		(4 920)	(30 000)
Net cash used in investing activities		**(2 329)**	**(37 271)**
Cash flows from financial activities			
Finance lease payments		(26)	0
Interest		(3)	0
Other outflows		0	112
Net cash used in / generated from financial activities		**(29)**	**112**
Net decrease in cash and bank ovedrafts		(26 489)	(48 400)
Balance sheet change in cash and bank overdrafts		(26 199)	(48 090)
Change in cash due to currency translation differences		290	310
Cash and bank ovedrafts at beginning of period		47 519	107 972
Cash and bank ovedrafts at end of period		**21 320**	**59 882**

Notes to the consolidated financial statements

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, two subsidiaries and three associates.

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

The financial 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 under KRS reference number: 0000074725.
The parent has the Tax Identification Number /NIP/ 634-01-35-506 and the National Business Registry Number REGON 271173609.

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

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

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

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 (continued)

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 a 100% share in the equity of the company.

Basic activity of ENERGOTEST comprises services related to construction, modernization and operation of power generating facilities, production of data processing devices, electrical switchgear and controlgear, installation, repairs and maintenance of switchgear and controlgear, also tests and technical surveys.

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

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

The objects of ELEKTROBUDOWA UKRAINE 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 2011 ELEKTROBUDOWA SA held 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 Electro-technical Company VECTOR Ltd. with registered office in Votkinsk, at 2, Pobiedy Str., Autonomic Republic of Udmurtia of the Russian Federation.

As at 30 June 2011 ELEKTROBUDOWA SA held 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 (continued)

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 2011 ELEKTROBUDOWA SA held 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 Partners.
Business scope of SAUDI ELEKTROBUDOWA comprises selling 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 2011, as compared with 30 June 2010 there were no changes in the composition of the group.

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.
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.

Notes to the consolidated financial statements (continued)

2. Summary of significant accounting policies

2.1 Compliance with legislation

The interim report of the ELEKTROBUDOWA SA group for the six months of 2011 has been prepared in conformity with 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.

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 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.
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. Costs directly attributable to combination of business entities are reflected in the financial result when incurred. 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.

Notes to the consolidated financial statements (continued)

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 statement of comprehensive income. 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

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.

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, UKROSOTSBANK UniCredit Group and ING Luxembourg S.A., unless customs documents quote other exchange rates;
- 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, UKROSOTSBANK UniCredit Group and ING Luxembourg S.A.

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 the statement of comprehensive income, unless they are deferred in the equity when they are qualified as hedges for cash flows and hedges of shares in net assets.

Notes to the consolidated financial statements (continued)

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 assets under construction, which the entity 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 entity.

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.

Depreciation of fixed tangible assets is calculated according to rates which reflect their estimated useful life. 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 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.

Notes to the consolidated financial statements (continued)

2.6 Intangible assets

The intangibles of the company 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 company. 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 success, considering the commercial and technological feasibility 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.

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-off. 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, the carrying amount of the asset 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.

Notes to the consolidated financial statements (continued)

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 these derivative instruments are recognized in the statement of comprehensive income within "Other gains/losses – net". The group does not designate any derivatives as hedges and treats all derivative instruments as financial assets recognized at fair value through profit and loss.

2.10 Financial assets

The financial assets are classified as:
- financial assets at fair value through profit or loss;
- loans and receivables;
- financial assets held-to-maturity;
- available-for-sale financial assets.

The classification depends on the nature and purpose for which the assets were acquired and is defined at initial recognition.

2.10.1 Financial assets at fair value through profit and loss

This group includes the financial assets held for trading. A financial asset is classified as held for trading if it:
- was acquired principally for the purpose of reselling in the short term;
- is a part of a financial instruments portfolio managed jointly by the company, according to the current and actual pattern of generating short-term gains;
- is a derivative not designated as hedge and not acting as hedge.

Financial assets at fair value through profit and loss are recognized at fair value, gains or losses are recognized in the statement of comprehensive income. Net gains or losses recognized in the statement of comprehensive income include dividends or interests generated by the financial asset. Financial assets in this category are classified as current if they are intended to be disposed of within 12 months of the balance sheet date.

2.10.2 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 measured at amortised cost, using the effective interest rate method, with consideration to their impairment. Loans and receivables are included in current assets, except those items which maturities are greater than 12 months after the balance sheet date. Loans and receivables with maturities greater than 12 months after the balance sheet date are classified as non-current assets.

Notes to the consolidated financial statements (continued)

2.10.3 Held-to-maturity financial assets

The financial assets, except for derivative instruments, with fixed or determinable payments and fixed maturities, which the Management of each group's entity has the positive intention and ability to hold to maturity are classified as held-to-maturity financial assets. They are recognized at amortised cost using the effective interest rate method after impairment, the income is measured using the effective income method.

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.

2.10.4 Available-for-sale financial assets

Non-derivative financial instruments designated as available for sale or not classified elsewhere are classified as available-for-sale financial assets and recognized at fair value. Gains and losses resulting from changes in their fair value are recognized directly in equity: in the reserve capital from revaluation. When the investment is sold or impaired, the accumulated fair value earlier recognised in the reserve capital from revaluation is recognized in the statement of comprehensive income for the period. Dividends on available-for-sale equity instruments are recognized in the statement of comprehensive income when the right of the companies of the group to receive payment is established.

Available-for-sale financial assets are included in non-current assets unless the group intends to dispose of the investment within 12 months of the balance sheet date.

2.10.5 Impairment of financial assets

Financial assets, except for those measured at fair value through profit and loss, are tested for impairment as at each balance sheet date. Financial assets are impaired if there is objective evidence that events that occurred after the initial recognition of the asset have a negative impact on the estimated future cash flows of the financial asset

In the case of not listed shares, classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is an objective evidence that the assets are impaired.

In the case of certain categories of financial assets, such as trade receivables on supplies and services, assets that are assessed as those which have not expired, are tested for impairment jointly. Objective evidence of impairment of the portfolio of receivables include the company's experience in debt collecting, increased number of default payments which are more than 180 days overdue, and also observable changes in the national or local economic conditions that correlate with defaults on the assets.

In the case of assets recognized at amortised cost, the amount of provision for impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

Notes to the consolidated financial statements (continued)

The carrying amount of the financial asset is reduced by the amount of impairment provision directly for all assets of that type, except for trade receivables, carrying amount of which are reduced through the use of an allowance account adjusting their initial value. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in carrying amounts of the allowance account are recognized in "other gains/(losses), net" item in the statement of comprehensive income.

Except for available-for-sale financial assets, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed in the statement of comprehensive income when the carrying amount of investment on the date of reversal of its impairment loss is not greater than amortised cost that would have arisen if the impairment loss had not been recognized.

Impairment loss on securities held for trading previously carried through profit or loss are not reversed through this result. Any increases in fair value occurring after the impairment loss are recognized directly in equity.

2.10.6 Initial recognition and later derecognition of financial assets

Regular purchases and sales of financial assets are initially recognised on the trade-date at fair value plus transaction costs, except for the financial assets carried at fair value in the statement of comprehensive income.
Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership. When not substantially all risks and all rewards of ownerships are transferred, the investments are derecognized at the moment the group's company loses control over the asset.

2.11 Leases

A lease agreement where the lessee Has substantially all the risks and rewards of ownership are classified as finance leases. Leases are capitalized at the lease's commencement and measured at fair value, however not greater than the present value of the minimum lease payments. Each lease payment is allocated between interest charges and decrease of lease liability so as to achieve a constant rate on the finance balance outstanding. Assets subject to depreciation acquired under finance leases are depreciated over the shorter of the useful life of the assets or the lease term. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Contingent payments due to leases are charged to expenses in the period they were incurred.

2.12 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.

Notes to the consolidated financial statements (continued)

Write-down amount of inventories, based on the prudence principle, and the write-down of dead stock, as well as their reversal, are charged into other gains (losses) -net.

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).

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 company 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 company 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 passage 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 company ascertains that a receivable is not recoverable, it is written off through the consolidated statement of comprehensive income 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" of the consolidated statement of financial position.

Notes to the consolidated financial statements (continued)

2.15 Non-current assets held for sale and discontinued operations

Non-current assets (or groups of assets) are classified as held for sale when their carrying amount is to be recovered rather through a sale transaction than through continuing use. The condition is considered fulfilled only if the sale is highly probable and the asset (or a disposal group) is available for immediate sale in its actual state.
Non-current assets (and disposal groups) are stated at the lower of initial carrying amount and fair value less costs to sell.
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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 of entities in the group from retained earnings and through transfer from other reserves. Furthermore, differences between fair value of payment received and the 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.

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 consolidated 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.

Notes to the consolidated financial statements (continued)

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 statement of comprehensive income, 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 group 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.

2.19 Employee benefits

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 statement of comprehensive income.

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 their present value.

Notes to the consolidated financial statements (continued)

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.
The amount of recognized provision reflects the most exact assessment as possible of the amount required to settle the current obligation at the balance sheet date, with consideration to risk and uncertainty specific to the obligation.

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.

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 internal sales:
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 2.13.
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.

Notes to the consolidated financial statements (continued)

2.22 Government grants

Government grants are not recognised until there is a reasonable assurance that the group's entities have complied with all attached conditions and the grant will be received.
Grants, the essential condition for which is the acquisition or manufacture of non-current assets by the entities in the group, are presented in the statement of financial position in the accruals item and settled with the value of non-current assets at the moment of completion of the investment. Value of the received grant adjusts the initial value of the non-current asset.
Other grants are regularly recognized in revenues in the period necessary to offset the costs intended to be offset by the grants. Grants receivable as compensation for costs already incurred or for immediate financial support, with no future related costs, are recognised in the statement of comprehensive income in the period in which they are receivable.

3. Critical accounting estimates and judgments

Preparing the consolidated financial statements the group 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). Goodwill of the parent is annually tested for impairment (information included in Note 9).

Details on measurement of fair value of shares in PI Biprohut sp. z o.o. and of ELEKTROBUDOWA's influence on its operating and financial policy are disclosed in Note 13.

The group's entities verify annually the useful lives of their 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
- estimated useful life,
- availability of spare parts and consumables.

Furthermore, consultations are carried out with persons responsible for the use of fixed assets, with the users and industrial experts. In result of the carried out review it has been decided that the useful lives of had been established correctly and no fixed tangible assets were singled out for the change of depreciation rates as of 1 January 2011.

4. Financial risk management

The group is exposed to risks in each area of its activity.
Financial risks to which the group is exposed, include:
- market risk (including foreign exchange risk, fair value or cash flows interest-rate risk and price risk);
- credit risk;
- liquidity risk.

Notes to the consolidated financial statements (continued)

Risk management is a process of identification, assessment, management and control of potential events or situations focused on provision of reasonable assurance that the organisation's goals will be accomplished. The purpose of management is to minimise the risks and protection against their adverse effects.
The Management Board of the parent provides general principles for overall risk management as well as policies covering specific areas.

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 constitutes 14.9% of total revenues gained by the group in the six months of 2011, of which 9.3% comes from sales in EUR to Finland, whereas 2.1% falls to revenue earned in US dollars from sales to the Russian Federation.

In the trade receivables, amounts of receivables in foreign currencies constitute 18.7%, in the structure of payables amounts of payables in foreign currencies constitute 2.8%, and in the structure of cash – foreign currencies constitute 36.4%.

From the analysis of the impact of movement in currency/PLN exchange rates against the rates announced by the National Bank of Poland as 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 by 581 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 1 452 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 by 2 982 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 4 473 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 significantly rose with respect to transactions in EUR. This is bound with the decline in the level of cash denominated in USD and growth of EUR-denominated trade receivables.

Notes to the consolidated financial statements (continued)

In the structure of the group's foreign currency revenues for H1 2011 the sales in EUR had the biggest, 73.8% share, whereas the sales in US dollars accounted for 23.0% of all.

Measurement:

	year ended 30 June 2011		year ended 31 December 2010		year ended 30 June 2010	
	currency		currency		currency	
	USD	EUR	USD	EUR	USD	EUR
- amount in foreign currency (receivables and cash less payables) (USD'000 / EUR'000)	2 606	9 234	1 492	8 649	2 965	3 438
- exchange rates	2.7517	3.9866	2.9641	3.9603	3.1733	4.4696
- receivables, payables and cash (in PLN'000)	7 171	36 812	4 442	34 253	9 412	15 361
- exchange rate accounting for 10% change	**3.0269**	**4.3853**	**3.2605**	**4.3563**	**3.4906**	**4.9166**
- receivables, payables and cash with exchange rates change considered	7 888	40 494	4 865	37 678	10 350	16 903
- change in profit before taxes (in PLN'000)	717	3 682	422	3 425	938	1 542
- change in net profit (in PLN'000)	581	2 982	342	2 774	760	1 249
- exchange rate accounting for 25%change of USD and 15% change of EUR	**3.4396**	**4.5846**	**3.7051**	**4.5543**	**3.9666**	**5.1400**
- receivables, payables and cash with exchange rates change considered	8 964	42 334	5 528	39 390	11 761	17 671
- change in profit before taxes (in PLN'000)	1 793	5 522	1 086	5 137	2 349	2 310
- change in net profit (in PLN'000)	1 452	4 473	880	4 161	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 2011 the group's companies did not utilise any bank loans.

Notes to the consolidated financial statements (continued)

4.3 Credit risk

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 permanent establishment registered in Finland is serviced by Nordea Bank Finland PLC based in Finland, while the establishment in Luxembourg by ING Luxembourg S.A.
As at 30 June 2010 maximum share of one bank in respect of resources deposited by the group was 31%. 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:

	30 June 2011	31 December 2010	30 June 2010
- NORDEA BANK FINLAND PLC	6 639	4 693	4 753
- Bank PeKaO S.A.	5 500	9 672	22 709
- GETIN NOBLE BANK SA	3 037	6 135	0
- BNP PARIBAS BANK POLSKA S.A.	2 157	3 604	2 325
- BRE BANK S.A.	1 329	1 773	18 667
- PKO BP S.A.	1 006	826	2 645
- ING BANK ŚLASKI S.A.	682	11 693	5 895
- UKROSOTSBANK UniCredit Group	348	5	283
- BANK HANDLOWY w Warszawie S.A.	285	8 481	2 448
- ING LUKSEMBOURG S.A.	171	0	0
- RAIFFEISEN BANK POLSKA S.A.	154	153	152
- PRIWATBANK SF KB	0	475	0
- CASH	12	9	5
TOTAL	**21 320**	**47 519**	**59 882**

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.
On 28 February 2011 the parent entered into a negotiable forward rate agreement for the amount of 14 300 thousand EUR with the exchange rate fixed for 29 June 2012, transaction value 58 236.8 thousand PLN. Until the reporting date closing transactions for the forward contract for the total amount of 211.5 thousand EUR were made according to the contract rate of 4.0725 PLN, transaction value 861.3 thousand PLN.

Notes to the consolidated financial statements (continued)

Forward is a non-standardized contract, so it is bound with significant risk that the parties might fail to comply with its terms.
As the group cooperates with financial institutions whose ratings are high, its exposure to credit risk arising from derivative transactions is not significant.

4.3.3 Credit risk arising from trade and other receivables

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

The companies in the group have long cooperated with a big number of customers in various industries and various geographical locations. Vast majority of sales is destined for the domestic market, Scandinavian market and East-European market. Geographical concentration of credit risk arising from trade and other receivables is the following:

	30.06.2011	31.12.2010	30.06.2010
Poland	81.2%	85.3%	83.8%
Finland	9.1%	7.1%	6.0%
Saudi Arabia	2.3%	0.4%	0.0%
Russia	1.0%	1.7%	3.4%
Turkey	1.0%	0.6%	1.3%
Germany	0.9%	0.3%	0.1%
Austria	0.3%	0.4%	1.1%
Israel	0.1%	0.1%	1.7%
Switzerland	0.1%	0.0%	0.0%
The Virgin Islands	0.1%	0.5%	0.0%
Other countries	3.9%	3.6%	2.6%

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 obligations allows verifying the related credit exposure, both at the stage of quotations and at the stage of project realization.
The group hedges some of its receivables with promissory notes, contract bonds and advance payments, which cover approximately 1.3% of current trade receivables.
Provision for impairment of trade receivables is made when there is objective evidence that the group will not be able to collect all due amounts according to the original terms of the receivables. The amount of a provision is the difference between the carrying amount and the present value of estimated future cash flows.

Notes to the consolidated financial statements (continued)

The table below presents the aging analysis of past due trade receivables according to overdue periods:

Current trade receivables	**30.06.2011**	**31.12.2010**	**30.06.201**
1. current	187 810	211 025	148 384
2. overdue:			
a) up to 1 month	8 465	13 711	8 296
b) over 1 month up to 3 months	3 281	4 588	5 095
c) over 3 months up to 6 months	1 848	3 172	203
d) over 6 months up to 1 year	175	72	38
TOTAL	**201 579**	**232 568**	**162 016**

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

- as of 30 June 2011 11 435 thousand PLN,
- as of 31 December 2010 11 724 thousand PLN,
- as of 30 June 2010 16 910 thousand PLN.

In H1 2011 a provision for impairment of receivables was created in the amount of 1 459 thousand PLN, while the provision established in H1 2010 amounted to 6 209 thousand PLN. As at the balance sheet date the group impaired 5.1% of its receivables.
In the opinion of the group, there is no risk that the impaired trade receivables could become 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 cooperation with customers, the group estimates the credit risk as low.

4.3.4 Credit risk arising from investment in units in the investment funds

In 2010 the parent, ELEKTROBUDOWA SA invested 30 000 thousand PLN of its free cash of purchase of units in an open-ended investment fund, Franklin Templeton Investment Funds.
Fair value of the units as at the balance sheet date is measured basing on the current quotation in the regulated market.
In H1 2011 the group purchased 73 608.618 units worth 4 920 thousand PLN and sold 146 258.860 units for the amount of 9 808 thousand PLN. Earnings from the sale of the units amounted to 1 361 thousand PLN.
As at 30 June 2011 the group held 446 793.714 units in the fund which carrying amount was 30 039 thousand PLN, which were classified as financial asset, of which:
- non-current assets: 373 185.096 units worth 25 119 thousand PLN,
- current assets: 73 608.618 units worth 4 920 thousand PLN.

Under normal market conditions, the Franklin Templeton Investment Funds carry out their investing strategy by allocating assets in the fixed interest or floating rate debt securities portfolio and in governmental bonds, bonds issued by governmental institutions and corporations worldwide. The Fund is not exposed to markets with the risk of sudden, significant rise in interest rates in the nearest future.

Notes to the consolidated financial statements (continued)

Among instruments they use are debt securities issued by governments in emerging markets and markets such as Canada, Australia, Norway, Sweden, South Korea – significantly higher returns on assets as compared with other developed countries provide higher rates of return. Additional income for the fund comes from strengthening of those currencies against US dollar and euro.
Basing on observation of quotation of the fund and on the net profit generated by the company since the resources were invested, the Management of the parent assesses that the risk of significant loss in value of the purchased units in longer time horizon is low.

The analysis of sensitivity of result to price drop of units in the investment funds presented in non-current assets:

	SICAV Templeton Global Total Return Fund
Number of units	373 185.096
Quotation price on 30 June 2011 (in PLN)	67.31
Fair value of units as at 30 June 2010 (in PLN'000)	25 119
Price less 5% discount (in PLN)	63.94
Adjusted value of share (in PLN'000)	23 861
Impact on the result of investment (in PLN'000)	(1 258)
Change in net result of investment (in PLN'000)	(1 019)

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 seven 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 banks insurance companies in the scope of contract bonds.

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

Notes to the consolidated financial statements (continued)

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 2011	160 220	37 830	11 223	53	7 004	**216 330**
31 December 2010	148 075	44 238	6 328	0	6 517	**205 158**
30 June 2010	93 003	29 682	8 106	159	6 289	**137 239**

As at 30 June 2011, 31 December 2010 and 30 June 2010 the following group's entities had credit lines on current accounts available up to 17 000 thousand PLN altogether:

- ELEKTROBUDOWA SA up to 16 000 thousand PLN
- ENERGOTEST sp. z o.o. up to 1 000 thousand PLN

The amounts available were not utilized.

Both in H1 2011 and in the comparable period, owing to good financial liquidity, the group's borrowings 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 deteriorated and the necessity of additional financing of operations or refinancing of debt through borrowings appeared, liquidity risk might 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.

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 the above mentioned financial assets is 32 789 thousand PLN, which is 5.9% of the company's total assets. It is only an estimate, subject to change, as:

Notes to the consolidated financial statements (continued)

- fair value of non-current financial assets available for sale was determined both by using a method of discounted cash flows (income method) and basing on current quotations of units in the Investment Funds in the regulated trading;
- 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.

Structure of available-for-sale financial assets:

1. Carrying amount of shares in PI Biprohut Sp. z o.o. based in Gliwice was 2 470 thousand PLN at 30 June 2011, whereas it was 2 890 thousand PLN at 30 June 2010. The fair value of shares was measured by an independent expert using the discounted cash flows method.

2. The carrying amount of shares in Energotest Diagnostyka Sp. z o.o. based in Brzezie k.Opola owned by the group was 256 thousand PLN as at 30 June 2011 and 259 thousand PLN as at 30 June 2010. The group held 17 shares of nominal value 8.5 thousand PLN. The assets were measured at fair value.

3. The group received ordinary shares in Mostostal Zabrze S.A. in result of conversion of debt after arrangement with creditors. 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 2010 year-end carrying amount of shares in Mostostal Zabrze was 144 thousand PLN. In H1 2011 the shares, quoted in the WSE, were sold with a loss of 165 thousand PLN.

4. 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 listed on the stock exchange. As at 30 June 2011 it was established that their fair value did not change and amounted to 24 thousand PLN. ELEKTROBUDOWA SA is recognizing the market in order to find a buyer for the shares of Famak.

5. The group 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. As of 31 December 2010 the carrying amount of the shares in Energoaparatura was established at 21 thousand PLN. In H1 2011 the shares were sold. The proceeds received from the sale of the WSE-listed Energoaparatura S.A. were equal to their adjusted purchase value.

6. As at 30 June 2011 the group held 446 793.714 units in the Franklin Templeton Investment Funds, which carrying amount was 30 039 thousand PLN, while on 30 June 2010 the group held 519 443.956 units with fair value 29 629 thousand PLN. Fair value of units in the Fund as at the reporting date was established basing on current quotation price in the regulated market. The group assesses that the risk of significant loss in value of the purchased units in longer time horizon is low.

Notes to the consolidated financial statements (continued)

4.7 Capital risk management

The group's objective when managing the capital is to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and 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 capital on the basis of the gearing ratio. The 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 was to maintain the gearing ratio on the level not exceeding 30%.
Growth of the gearing ratio in H1 2011 and exceeding its preferred level by 9% were the consequence of committing the group's own resources to current operating activity. Significant growth in orders received in H1 2011 as compared with the same period of the previous year involved increased outlays for working assets required for execution of the orders. The investment involved shall allow the company to generate additional cash flows from operating activity after the production cycle is closed.

The gearing ratios in the reportable periods were as follows:

	H1 2011	2010	H1 2010
trade and other payables	215 402	204 321	136 374
bank borrowings	0	0	0
cash and cash equivalents	(21 320)	(47 519)	(59 882)
net financial debt	194 082	156 802	76 492
equity	303 689	320 201	296 476
total capital	497 771	477 003	372 968
gearing ratio (effective debt ratio)	39%	33%	21%

5. New accounting standards and IFRIC interpretations

Standards and Interpretations applied for the first time in 2011

The following amendments to the existing standards issued by the International Accounting Standards Board and adopted by the EU came into force in 2011 and were effective for financial statements prepared for the six months ended 30 June 2011:

- **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),

Notes to the consolidated financial statements (continued)

- **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.

- **IFRS (2010) "Improvements to the International Financial Reporting Standards"** - issued by IASB on 6 May 2010, adopted by the EU on 18 February 2011 (effective for annual periods beginning on or after 1 July 2010 o 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. 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,

- **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,

- **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,

Notes to the consolidated financial statements (continued)

- **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 above standards, interpretations and amendments did not substantially affect the accounting policy which has been applied so far.

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

As of the date of approving the present financial statements all standards as well as their amendments and interpretations, issued and adopted by the EU were already effective.

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

The IFRSs as approved by the EU do not substantially differ from regulations adopted by the International Accounting Standards Board (IASB), except for the standards, their amendments and interpretations presented below, which as at 30 August 2011 had not yet been adopted:

- **IFRS 9 "Financial Instruments" -** published by IASB on 12 November 2009 (effective for annual periods beginning on or after 1 January 2013); on 28 October 2010 the IASB published an amended IFRS which adds guidance on the classification and measurement of financial liabilities and carries over the requirements and guidance on the derecognition of financial assets and liabilities from IAS 39. The 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. New requirements for measurement of financial liabilities refer to variability of the financial result due to decision of the entity to classify its own liabilities at fair value. The IASB decided to maintain present measurement at amortised cost for most liabilities, a change is introduced only to the treatment of 'own credit risk'. According to new requirements entities that adopt a fair value measurement basis for financial liabilities shall present the change in fair value resulting from changes in its own credit risk in other comprehensive income, rather than in profit or loss,

- **Amendments to IFRS 7 "Financial Instruments: Disclosures" - transfers of financial assets** - published by IASB on 7 October 2010 (effective for annual periods beginning on or after 1 July 2011). The amendment will allow to enhance disclosures about transfers of financial assets, which are continued, at least partially, to be recognized by an entity, because they had not been derecognized; and of financial assets not presented by the entity because they fulfilled the derecognition requirements, but the entity's involvement in those assets is continued,

Notes to the consolidated financial statements (continued)

- **Amendments to IAS 12 "Income Tax" - Deferred Tax: Recovery of Underlying Assets -** published by IASB on 20 December 2010 (effective for annual periods beginning on or after 1 January 2012). IAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 *Investment Property.* The amendment provides a practical solution to the problem by introducing a presumption that recovery of the carrying amount will, normally, be through sale,

- **Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters -** published by IASB on 20 December 2010 (effective for annual periods beginning on or after 1 July 2011). The first change replaces references to a fixed date of '1 January 2004' with 'the date of transition to IFRSs', thus eliminating the need for companies adopting IFRSs for the first time to restate derecognition transactions that occurred before the date of transition to IFRSs. The second change provides guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation,

- **IFRS 10 „Consolidated Financial Statements"** – published by IASB on 12 May 2011 (effective for annual periods beginning on or after 1 January 2013). IFRS 10 replaces the consolidation requirements in IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation—Special Purpose Entities by establishing control as the basis for consolidation, despite the nature of investment (i.e. whether the investee is controlled through the investors' voting rights or other contractual arrangements generally used by special purpose entities). According to IFRS 10 the investor controls the investee if he has 1) the ability to control the investee, 2) exposure, or rights, to variable returns from its involvement with the investee and 3) the ability to use its power over the investee to affect the amount of the investor's returns,

- **IFRS 11 „Joint Arrangements"** published by IASB on 12 May 2011 (effective for annual periods beginning on or after 1 January 2013). IFRS 11 introduces new regulations on joint arrangements and replaces IAS 31 „Interests in Joint Ventures". The possibility of applying the proportionate consolidation method to jointly controlled entities has been eliminated. IFRS 11 also eliminates jointly controlled assets, classifying joint arrangements either as joint operations or joint ventures. Joint operation is a joint arrangement whereby the parties that have joint control have rights to the assets and obligations for the liabilities. Joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement,

- **IFRS 12 „Disclosure of Interests in Other Entities"** published by IASB on 12 May 2011 (effective for annual periods beginning on or after 1 January 2013). IFRS shall require more extensive disclosures on consolidated entities and also unconsolidated entities in which the company has interests. The objective of IFRS 12 is to provide information that helps financial statement readers to evaluate the base of control, limitations imposed on the consolidated assets and liabilities, exposure to risks associated with the interests in unconsolidated structured entities and non-controlling interests of owners in the operations of the consolidated entities,

Notes to the consolidated financial statements (continued)

- **IFRS 13 „Fair Value Measurement"** published by IASB on 12 May 2011 (effective for annual periods beginning on or after 1 January 2013). IFRS 13 defines fair value, sets out a framework for measuring fair value and requires disclosures about fair value measurements. The standard does not change the requirements in respect of decision which elements should be measured or disclosed at their fair values,

- **IAS 27 „Separate Financial Statements" (as amended in 2011)** published by IASB on 12 May 2011 (effective for annual periods beginning on or after 1 January 2013). The requirements for separate financial statements have not changed and are included in the amended IAS 27. Other parts of IAS 27 have been replaced by IFRS 10,

- **IAS 28 „Investments in Associates and Joint Ventures" (as amended in 2011)** published by IASB on 12 May 2011 (effective for annual periods beginning on or after 1 January 2013). IAS 28 was changed in consequence of IFRS 10, IFRS 11 and IFRS 12 publications,

- **Amendments to IAS 1 „Presentation of Financial Statements" - presentation of items of other comprehensive income** – published by IASB on 16 June 2011 (effective for annual periods beginning on or after 1 July 2012). The amendments require companies preparing financial statements in accordance with IFRSs to group together items within other comprehensive income that may be reclassified to the profit or loss section of the income statement. The amendments also reaffirm existing requirements that items in other comprehensive income and profit or loss should be presented as either a single statement or two consecutive statements,

- **Amendments to IAS 19 „Employee Benefits" – improvements to the accounting of post-employment employee benefits –** published by IASB on 16 June 2011 (effective for annual periods beginning on or after 1 January 2013). The amendments make important improvements by: (1) eliminating an option to defer the recognition of gains and losses, known as the 'corridor method', improving comparability and faithfulness of presentation; (2) streamlining the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring remeasurements to be presented in other comprehensive income, thereby separating those changes from changes that many perceive to be the result of an entity's day-to-day operations; (3) enhancing the disclosure requirements for defined benefit plans, providing better information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in those plans.

The parent 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 parent'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.

Notes to the consolidated financial statements (continued)

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 2011 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 automation systems and also 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.

- 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.

Notes to the consolidated financial statements (continued)

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:

Business segment results for H1 2011

	Power Generation Division	Industry Division	Power Distribution Division	Automation Division	All Other Segments	Group total
Continuing operations						
Sales revenue	146 500	140 713	91 670	21 154	5 042	**405 079**
of which:						
Revenue on external customers	145 129	139 625	68 312	18 381	1 052	**372 499**
Inter-segment sales	1 371	1 088	23 358	2 773	3 990	**32 580**
Operating profit	**9 067**	**3 593**	**695**	**(970)**	**168**	**12 553**
Financial activities result	0	0	0	13	258	**271**
Share of net profit of associates measured according to equity method	0		(540)	0	0	**(540)**
Profit before income tax	**9 067**	**3 593**	**155**	**(957)**	**426**	**12 284**
Income tax expense	(253)	(817)	47	(218)	(165)	**(1 406)**
Net profit from continuing operations for the period	**8 814**	**2 776**	**202**	**(1 175)**	**261**	**10 878**
Discontinued operations						
Net profit (loss) from discontinued operations for the period	**0**	**0**	**0**	**0**	**0**	**0**
Net profit for the period	**8 814**	**2 776**	**202**	**(1 175)**	**261**	**10 878**
of which:						
net profit of equity holders of ELEKTROBUDOWA SA	*8 814*	*2 776*	*253*	*(1 175)*	*261*	***10 929***
- net profit of minority shareholders	*0*	*0*	(51)	*0*	*0*	***(51)***

Other business segment items recognized in the consolidated statement of comprehensive income for H1 2011

	Power Generation Division	Industry Division	Power Distribution Division	Automation Division	All Other Segments	Group total
depreciation	2 077	735	973	281	1 092	**5 158**
amortisation	133	106	629	227	17	**1 112**

Notes to the consolidated financial statements (continued)

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	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 consolidated statement of comprehensive income 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**

Notes to the consolidated financial statements (continued)

Assets and liabilities of business segments as at 30 June 2011

	Power Generation Division	Industry Division	Power Distribution Division	Automation Division	All Other Segments	Group total
Assets	164 696	148 662	105 680	48 995	89 864	**557 897**
Liabilities	73 494	83 676	63 484	6 112	27 442	**254 208**
Capital expenditure	3 166	733	1 895	289	1 047	**7 130**

Assets and liabilities of business segments as at 31 December 2010

	Power Generation Division	Industry Division	Power Distribution Division	Automation Division	All Other Segments	Group total
Assets	178 858	148 345	105 127	51 787	95 266	**579 383**
Liabilities	96 018	105 722	64 495	9 058	(16 111)	**259 182**
Capital expenditure	9 294	1 696	2 541	846	21 706	**36 083**

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**

Impairment of receivables by business segments

	Power Generation Division	Industry Division	Power Distribution Division	Automation Division	All Other Segments	Group total
at 30 June 2011	1 907	2 688	2 992	80	3 768	**11 435**
at 31 December 2010	1 896	1 757	3 995	103	3 973	**11 724**
at 30 June 2010	1 869	1 177	9 778	113	3 973	**16 910**

Notes to the consolidated financial statements (continued)

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 2011	131	1 298	30	0	0	**1 459**
in 2010	278	728	87	0	0	**1 093**
in H1 2010	244	106	5 859	0	0	**6 209**

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 2011	120	367	1 033	23	205	**1 748**
in 2010	40	123	48	11	66	**288**
in H1 2010	33	81	37	1	66	**218**

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:

	six months ended 30 June 2011	2010
Revenue on sales of products, goods and materials		
- domestic market	316 907	264 782
- Skandinavian market	34 870	19 193
- East-European market	9 838	19 161
- Southwestern Asia	7 169	3 311
- Turkish market	2 275	1 555
- Western Europe	1 045	784
- Central Europe	231	0
- Central America	87	723
- other markets	77	3 125
	372 499	**312 634**

Notes to the consolidated financial statements (continued)

In H1 2011 the group operated principally in the domestic market (85% of the sales revenues), the Scandinavian market (9%), East-European markets (3%) and South-Western Asia (2%).

Information about key customers

In H1 2011 the revenue on the direct sales generated by the Industry Division in the amount of 139.6 million PLN (106.9 million PLN in H1 2010) includes the 42.8 million PLN revenue earned on the contract with the group's biggest customer (in H1 2010 it was 34.1 million PLN). This revenue accounted for 11.5% of total H1 2011 revenues generated by the group, as compared to 10.9% share in the comparable period of 2010.

Further, in H1 2011 the revenue on the direct sales generated by the Power Generation Division in the amount of 145.1 million PLN (110.1 million PLN in H1 2010) includes the 34.8 million PLN revenue earned on the contract with the group's second biggest customer (in H1 2010 it was 16.0 million PLN). This revenue accounted for 9.3% of total H1 2011 revenues generated by the group, as compared to 5.1% in the comparable period of 2010.

In H1 2011 the revenue generated by the group on two key customers accounted for 20.8% of total revenue, while in H1 2010 it was 16.0%.

8. Property, plant and equipment

	as at 30 June 2011	as at 31 Dec 2010	as at 30 June 2010
Property, plant and equipment			
- land	2 949	2 946	2 746
- buildings, facilities	50 261	29 887	29 319
- machinery and technical equipment	17 143	10 010	9 771
- vehicles	9 196	9 501	9 383
- other fixed assets	4 888	4 436	3 486
- construction-in-progress	856	27 267	12 722
- downpayments for construction-in-progress	0	1 459	419
	85 293	**85 506**	**67 846**

Notes to the consolidated financial statements (continued)

	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 2011	2 946	37 684	36 227	21 747	12 808	27 267	1 459	140 138
Additions (of which):	3	22 028	8 927	1 359	1 230	(26 411)	(1 459)	5 677
- purchase	0	159	6 930	1 265	1 157	(3 963)	35	5 583
- internally manufactured	0	55	56	0	0	(111)	0	0
- takeover from investment	3	21 814	1 941	0	73	(23 831)	0	0
- settlement of downpayments	0	0	0	0	0	1 494	(1 494)	0
- other	0	0	0	94	0	0	0	94
Reductions (of which):	0	0	(1 128)	(416)	(174)	0	0	(1 718)
- selling	0	0	(418)	0	0	0	0	(418)
- liquidation	0	0	(710)	(416)	(174)	0	0	(1 300)
Other movements	0	(1 099)	(224)	0	(3)	0	0	(1 326)
Gross value of fixed tangible assets at 30 June 2011	2 949	58 613	43 802	22 690	13 861	856	0	142 771
Accumulated depreciation at 1 January 2011	0	(7 797)	(26 217)	(12 246)	(8 372)	0	0	(54 632)
Current depreciation charge for the period	0	(974)	(1 749)	(1 664)	(771)	0	0	(5 158)
Reduction due to selling, liquidation of fixed tangible assets	0	0	1 125	416	170	0	0	1 711
Other movements	0	419	182	0	0	0	0	601
Accumulated depreciation at 30 June 2011	0	(8 352)	(26 659)	(13 494)	(8 973)	0	0	(57 478)
Net tangible fixed assets at 30 June 2011	**2 949**	**50 261**	**17 143**	**9 196**	**4 888**	**856**	**0**	**85 293**

The group does not have any property plant and equipment with restricted right of use.
As at 30 June 2011 the group uses fixed assets of initial value 94 thousand PLN against a lease agreement. Depreciation of leased fixed assets was 3 thousand PLN as of the balance sheet date.
As at 30 June 2011 bank borrowings and guarantees were secured on property, plant and equipment for the value 127 880 thousand PLN and a pledge by registration was made for the value 2 441 thousand PLN.
As at 30 June 2011, 31 December 2010 and 31 December 2010, except the above situation, there were no provisions for impairment of fixed assets.

Notes to the consolidated financial statements (continued)

	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):	200	5 013	2 642	2 641	2 495	19 232	1 459	33 682
- purchase	0	34	2 642	2 641	2 495	5 701	1 459	14 972
- internally manufactured	0	0	0	0	0	18 682	0	18 682
- takeover from investment	200	4 951	0	0	0	(5 151)	0	0
- other	0	28	0	0	0	0	0	28
Reductions (of which):	0	(146)	(1 002)	(749)	(184)	0	0	(2 081)
- selling	0	(103)	(221)	(648)	(2)	0	0	(974)
- liquidation	0	(43)	(781)	(101)	(182)	0	0	(1 107)
Other movements	0	(580)	(218)	5	(8)	0	0	(801)
Gross value of fixed tangible assets at 31 December 2010	2 946	37 684	36 227	21 747	12 808	27 267	1 459	140 138
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	(1 525)	(2 707)	(3 203)	(1 236)	0	0	(8 671)
Reduction due to selling, liquidation	0	11	964	664	162	0	0	1 801
Other movements	0	5	140	(5)	8	0	0	148
Accumulated depreciation at 31 December 2010	0	(7 797)	(26 217)	(12 246)	(8 372)	0	0	(54 632)
Net tangible fixed assets at 31 December 2010	**2 946**	**29 887**	**10 010**	**9 501**	**4 436**	**27 267**	**1 459**	**85 506**

Notes to the consolidated financial statements (continued)

	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 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 of fixed tangible assets	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**

Notes to the consolidated financial statements (continued)

	as at 30 June 2011	as at 31 Dec 2010	as at 30 June 2010
Depreciation of property, plant and equipment is charged to the consolidated statement of comprehensive income in:			
- cost of products, goods and material sold	4 877	8 328	4 104
- administrative expenses	281	343	175
	5 158	**8 671**	**4 279**

	as at 30 June 2011	as at 31 Dec 2010	as at 30 June 2010
Fixed tangible assets by ownership			
- owned	83 629	83 837	66 046
- financial lease	91	0	0
- investment in third party assets	1 573	1 669	1 800
	85 293	**85 506**	**67 846**

9. Intangible assets

	as at 30 June 2011	as at 31 Dec 2010	as at 30 June 2010
Intangible assets			
- cost of finished development works	1 048	1 580	1 676
- acquired concessions, patents, licences and similar	1 200	1 377	1 291
- cost of unfinished development works	2 001	1 303	919
- goodwill	22 164	22 164	22 164
- intangible assets not handed over to use	109	42	0
- other intangible assets	0	0	0
	26 522	**26 466**	**26 050**

According to IAS 36, the parent should perform an impairment test for goodwill annually whether or not there is any indication that it may be impaired. Goodwill of the entity is not quoted at any moment on the active market, so its recoverable amount has been measured basing on the procedure for calculation of value in use, under the assumption that Energotest sp. z o. is the cash generating unit. The test was performed as at 30 November 2010 by a property valuer against an order from ELEKTROBUDOWA SA.

Notes to the consolidated financial statements (continued)

Its results confirmed that the fair value as of 31 December 2010 was not impaired. As the financial results that describe the company's business activity in H1 2011 were better than assumed for the budget, it must be assumed that the fair value of the company's goodwill was not impaired as at the reporting date.

The net profit of ENERGOTEST sp. z o.o. was budgeted at the level of 15 thousand PLN, while 778 thousand PLN earnings were generated on 21 154 thousand PLN revenue on sales of products, goods and materials (against budgeted 20 970 thousand PLN). An increase of cash flows can be recorded comparing the results of H1 2011 and H1 2010. ENERGOTEST sp. z o.o. recorded a growth in order volume, sales revenues as well as in net profit.
Below are the key financial figures relating to ENERGOTEST sp. z o.o. for the six months of 2010 and comparable period of 2011:

	H1 2010	H1 2011
Orders in PLN'000	16 839	23 018
Revenue on sale of products, goods and materials in PLN'000	15 494	21 154
Profit / loss - net in PLN'000	(1 134)	778

The figures presented above indicate that fair value of goodwill was not impaired as at the balance sheet date.

Notes to the consolidated financial statements (continued)

	Cost of finished development works	Concessions, patents, licenses and software	cost of unfinished development works	Goodwill	Intangible assets not handed over to use	Other intangible assets	Intangible assets total
Gross value of intangible assets at 1 January 2010	8 912	8 557	1 303	22 164	42	1 734	42 712
Additions, of which:	124	280	1 076	0	67	0	1 547
- purchase	0	280	0	0	67	0	347
- internally generated	0	0	1 200	0	0	0	1 200
- charged to the cost of unfinished development works	124	0	(124)	0	0	0	0
Reductions (of which)	0	0	(378)	0	0	0	(378)
- write-off due to unequivocal impairment	0	0	(378)	0	0	0	(378)
Other changes	0	(1)	0	0	0	0	(1)
Gross value of intangible assets at 30 June 2011	9 036	8 836	2 001	22 164	109	1 734	43 880
Accumulated amortisation at 1 January 2011	(7 332)	(7 180)	0	0	0	(1 734)	(16 246)
Current amortisation	(656)	(456)	0	0	0	0	(1 112)
Accumulated amortisation at 30 June 2011	(7 988)	(7 636)	0	0	0	(1 734)	(17 358)
Net intangible assets at 30 June 2011	**1 048**	**1 200**	**2 001**	**22 164**	**109**	**0**	**26 522**

The group does not have any intangible assets with restricted right of use.
The group does not have bank loans or any other liabilities secured against intangible assets.
As at 30 June 2011, 31 December 2010 as well as 30 June 2010 there were no provisions for impairment of intangible assets within the group.

Notes to the consolidated financial statements (continued)

	Cost of finished development works	Concessions, patents, licenses and software	cost of unfinished development works	Goodwill	Intangible assets not handed over to use	Other intangible assets	Intangible assets total
Gross value of intangible assets at 1 January 2010	8 326	7 701	368	22 164	0	1 734	40 293
Additions, of which:	586	856	945	0	42	0	2 429
- purchase	0	856	0	0	42	0	898
- internally generated	0	0	1 531	0	0	0	1 531
- charged to the cost of unfinished development works	586	0	(586)	0	0	0	0
Reductions (of which)	0	0	(10)	0	0	0	(10)
- liquidation	0	0	(10)	0	0	0	(10)
Gross value of intangible assets at 31 December 2010	8 912	8 557	1 303	22 164	42	1 734	42 712
Accumulated amortisation at 1 January 2010	(5 947)	(6 320)	0	0	0	(1 734)	(14 001)
Current amortisation charge	(1 385)	(860)	0	0	0	0	(2 245)
Accumulated amortisation at 31 December 2010	(7 332)	(7 180)	0	0	0	(1 734)	(16 246)
Net intangible assets at 31 December 2010	**1 580**	**1 377**	**1 303**	**22 164**	**42**	**0**	**26 466**

Notes to the consolidated financial statements (continued)

	Cost of finished development works	Concessions, patents, licenses and software	cost of unfinished development works	Goodwill	Intangible assets not handed over to use	Other intangible assets	Intangible assets total
Gross value of intangible assets at 1 January 2010	8 326	7 701	368	22 164	0	1 734	40 293
Additions, of which:	42	321	561	0	0	0	924
- purchase	0	321	0	0	0	0	321
- internally generated	0	0	603	0	0	0	603
- charged to the cost of unfinished development works	42	0	(42)	0	0	0	0
Reductions (of which)	0	0	(10)	0	0	0	(10)
- liquidation	0	0	(10)	0	0	0	(10)
Gross value of intangible assets at 30 June 2010	8 368	8 022	919	22 164	0	1 734	41 207
Accumulated amortisation at 1 January 2010	(5 947)	(6 320)	0	0	0	(1 734)	(14 001)
Current amortisation charge	(745)	(411)	0	0	0	0	(1 156)
Accumulated amortisation at 30 June 2010	(6 692)	(6 731)	0	0	0	(1 734)	(15 157)
Net intangible assets at 30 June 2010	**1 676**	**1 291**	**919**	**22 164**	**0**	**0**	**26 050**

Notes to the consolidated financial statements (continued)

	as at 30 June 2011	as at 31 Dec 2010	as at 30 June 2010
Amortisation of intangible assets is recognised in the statement of comprehensive income in items:			
- cost of sold products, goods and materials	1 046	2 182	1 129
- administrative expenses	66	63	27
	1 112	**2 245**	**1 156**

10. Capital expenditure

	as at 30 June 2011	as at 31 Dec 2010	as at 30 June 2010
Commenced investments at beginning of period	30 071	8 403	8 403
Expenditure during the reporting period	7 130	36 083	12 376
of which:			
- costs of internal manufacture	1 311	20 213	7 915
- third party costs	907	3 893	906
- cost of purchased machines, equipment and services	4 877	10 518	3 555
- advance payments for fixed assets in progress	35	1 459	0
Investments transferred to fixed tangible assets and intangible assets	(33 857)	(14 405)	(6 709)
Liquidation due to recognition in other operating expenses	(378)	(10)	(10)
Commenced investments at end of period	**2 966**	**30 071**	**14 060**
of which:			
- commenced investments relating to fixed tangible assets	856	27 267	12 722
- commenced investments relating to intangible assets	2 110	1 345	419
- advance payments for fixed assets in progress	0	1 459	919

Notes to the consolidated financial statements (continued)

11. Investment in associates

	The Electro-technical Plant Vector Ltd. Votkinsk Russia	Kruelta Ltd. Sankt Petersburg Russia	SAUDI ELEKTROBUDOWA LLC Riyadh the Kingdom of Saudi Arabia
- % interest held as at 30 June 2011	49%	49%	33%
- % interest held as at 31 December 2010	49%	49%	33%
- % interest held as at 30 June 2010	49%	49%	33%
- purchase price	13 805	1 571	97
- share capital increase in 2009	7 711	-	-
- measurement as at 30 June 2011	(1 215)	(506)	(58)
- investment in associates as at 30 June 2011	20 301	1 065	39
- value of assets	55 102	1 355	1 109
- liabilities	13 706	2	992
- revenues on sale of products, goods and materials	24 637	3	103
- profit / loss - net	(1 013)	(32)	(62)

12. Financial assets

12.1 Available-for-sale financial assets

	as at 30 June 2011	as at 31 Dec 2010	as at 30 June 2010
Available-for-sale financial assets			
- non-current	27 845	35 560	32 778
- current	4 944	189	267
	32 789	**35 749**	**33 045**

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, and also units in the open-end investment fund, Templeton Global Total Return Fund.

Notes to the consolidated financial statements (continued)

PI Biprohut Sp. z o.o. is not quoted in the stock exchange so valuation of fair value of shares held by ELEKTROBUDOWA SA was made by an independent valuer. Measurement was made using the discounted cash flows method based on the projection of the company's financial results covering the business forecast from December 2010 till the end of 2013. The forecast was based on historic data and information obtained from the management, and also on national economy forecasts for the years to come. The applied method of discounted cash flows reflects the value of shares of PI Biprohut Sp. z o.o. from the point of view of its operations, generated cash flows and ability to influence the company by its minority shareholder, ELEKTROBUDOWA SA. Valuation of the shares, pursuant to Appendix A to IAS 39, followed the guidelines presented in items 0S69 to 0S82.
As of 30 June 2011 the parent had 22.58% share in total voting rights in the General Meeting of Biprohut, while at 30 June 2010 it was 22.57%.
As of 30 June 2011 the strategic investor of Biprohut held 62.16% stake which entitled him to 51.46% of voting rights in the general meeting of shareholders; the remaining shares were held by individual shareholders. With the stake held ELEKTROBUDOWA SA does not have any real control over the company, which must rely on decisions made by its majority shareholder. Considering the investor relations of Biprohut, ELEKTROBUDOWA SA does not have significant influence on operating or 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 Luxembourg-based SICAV Templeton Global Total Return Fund, managed by Franklin Templeton Investments.

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

As of 30 June 2011 the carrying amounts of non-current assets available for sale were as follows:

	Biprohut Sp. z o.o. Gliwice	Energotest - Diagnostyka Sp. z o.o. Brzezie k.Opola	Units in Open-end Investment Funds	Total
Available-for-sale financial assets at 1 January 2011	2 470	256	32 834	35 560
Valuation as of 30 June 2011	0	0	1 834	1 834
Reversal of valuation as of 30 June 2011 – recognized in equity	0	0	(1 102)	(1 102)
Disposal of available-for-sale financial assets	0	0	(8 447)	(8 447)
Available-for-sale financial assets at 30 June 2011	2 470	256	25 119	27 845

Notes to the consolidated financial statements (continued)

Current assets available for sale include shares in FAMAK S.A. based in Kluczbork and units in the Open-end Investment Fund Franklin Templeton Investments purchased in the first half of 2011.

Shares of Famak S.A. are not quoted in the stock exchange so their fair value was measured basing on the offered purchase price.

Fair value of units in the investment funds has been measured according to the current quotation price on the active market.

As of 30 June 2011 the carrying amounts of shareholdings in the above mentioned companies recognized in the current assets available for sale were:

	Mostostal Zabrze S.A.	FAMAK S.A. Kluczbork	Energoaparatura SA Katowice	Units in Open-end Investment Funds	Total
Available-for-sale financial assets at 1 January 2011	144	24	21	0	189
Increase, of which: - purchase (gross amount)	0	0	0	4 920	4 920
Measurement at 30 June 2011 recognized in equity	(3)	0	(2)	0	(5)
Reversal of valuation as of 30 June 2011 – recognized in equity	167	0	(1)	0	166
Disposal of available-for-sale financial assets	(308)	0	(18)		(326)
Available-for-sale financial assets at 30 June 2011	0	24	0	4 920	4 944

Notes to the consolidated financial statements (continued)

12.2 Classification of assets by groups of financial instruments

Type of financial instrument	method of measurement as at 30 June 2011	as at 30 June 2011	as at 31 Dec 2010	as at 30 June 2010	the amount charged to revaluation capital in H1 2011
1. Extended loans and own receivables		**211 789**	**245 846**	**175 119**	**0**
a) long-term receivables from sale of fixed assets	amortized cost	1 574	1 702	1 815	0
b) long-term receivables from contract bonds	amortized cost	1 001	499	223	0
c) long-term receivables with deferred payment	amortized cost	3 321	7 254	5 330	0
d) short-term trade receivables	amortized cost	201 579	232 568	162 016	0
e) short-term other receivables	amortized cost	4 314	3 823	5 735	0
2. Available-for-sale financial assets		**32 789**	**35 749**	**33 045**	**(723)**
a) interest in PI Biprohut Sp. z o.o.	fair value	2 470	2 470	2 890	0
b) interest in Energotest - Diagnostyka Sp. z o.o.	fair value	256	256	259	0
c) units in the Open-end Investment Funds	fair value	30 039	32 834	29 629	(593)
d) interest in Mostostal Zabrze S.A.	fair value	0	144	175	(133)
e) interest in Famak S.A.	fair value	24	24	24	0
f) interest in Energoaparatura S.A.	fair value	0	21	68	3
Total financial assets		**244 578**	**281 595**	**208 164**	**(723)**

Notes to the consolidated financial statements (continued)

13. Derivative financial instruments

	as at 30 June 2011	as at 31 Dec 2010	as at 30 June 2010
Forward contracts in foreign currencies			
- negative valuation of fair value	49	0	159

The forward transaction concerned the sale of foreign currency in the amount of 14300 thousand EUR by the parent and was not a hedging instrument.
Derivative financial instruments as of 30 June 2011 are presented in the group's short-term liabilities.

14. Trade and other receivables

14.1 Receivables recognised in non-current assets

	as at 30 June 2011	as at 31 Dec 2010	as at 30 June 2010
Long-term receivables			
of which from:			
- disposal of property, plant and equipment	1 574	1 702	1 815
- contract bonds	1 001	499	223
- receivables with deferred payments	3 321	7 254	5 330
Long-term receivables - net	**5 896**	**9 455**	**7 368**
Discount of receivables	595	918	970
Long-term receivables - gross	**6 491**	**10 373**	**8 338**

The disclosed retentions are the security deposits required by the customers in relation to contracts being executed.
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.

Notes to the consolidated financial statements (continued)

	as at 30 June 2011	as at 31 Dec 2010	as at 30 June 2010
Long-term receivables by currency, without discount			
- in Polish zloty	4 907	7 082	6 626
- in foreign currencies (by currencies and translated to PLN)	1 584	3 291	742
of which:			
a) in EUR'000	397	831	179
as translated to PLN'000	1 584	3 291	742
	6 491	**10 373**	**7 368**

Long-term receivables recognised in non-current assets will be paid within 8 years.

14.2 Receivables recognised in current assets

	as at 30 June 2011	as at 31 Dec 2010	as at 30 June 2010
Current trade and other receivables			
of which:			
- for supplies and services	201 579	232 568	162 016
- other	4 847	4 377	6 211
Total trade and other receivables, net	**206 426**	**236 945**	**168 227**
Receivables impairment charge	11 435	11 724	16 910
Total trade and other receivables, gross	**217 861**	**248 669**	**185 137**

The balance of receivables for the supply of products and services includes past due receivables amounting to 25 160 thousand PLN (33 228 thousand PLN in 2010, 30 502 thousand PLN in H1 2010), impaired by the amount of 11 391 thousand PLN (11 685 thousand PLN in 2010, 16 870 thousand PLN in H1 2011). 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 whose recovery is at risk.
The entities created impairment provisions for the whole amount of receivables past due longer than 180 days.
The carrying amounts of current receivables reflect their fair values.

Notes to the consolidated financial statements (continued)

	as at 30 June 2011	as at 31 Dec 2010	as at 30 June 2010
Current trade and other receivables - by currency			
- in Polish currency	177 441	213 855	154 708
- in foreign currencies (by currencies and translated to PLN)	40 420	34 814	30 429
of which:			
a) in thousands of EUR	8 023	7 557	5 156
as translated into thousands of PLN	31 983	29 928	21 376
b) in thousands of USD	2 550	1 483	1 966
as translated into thousands of PLN	7 016	4 396	6 674
c) in thousands of AUD	0	0	19
as translated into thousands of PLN	0	0	55
d) in thousands of SAR	0	0	72
as translated into thousands of PLN	0	0	65
e) in thousands of UAH	50	37	0
as translated into thousands of PLN	16	14	0
f) in thousands of CHF	48	0	0
as translated into thousands of PLN	160	0	0
g) in thousands of RUB	12 617	4 900	20 802
as translated into thousands of PLN	1 245	476	2 259
	217 861	**248 669**	**185 137**

	six months ended 30 June 2011	six months ended 31 Dec 2010	six months ended 30 June 2010
Provision for impairment of trade and other receivables			
Provision for impairment of receivables at beginning of period	11 724	10 919	10 919
Creating the provision	1 459	1 093	6 209
Reversal	(1 748)	(288)	(218)
of which:			
- paid liabilities and interest	(276)	(131)	(61)
- reversal of provision for written off liabilities	(22)	(76)	(76)
- reversal of impairment of interest	(1 072)	0	0
Provision for impairment of receivables at end of period	(378)	(81)	(81)
of which:	**11 435**	**11 724**	**16 910**
- trade receivables			
- other receivables	11 391	11 685	16 870
- na pozostałe należności	44	39	40

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

Notes to the consolidated financial statements (continued)

15. Non-current prepayments

	as at 30 June 2011	as at 31 Dec 2010	as at 30 June 2010
Non-current prepayments			
- acquisition cost of the right of perpetual usufruct of land	1 123	1 130	1 137
- other	386	200	148
	1 509	**1 330**	**1 285**

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

16. Inventories

	as at 30 June 2011	as at 31 Dec 2010	as at 30 June 2010
Inventories			
- materials	27 755	13 027	7 882
- semi-finished products and work in progress	19 718	12 007	15 709
- finished products	1 442	745	747
	48 915	**25 779**	**24 338**

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

	six months ended 30 June 2011	six months ended 31 Dec 2010	six months ended 30 June 2010
Inventory write-down			
Write-down at the beginning of period	211	43	43
Created	0	211	20
Reversed	(2)	(43)	0
Inventory write-down at the end of period	**209**	**211**	**63**

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

Notes to the consolidated financial statements (continued)

17. Cash and cash equivalents

	as at 30 June 2011	as at 31 Dec 2010	as at 30 June 2010
Cash at bank and on hand			
- cash at bank	21 308	47 510	59 877
- cash in hand	12	9	5
	21 320	**47 519**	**59 882**

Cash in the amount of 219 thousand PLN is held in the form of certificates of deposit to secure the return of guarantee security and for claims from extended contract bonds.

	as at 30 June 2011	as at 31 Dec 2010	as at 30 June 2010
Cash and cash equivalents - by currency			
- in Polish currency	13 560	41 855	47 404
- in foreign currencies (by currencies and translated to PLN)	7 760	5 664	12 478
of which			
a) in thousands / EUR	1 818	1 302	2 389
as translated into thousands of PLN	7 248	5 157	9 904
b) in thousands / USD	59	10	675
as translated into thousands of PLN	164	29	2 291
c) in thousands / UAH	1 010	1 288	658
as translated into thousands of PLN	348	478	283
	21 320	**47 519**	**59 882**

Average effective interest rate for bank deposits was 3% in H1 2011, 2% in 2010 and 2% in H1 2010. Components of cash and cash equivalents are identical in the statement of cash flow and in the statement of financial position.

18. Current prepayments

	as at 30 June 2011	as at 31 Dec 2010	as at 30 June 2010
Current prepayments			
- future periods expenses (subscriptions, fees, insurance)	2 471	1 480	1 900
- prepayments for supplies	1 542	1 945	1 224
- contribution to the Company Social Benefits Fund	1 140	0	824
	5 153	**3 425**	**3 948**

Notes to the consolidated financial statements (continued)

19. Non-current assets held for sale

	as at 30 June 2011	as at 31 Dec 2010	as at 30 June 2010
Non-current assets held for sale			
a) right of perpetual usufruct of land	58	58	304
b) fixed tangible assets, of which:	1 369	653	729
- buildings, facilities	1 255	575	649
- machinery and technical equipment	114	78	78
- other fixed tangible assets	0	0	2
	1 427	**711**	**1 033**

After the decision to dispose of some items of tangible assets, the entities of the group identified them and presented in the Consolidated statement of financial situation as at 30 June 2011 in the item “Non-current assets held for sale”.
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 sale, were presented in relevant groups of fixed assets in the prior periods.

Furthermore, the right of perpetual usufruct of land recognized in off-balance sheet records, which value amounts to 105 thousand PLN, is held for sale.

Notes to the consolidated financial statements (continued)

20. Share capital

Share capital (structure) of the parent - as at 30 June 2011 has not changed as compared with 31 December 2010 or 30 June 2010

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

Notes to the consolidated financial statements (continued)

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 2011:	**Numbers of shares = number of votes**	**% of votes and % equity**
1. AVIVA OFE AVIVA BZ WBK SA	721 094	15.19
2. ING OFE (Open-ended Pension Fund)	472 405	9.95
3. Otwarty Fundusz Emerytalny PZU „Złota Jesień”	464 588	9.79
4. Generali OFE	410 260	8.64
5. AXA OFE	395 723	8.34
6. Amplico OFE	268 343	5.65
7. Free float	2 015 195	42.45
Total number of shares in the share capital	**4 747 608**	**100.00**

Notes to the consolidated financial statements (continued)

21. Other capital

21.1 Supplementary capital

	as at 30 June 2011	as at 31 Dec 2010	as at 30 June 2010
Supplementary capital:			
- share premium	100 676	100 676	100 840
- created as required by law	3 334	3 334	3 334
- created acc. to the Articles, over (minimum) value required by law	170 621	149 511	149 347
- other (by type)	7 889	7 840	7 840
a) transferred from reserve capital	5 562	5 562	5 562
b) from distribution of profit of subsidiaries	708	659	659
c) restatement due to hyperinflation	1 619	1 619	1 619
	282 520	**261 361**	**261 361**

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 used to finance loss shown in the financial statements".
In the case of those subsidiaries that are limited liability companies resolutions on allocation of the supplementary capital are adopted by the 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 2011	as at 31 Dec 2010	as at 30 June 2010
Capital from valuation of available-for-sale investments			
- valuation of available-for-sale investments	5 404	4 511	1 760
- deferred tax related to investment valuation	(1 027)	(857)	(335)
	4 377	**3 654**	**1 425**

The capital from valuation of investments has been 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 statement of comprehensive income for the period.

Notes to the consolidated financial statements (continued)

22. Trade and other payables

22.1 Non-current payables

	as at 30 June 2011	as at 31 Dec 2010	as at 30 June 2010
Long-term liabilities			
- deferred income tax	0	0	1 118
- employee benefits	2 754	2 904	2 553
- other	6 076	5 680	5 424
Long-term liabilities, net	**8 830**	**8 584**	**9 095**
Discounting liabilities	928	837	865
Long-term liabilities, gross	**9 758**	**9 421**	**9 960**

	as at 30 June 2011	as at 31 Dec 2010	as at 30 June 2010
Non-current other liabilities by titles			
- retentions from subcontracts	6 076	5 680	5 424

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 2011	as at 31 Dec 2010	as at 30 June 2010
Non-current other payables by currency, without discounting			
- in Polish currency	6 949	6 366	5 424
- in foreign currencies (by currencies and translated to PLN)	55	151	0
of which:			
a) in thousands of CHF	0	38	0
as translated into thousands of PLN	0	151	0
b) in thousadns of UAH	160	0	0
as translated into thousands of PLN	55	0	0
	7 004	**6 517**	**5 424**

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

Notes to the consolidated financial statements (continued)

22.2 Current trade and other payables

	as at 30 June 2011	as at 31 Dec 2010	as at 30 June 2010
Short-term trade and other payables			
- For supplies and services	142 314	160 979	81 759
- Prepayments received for supplies	11 368	6 340	8 109
- Taxes, duties, insurance and other contributions	16 966	20 300	14 952
- Remunerations	8 066	7 711	7 237
- Other (by titles)	30 612	3 311	18 893
of which:			
a) acquisition of fixed assets	757	2 632	1 086
b) payables to employees	49	44	52
c) dividends	28 485	0	16 616
d) deductions from payroll	375	454	474
e) other	946	181	665
	209 326	**198 641**	**130 950**

Trade payables are realized within 60 days at average.

	as at 30 June 2011	as at 31 Dec 2010	as at 30 June 2010
Taxes, duties, social insurance and other contributions:			
- personal income tax	2 671	2 701	2 315
- taxes in Finland	383	3 649	(238)
- VAT	5 953	5 970	5 725
- social insurance	7 782	7 825	7 136
- real estate property tax	164	0	0
- PFRON	13	155	14
	16 966	**20 300**	**14 952**

Notes to the consolidated financial statements (continued)

	as at 30 June 2011	as at 31 Dec 2010	as at 30 June 2010
Current trade and other payables - by currency			
- in Polish currency	138 230	156 998	80 281
- in foreign currencies (by currencies and translated to PLN)	4 084	3 981	1 478
of which:			
a) in thousands of EUR	1 004	1 003	340
as translated into thousands of PLN	4 003	3 972	1 410
b) in thousands of USD	3	1	0
as translated into thousands of PLN	9	3	0
c) in thousands of HUF	0	423	0
as translated into thousands of PLN	0	6	0
d) in thousands of DKK	11	0	116
as translated into thousands of PLN	6	0	66
e) in thousands of SEK	92	0	6
as translated into thousands of PLN	40	0	2
f) in thousands of UAH	75	0	0
as translated into thousands of PLN	26	0	0
	142 314	**160 979**	**81 759**

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

Notes to the consolidated financial statements (continued)

23. Loans, borrowings and debt securities

Current borrowings and debt securities as at 30 June 2011

Lender	Registered office	Contractual loan amount		Amount to be repaid		Effective interest rate	Contract validity*	Security
		PLN'000	currency	PLN'000	currency			
ING BANK ŚLĄSKI S.A. overdraft	Katowice	1 000	zł	0	zł	WIBOR 1M + 1.2%	unitl 27 March 2012	enforcement title up to 21 450 thousand PLN, collateral mortgage KW 56388 (Mikołów,Kolejowa Str.) up to1 000 thousand PLN incl. assignment of rights in a policy, collateral mortgage KW 18183 (Dabrowa Górnicza, Laski Str.) up to 3 000 thousand PLN incl. assignment of rights in a policy, registered pledge - line in Konin 2 440.6 thousand PLN, a blank promissory note, assignment of receivables - 150% of committment
BANK PEKAO S.A. overdraft	Kraków	10 000	zł	0	zł	WIBOR 1M + 0.75%	until 30 April 2012	assignment of accounts receivable 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 90,000 thousand PLN
PKO BP SA overdraft	Warszawa	5 000	zł	0	zł	WIBOR 3M + 2%	until 23 February 2012	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
BNP PARIBAS BANK POLSKA S.A. overdraft	Warszawa	1 000	zł	0	zł	WIBOR 1M + 1,5%	until 6 July 2012	a blank promissory note, general assignment of existing and future receivables, statement of submitting to enforcement
		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 (continued)

Current borrowings and debt securities as at 31 December 2010

Lender	Registered office	Contractual loan amount		Amount to be repaid		Effective interest rate	Contract validity*	Security
		PLN'000	currency	PLN'000	currency			
ING BANK ŚLĄSKI S.A. 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	assignment of accounts receivable 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 90,000 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, debt assignment - at least 3000 thousand PLN
Fortis Bank SA overdraft	Warszawa	1 000	PLN		PLN	WIBOR 1M + 2%	until 9 June 2011	a blank promissory note, general assignment of existing and future receivables, statement of submitting to enforcement
		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 (continued)

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 S.A. 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	assignment of accounts receivable 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 90,000 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, debt assignment - at least 3000 thousand PLN
Fortis Bank Polska SA	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 (continued)

24. Deferred income tax

	as at 30 June 2011	as at 31 Dec 2010	as at 30 June 2010
Deferred income tax assets	**21 375**	**21 521**	**10 997**
- to be recovered after more than 12 months	1 009	1 056	952
- to be recovered within 12 months	20 366	20 465	10 045
Deferred income tax liabilities	**(17 458)**	**(16 431)**	**(12 115)**
- to be recovered after more than 12 months	(595)	(593)	(554)
- to be recovered within 12 months	(16 863)	(15 838)	(11 561)
	3 917	**5 090**	**(1 118)**

Structure of the deferred income tax:

period ended 30 June 2011		Construction contracts	Provisions and accrued expenses	Fixed tangible assets	Revaluation of assets	Other	Total
Assets	**beginning of period**	**5 712**	**4 174**	**328**	**378**	**10 929**	**21 521**
	-changes credited/charged to financial result	(1 467)	(267)	23	389	1 176	**(146)**
	end of period	**4 245**	**3 907**	**351**	**767**	**12 105**	**21 375**
Liabilities	**beginning of period**	**(14 895)**	**0**	**(481)**	**(742)**	**(313)**	**(16 431)**
	-changes credited/charged to financial result	(763)	0	12	117	(223)	**(857)**
	- changes credited/charged to equity	0	0	0	(170)	0	**(170)**
	end of period	**(15 658)**	**0**	**(469)**	**(795)**	**(536)**	**(17 458)**
End of period, total		**(11 413)**	**3 907**	**(118)**	**(28)**	**11 569**	**3 917**

period ended 31 December 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	(863)	1 267	49	352	10 258	**11 063**
	end of period	**5 712**	**4 174**	**328**	**378**	**10 929**	**21 521**
Liabilities	**beginning of period**	**(7 961)**	**0**	**(528)**	**(305)**	**(264)**	**(9 058)**
	-changes credited/charged to financial result	(6 934)	0	47	(31)	(49)	**(6 967)**
	- changes credited/charged to equity	0	0	0	(406)	0	**(406)**
	end of period	**(14 895)**	**0**	**(481)**	**(742)**	**(313)**	**(16 431)**
End of period, total		**(9 183)**	**4 174**	**(153)**	**(364)**	**10 616**	**5 090**

Notes to the consolidated financial statements (continued)

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**
Liabilities	**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)**

25. Provisions for liabilities and other charges

	six months ended 30 June 2011	six months ended 31 Dec 2010	six months ended 30 June 2010
Change in non-current provision for employee benefits			
At beginning of period	2 904	2 659	2 659
Additions (of which)	0	500	0
- creating a provision (actuarial valuation)	0	500	0
Used (for)	(150)	(255)	(106)
- payment of pension benefits	(150)	(255)	(106)
At end of period	**2 754**	**2 904**	**2 553**

Notes to the consolidated financial statements (continued)

	six months ended 30 June 2011	six months ended 31 Dec 2010	six months ended 30 June 2010
Movement in current provisions			
At beginning of period	4 952	448	448
Additions (of which)	0	4 599	0
- creating a provision for employee benefits	0	53	0
- creating a provision for warranty repairs	0	46	0
- creating other provisions	0	4 500	0
Used (for)	(73)	(95)	(94)
- payment of employee benefits	(31)	(32)	(31)
- incurred cost of warranty repairs	(42)	(63)	(63)
At end of period	**4 879**	**4 952**	**354**
of which:			
current provisions for employee benefits	35	66	14
current provisions for warranty repairs	344	386	340
other current provisions	4 500	4 500	0

The group's entities create provisions for future payables whose 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 2011	as at 31 Dec 2010	as at 30 June 2010
discount rate	5.6% to 5.9%	5.6% to 5.9%	5.83% to 5.9%
expected inflation rate	0% to 2.5%	0% to 2.5%	1% to 2.5%
expected salary increases	0% to 3.5%	0% to 3.5%	0% to 3.5%
mobility rate	10% to 10.9%	10% to 10.9%	5.2% to 11.2%

Notes to the consolidated financial statements (continued)

	six months ended 30 June 2011	six months ended 31 Dec 2010	six months ended 30 June 2010
Short-term and long-term employee benefit obligations at beginning of period	**2 970**	**2 704**	**2 704**
- interest cost	0	170	0
- current service cost	0	308	0
- benefits paid	(181)	(287)	(137)
- benefits used in prior years	0	(40)	0
- actuarial gains/losses on the obligation	0	115	0
Short-term and long-term employee benefit obligations at end of period	**2 789**	**2 970**	**2 567**

The provision for employee benefits is charged to operating expenses.

26. Accrued expenses

	as at 30 June 2011	as at 31 Dec 2010	as at 30 June 2010
Accrued expenses due to:			
- unused holidays	4 046	2 947	3 693
- annual bonuses	3 190	6 817	3 498
- services	55	300	161
- auditing the financial statements	55	90	55
- received grant	521	521	0
	7 867	**10 675**	**7 407**

Notes to the consolidated financial statements (continued)

27. Classification of financial instruments recognized as liabilities

Type of financial instrument	method of measurement as of 30 June 2011	as at 30 June 2011	as at 31 Dec 2010	as at 30 June 2010
1. Financial liabilities held for trading		**49**	**0**	**159**
a) forward contracts in foreign currencies	fair value	49	0	159
2. Other financial liabilities		**186 869**	**180 645**	**113 483**
a) long-term contract bonds from subcontractors	amortised cost	6 076	5 680	5 424
b) short-term payables for supplies and services	amortised cost	142 314	160 979	81 759
c) other short-term payables	amortised cost	30 612	3 311	18 893
d) accrued expenses	amortised cost	7 867	10 675	7 407
Financial instruments recognised in liabilities - total		**186 918**	**180 645**	**113 642**

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

	H1 2011	2010	H1 2010
Net gains or losses on financial assets, of which relating to:	1 148	776	366
a) derivative financial instruments (forward)	(49)	400	(12)
b) available-for-sale financial assets	1 197	376	378
Net gains or losses on trade receivables and trade payables	(1 010)	(1 647)	(3 656)
Gains / losses on cash	557	1 915	1 605
Total net gains or losses on the financial instruments	**695**	**1 044**	**(1 685)**

29. Sales revenues

	six months ended 30 June 2011	2010
Revenue on sales of products, goods and materials		
- construction & installation services	320 347	226 436
- electrotechnical products	39 962	77 270
- other services	10 253	6 678
- materials	1 937	2 250
of which: export	*703*	*1 416*
	372 499	**312 634**

Notes to the consolidated financial statements (continued)

	six months ended 30 June	
	2011	**2010**
Revenue from construction and installation services	320 347	226 436
Change in revenue recognized on an accruals basis	(25 830)	(20 580)
Discounting long-term receivables	(298)	(147)
Invoiced sales	294 219	205 709
Incurred costs	301 443	210 924
Net amount of profit (loss)	(7 224)	(5 215)

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 Dec 2010	**31 Dec 2010**	**30 June 2010**
Amounts due from customers for contract work	97 325	78 399	55 178

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.

30.2 Amounts due to customers for contract works

	as at		
	30 June 2011	**31 Dec 2010**	**30 June 2010**
Amounts due to customers for contract work	23 163	30 067	27 305

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).

Notes to the consolidated financial statements (continued)

31. Cost of products, goods and materials sold

	six months ended 30 June	
	2011	**2010**
Expenses by nature		
- depreciation and amortisation	6 270	5 435
- materials and energy	134 381	107 967
- third party services	126 175	105 258
- taxes and charges	2 030	1 575
- salaries and wages	74 472	63 053
- social security and benefits	17 574	15 214
- other expenses by nature, of which:	9 235	6 683
a) representative and advertising expenses	1 033	818
b) business travels	6 702	4 244
c) property and personal insurance	1 058	837
d) other	442	784
Total expenses by nature	**370 137**	**305 185**
Movements in inventories of products and accrued expenses	(11 811)	(15 835)
Cost of products manufactured for own needs (negative value)	(1 311)	(7 915)
Selling costs (negative value)	(1 407)	(1 764)
General administrative expenses (negative value)	(6 977)	(5 861)
Cost of materials sold	1 658	1 772
Manufacture costs of products sold	**350 289**	**275 582**

32. Other operating expenses

	six months ended 30 June	
	2011	**2010**
Other operating expenses		
- commission and fees	(1 257)	(873)
- legal charges and penalties	(73)	(97)
	(1 330)	**(970)**

Notes to the consolidated financial statements (continued)

33. Other gains (losses) – net

	six months ended 30 June	
	2011	**2010**
Other gains/(losses) - net		
- income from disposal of non-finance fixed assets	162	30
- income from disposal of financial assets	1 197	378
- donations	(124)	(150)
- impairment	(1 459)	(5 901)
- reversal of revaluation impairment provision	676	81
- interests	780	1 327
- currency translation differences	(486)	2 356
- forward contract valuation	(49)	(12)
- other	(640)	(333)
	57	**(2 224)**

34. Finance income (costs) – net

	six months ended 30 June	
	2011	**2010**
Net finance gains (costs)		
- dividends and share in profits	271	473

35. Income tax

	six months ended 30 June	
	2011	**2010**
Income tax shown in the tax return for the period, of which:		
- current tax recognized in profit and loss account	227	2 038
- deferred tax recognized in profit and loss account	1 003	2 635
- paid in Finland	176	142
	1 406	**4 815**

Notes to the consolidated financial statements (continued)

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	
	2011	**2010**
The income tax:		
Profit before tax	12 283	26 237
Tax calculated at Polish tax rates	2 448	3 706
Tax calculated on permanent differences in tax basis	1 259	(215)
Change in other temporary differences for which no deferred income tax asset was recognized	(2 477)	1 182
Income tax paid in Finland	176	142
Income tax	**1 406**	**4 815**

36. Earnings per share

Calculation of (diluted) earnings per ordinary share in H1 2011 was based on:

	Earnings	**Shares**	**Earnings per share**
Net profit attributable to equity holders of ELEKTROBUDOWA SA for the period (in PLN)	10 929 333		
Weighted average number of shares		4 747 608	
Basic earnings per share (in PLN)			2,30
Diluted earnings per share (in PLN)			2,30

Notes to the consolidated financial statements (continued)

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

37. Dividend per share

Following the Resolution adopted by the Annual General Meeting of ELEKTROBUDOWA SA on 19 April 2011 on distribution of 2010 profit, the amount of 49 595 206.98 PLN was distributed as follows:
- amount of 28 485 648.00 PLN to be paid as dividend, i.e. 6.00 PLN per share;
- amount of 21 109 558.98 for supplementary capital.

Dividend record date was established as 18 July 2011, dividend payment date as 2 August 2011.

Following the Resolution adopted by the Annual General Meeting of Shareholders of KONIP Sp. z o.o. on 23 March 2011 on distribution of 2010 profit, the whole amount of profit, 96 714.06 PLN was allocated to dividend.

Following the Resolution adopted by the Annual General Meeting of Shareholders of ENERGOTEST sp. z o.o. on 23 March 2011 on distribution of 2010 profit, the whole amount of profit, 206 523.10 PLN was designated for dividend.

Following the Resolution of the General Meeting of Participants of ELEKTROBUDOWA UKRAINE Ltd. on distribution of 2010 profit adopted on 20 May 2011 the whole amount of 206 475.20 hryvnias will be paid as dividend.

The Resolution on distribution of 2010 profit adopted by the Annual General Meeting of Shareholders of KRUELTA Ltd. on 14 March 2011 decided to leave the amount of 1 759 370.75 RUB as retained profit.

Following the Resolution on distribution of 2010 profit adopted by the General Meeting of Shareholders of the Electrotechnical Plant VECTOR Ltd. on 14 March 2011 the whole amount of 30 148 659.04 RUB will be paid as dividend.

The 2010 profit of ELEKTROBUDOWA SAUDI LLC in the amount of 236 786 SAR covered a part of prior years' losses.

Notes to the consolidated financial statements (continued)

38. Statement of cash flow

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	
	2011	**2010**
Amortisation		
- expenses by nature	6 270	5 435
Amortisation in the statement of cash flow	**6 270**	**5 435**

	six months ended 30 June	
	2011	**2010**
Gains / losses from disposal of PPE		
- acc. to the statement of comprehensive income	(162)	(30)
a) costs relating to sales of fixed assets	(20)	(5)
b) adjustment of VAT on sales of fixed assets	378	0
- acc. to the statement of cash flow	**196**	**(35)**

	six months ended 30 June	
	2011	**2010**
Change in available-for-sale financial assets		
- balance sheet change of available-for-sale assets	2 960	(25 816)
- change in assets recognised in equity	893	(615)
- purchase of available-for-sale financial assets	4 920	30 000
- sprzedaż aktywów finansowych dostępnych do sprzedaży	(9 969)	(3 951)
- disposal of available-for-sale financial assets	(1)	0
- acc. to the statement of cash flow	**(1 197)**	**(382)**

Notes to the consolidated financial statements (continued)

	six months ended 30 June	
	2011	**2010**
Movement in trade and other receivables		
- balance sheet change of receivables, of which:	34 078	18 456
a) balance sheet change of trade and other receivables recognised in non-current assets	3 559	1 774
b) balance sheet change of trade and other receivables recognised in current assets	30 519	16 682
- change in net receivables due to disposal of non-current asset items	(188)	0
- dividend of subsidiaries and associates	1 003	2 008
Change in trade and other receivables reflected in the statement of cash flow	**34 893**	**20 464**

	six months ended 30 June	
	2011	**2010**
Movement in trade and other payables		
- Balance sheet change of payables, of which:	10 858	(1 446)
a) balance sheet change of long-term payables	246	(264)
b) balance sheet change of short-term payables	10 685	(1 088)
c) balance sheet change in provisions	(73)	(94)
- change in net liabilities due to investment expenditure	1 590	285
- calculated dividend	(28 691)	(16 616)
- adjustment of public and legal liabilities	0	451
- income tax Finland	1 646	0
- other	(70)	(23)
Change in liabilities reflected in the statement of cash flow	**(14 667)**	**(17 349)**

	six months ended 30 June	
	2011	**2010**
Income tax paid		
- income tax in the statement of comprehensive income	(227)	(2 038)
- change in corporate income tax liabilities	(6 169)	(213)
- income tax paid in Finland	(1 646)	(238)
Income tax paid reflected in the statement of cash flow	**(8 042)**	**(2 489)**

Notes to the consolidated financial statements (continued)

	six months ended 30 June	
	2011	**2010**
Other adjustments		
- valuation of forward contract	49	12
- income tax paid in Finland not to be deducted	(176)	(142)
- income from disposal of a forward contract	0	(304)
- other	(42)	16
Other adjustments in the statement of cash flow	**(169)**	**(418)**

	six months ended 30 June	
	2011	**2010**
Dividends and share in profits		
- acc. to the statement of comprehensive income	271	473
- dividend received from associates	692	1 044
- acc. to the statement of cash flows	**963**	**1 517**

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 of Construction of the National Stadium, Warsaw". As the contract was awarded to the Consortium, the cooperation of its parties includes 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 contractual value of project carried out by the Consortium parties was 115 170 thousand PLN as at 30 June 2011.

The percentage share in the joint venture is as follows:

- ELEKTROBUDOWA SA 45%;
- QUMAK – SEKOM S.A. and Przedsiębiorstwo "AGAT" S.A. 55%.

Notes to the consolidated financial statements (continued)

Revenue on the joint venture generated in H1 2011 by the above entities amounted to 42 780 thousand PLN. Partners of the consortium have the following share in the revenue:

		Period ended	
	30 June 2011	**31 December 2010**	**30 June 2010**
- ELEKTROBUDOWA SA	43 570 thous. PLN	21 331 thous. PLN	865 thous. PLN
- QUMAK – SEKOM S.A. and Przedsiębiorstwo "AGAT" S.A.	39 450 thous. PLN	18 909 thous. PLN	682 thous. PLN
	83 020 thous. PLN	40 240 thous. PLN	1 547 thous. PLN

The agreement is in force until the completion of the project, including the warranty period, and expires when all claims arising from the contract expire.
As at 30 June 2011 execution of the contract was secured by the performance bond for the sum of 9 954 thousand PLN, valid through 4 August 2011. By the Annex dated 22 July 2011 the sum was increased up to 11 517 thousand PLN and the validity of the bond was extended until 20 February 2012.

On 19 October 2010 the parent entered into a consortium agreement with ENERGOINSTAL S.A. and Katowickie Przedsiębiorstwo Budownictwa Przemysłowego "BUDUS" S.A with the purpose of joint tendering for the General Contractor of the project "Combined Cycle Units in EC Głogów and EC Polkowice" under an open procedure invited to by KGHM Polska Miedź S.A. As the contract was awarded to the Consortium, the cooperation of its parties includes also execution of the project.

ENERGOINSTAL S.A. 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. On 9 March 2011 the Consortium signed a contract for turnkey supply of a new Combined Cycle Unit in Polkowice for the contract price of 93 800 thousand PLN and in Głogów for the price of 139 600 thousand PLN a for KGHM Polska Miedź S.A.
The percentage share in the joint venture is as follows:

a) Combined Cycle Unit in KGHM S.A. Polkowice:
- ELEKTROBUDOWA SA - 39%;
- ENERGOINSTAL S.A. - 33%
- Katowickie Przedsiębiorstwo Budownictwa Przemysłowego "BUDUS" S.A. - 28%.

b) Combined Cycle Unit in KGHM S.A. Głogów:
- ELEKTROBUDOWA SA - 52%;
- ENERGOINSTAL S.A. - 28%
- Katowickie Przedsiębiorstwo Budownictwa Przemysłowego "BUDUS" S.A. - 20%.

Until 30 June 2011 no works were invoiced.

The agreement is in force until the completion of the project, including the warranty period, and expires when all claims arising from the contract expire.

Notes to the consolidated financial statements (continued)

As at 30 June 2011 execution of the contract for the Combined Cycle Unit in Polkowice was secured by the performance bond issued by the bank for the sum of 3 130 thousand PLN valid through 31 January 2013 and for the sum of 1 341 thousand PLN valid through 31 January 2018.
Performance of the contract for the Combined Cycle Unit in Głogów was secured by the bond issued by the bank for the sum of 6 276 thousand PLN valid through 31 January 2013 and for the sum of 2 690 thousand PLN valid through 31 January 2018.

40. Related party transactions

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

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

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

a) Sales:

- sales of goods – the Electro-technical Company VECTOR Ltd.	6 923	thous PLN
- sales of services – the Electro-technical Company VECTOR Ltd.	84	thous PLN
- sales of materials - the Electro-technical Company VECTOR Ltd.	702	thous PLN

Mutual balances between the parent and its associates as at 30 June 2011:

- payables of the Electro-technical Company VECTOR Ltd. to ELEKTROBUDOWA SA	2 206	thous PLN
- payables of SAUDI ELEKTROBUDOWA LLC to ELEKTROBUDOWA SA	45	thous PLN
- payables of KRUELTA to ELEKTROBUDOWA SA	426	thous PLN
- payables of ELEKTROBUDOWA SA to the Electro-technical Company VECTOR Ltd.	9	thous PLN

The unsettled balances of receivables and payables with the associates are not secured 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.

In the reporting period costs of receivables, collection of which is doubtful or at risk, arising from transactions with related parties, were not recognized. Entities in the group did not establish provisions for unsettled balances of receivables from related parties as at balance sheet date.

Notes to the consolidated financial statements (continued)

41. Contingencies and contractual obligations

a) guarantees

As of 30 June 2011 and 30 June 2010 ELEKTROBUDOWA SA group extended contract guarantees, comprising performance bonds and warranty bonds, through:

	as at		
	30 June 2011	**31 Dec 2010**	**30 June 2010**
PKO BP S.A.	77 911	43 406	47 640
BRE Bank S.A.	56 851	54 035	44 685
T.U. ALLIANZ POLSKA S.A.	32 614	26 709	24 489
Bank PeKaO S.A.	16 251	6 852	8 202
ING Bank Śląski S.A.	9 551	10 108	8 524
Bank Handlowy w Warszawie S.A.	5 667	3 972	8 077
Gerling Towarzystwo Ubezpieczeniowe S.A.	2 663	2 451	2 396
BNP PARIBAS BANK POLSKA S.A.	403	1 677	2 229
PZU S.A.	289	338	637
Total amount of guarantees	**202 200**	**149 548**	**146 879**

b) Promissory notes

As of 30 June 2011 ELEKTROBUDOWA SA group issued promissory notes as security for performance bonds for the total amount of 16 684 thousand PLN, and also:

- 1 promissory note issued in favour of BRE Bank S.A.o/Katowice as security for guarantee line;
- 10 blank promissory notes as security for claim of T.U. Allianz Polska S.A. from insurance guarantees;
- 1 blank promissory note as security for bank loan and guarantee line in Bank PeKaO S.A.;
- 5 blank promissory notes with ‘’without protest” restriction in favour of Gerling Polska T.U. S.A. as security for the issued contract bonds;
- 2 blank promissory notes as security for the loan and guarantee line provided by 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 in favour of BNP PARIBAS BANK POLSKA S.A. as security for contract bonds;
- 5 blank promissory notes with declaration in favour of Gerling Polska T.U. S.A. as security for contract bonds;
- 5 blank promissory notes with declaration and a certificate of deposit for 150 thousand PLN as security of claim from contract bonds issued by PZU S.A.

Notes to the consolidated financial statements (continued)

As of 31 December 2010 ELEKTROBUDOWA SA group issued promissory notes as security for performance bonds for the total amount of 18 409 thousand PLN, and also:

- 1 promissory note issued in favour of BRE Bank S.A.o/Katowice as security for guarantee line;
- 10 blank promissory notes as security for claim of T.U. Allianz Polska S.A. from insurance guarantees;
- 1 blank promissory note as security for bank loan and guarantee line in Bank PeKaO S.A.;
- 5 blank promissory notes with ''without protest" restriction in favour of Gerling Polska T.U. S.A. as security for the issued contract bonds;
- 2 blank promissory notes as security for the loan and guarantee line provided by 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 in favour of FORTIS BANK POLSKA S.A. as security for contract bonds;
- 5 blank promissory notes with declaration in favour of Gerling Polska T.U. S.A. as security for contract bonds;
- 5 blank promissory notes with declaration and a certificate of deposit for 150 thousand PLN as security of claim from contract bonds issued by PZU S.A.

As of 30 June 2010 ELEKTROBUDOWA SA group issued promissory notes as security for performance bonds 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 a line of credit for financing current operations;
- 10 blank promissory notes as security for claim of T.U. Allianz Polska S.A. from contract bonds;
- 7 blank promissory notes as security for bank loan from Bank 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 contract bonds;
- 1 blank promissory note as security for the loan from PKO BP S.A.;
- 1 blank promissory note as security for the loan extended by Bank Handlowy w Warszawie SA.;
- 5 blank promissory notes with ''without protest" restriction in favour of PZU S.A. as security for contract bonds.

c) Sureties

As of 30 June 2011, 31 December 2010 and 30 June 2010 the group did not grant any sureties.

Notes to the consolidated financial statements (continued)

d) Rental, lease and similar commitments

Estimated value of rent for the lease of offices will amount to 2 409 thousand PLN in the coming year, while in the period over 1 year to 5 years it will be 11 273 thousand PLN.
The contractual value of rent from the lease of offices was 1 256 thousand PLN in H1 2011.

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 off-balance sheet 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 right of perpetual usufructary of land in the present year will amount to 83 thousand PLN, while in the period above 1 year up to 5 years 324 thousand PLN and over 5 years: 5 694 thousand PLN. Estimated payments account for the fact that the group has put for sale the land to which it has the right of perpetual usufruct, together with real property situated thereon. The offered property is expected to find purchasers by the end of the year.

42. Employment

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

	average number of employees in H1 2011	average number of employees in 2010	average number of employees in H1 2010
Total number of employees	**2 124**	**2 027**	**1 949**
of which:			
Manual jobs	1 206	1 134	1 083
White-collar jobs	881	881	859
Persons on child care leaves or unpaid leaves	5	12	7

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

Notes to the consolidated financial statements (continued)

43. The Management Board and the Supervisory Board

Composition of the Management Boards of the parent and the subsidiaries at 30 June 2011

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

Management Board
ENERGOTEST sp. z o.o.

Arkadiusz Klimowicz	-	President

Executive Body
ELEKTROBUDOWA UKRAINA Ltd.

Oleksandr Karnaushenko	-	Director

On 22 June 2011 the Supervisory Board of the parent accepted a resignation as the Management Member submitted by Mr Stanisław Rak effective as at 30 June 2011. On the same day, on the motion proposed by President of the Management Board, the Supervisory Board appointed Mr Janusz Juszczyk as a member of the Management Board of ELEKTROBUDOWA SA with the effect from 1 July 2011.

Notes to the consolidated financial statements (continued)

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

	period from 1 January 2011 to 30 June 2011			
	Remuneration paid			
	Base salary	Bonus for 2010	Total remuneration	Extra benefits *
Management Board	**1 009**	**1 380**	**2 389**	**36**
Faltynowicz Jacek	240	360	600	15
Tomaszewski Jarosław	210	300	510	10
Bober Ariusz	180	270	450	0
Jaźwiński Tomasz	180	180	360	8
Rak Stanisław	199	270	469	3
Klimowicz Arkadiusz	0	0	0	0
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**	**1**
Klimowicz Arkadiusz	180	0	180	1
Executive Body ELEKTROBUDOWA UKRAINA Ltd.	**11**	**14**	**25**	**0**
Karnaushenko Oleksandr	11	14	25	0

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

Notes to the consolidated financial statements (continued)

	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
Klimowicz Arkadiusz	0	0	0	0
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**
Klimowicz Arkadiusz	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.*

Additional benefits for the Members of the Management Board of the parent with respect to functions performed by them in supervising bodies of related parties

	period from 1 January 2011 to 30 June 2011			
	Remuneration paid			
	Base salary	Bonus for 2010	Total remuneration	Extra benefits *
Management Board ELEKTROBUDOWA SA	**0**	**0**	**0**	**3**
Faltynowicz Jacek	0	0	0	1
Tomaszewski Jarosław	0	0	0	1
Rak Stanisław	0	0	0	1

** Extra benefits include civil liability insurance premium for members of company's governing bodies.*

Notes to the consolidated financial statements (continued)

	period from 1 January 2010 to 30 June 2010			
	Remuneration paid			
	Base salary	Bonus for 2010	Total remuneration	Extra benefits *
Management Board ELEKTROBUDOWA SA	**0**	**0**	**0**	**3**
Faltynowicz Jacek	0	0	0	1
Tomaszewski Jarosław	0	0	0	1
Rak Stanisław	0	0	0	1

** Extra benefits include civil liability insurance premium for members of company's governing bodies.*

As of 30 June 2011 a provision in costs of the parent was created for 2011 bonuses (including charges) due to the Management Board members in the amount of 520 thousand PLN. The bonuses will be paid against a Resolution of the Supervisory Board, following the rules for 2011 bonus remuneration for the members of the Management Board – employees of ELEKTROBUDOWA SA.

According to the non-competition clause in their employment contracts, the members of the Management Board of the parent are entitled 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 2011

The Annual General Meeting of ELEKTROBUDOWA SA convened for 19 April 2011 adopted resolutions on appointing the Supervisory Board for a new term of office.

Supervisory Board

Dariusz Mańko - Chairman
Karol Żbikowski - Vice-Chairman
Agnieszka Godlewska - Member
Eryk Karski - Member
Tomasz Mosiek - Member
Ryszard Rafalski - Member
Paweł Tarnowski - Member

Notes to the consolidated financial statements (continued)

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 2009	Total remuneration	Additional benefits*
Supervisory Board	**296**	**0**	**296**	**0**
Mańko Dariusz	52	0	52	0
Żbikowski Karol	47	0	47	0
Chłopecki Aleksander	26	0	26	0
Chwałek Jacek	26	0	26	0
Mosiek Tomasz	39	0	39	0
Rafalski Ryszard	39	0	39	0
Wojda Dariusz	26	0	26	0
Agnieszka Godlewska	13	0	13	0
Eryk Karski	14	0	14	0
Paweł Tarnowski	14	0	14	0

** additional benefits include civil liability insurance premium for the members of a capital company's governing body.*

	period from 1 January 2010 to 30 June 2010 Remuneration paid			
	Base salary	Bonus for 2009	Total remuneration	Additional benefits*
Supervisory Board	**279**	**0**	**279**	**0**
Mańko Dariusz	49	0	49	0
Żbikowski Karol	45	0	45	0
Chłopecki Aleksander	37	0	37	0
Chwałek Jacek	37	0	37	0
Mosiek Tomasz	37	0	37	0
Rafalski Ryszard	37	0	37	0
Wojda Dariusz	37	0	37	0

** additional benefits include civil liability insurance premium for the members of a capital company's governing body.*

Notes to the consolidated financial statements (continued)

Remuneration of the parent's 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 the following remuneration was 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

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

As at 30 June 2011, 31 December 2010 and 30 June 2010 the group's companies did not extend any guarantees, borrowings or warrants to the Members of the Boards of the parent.

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 financial data of the reporting periods specified below have been translated into EUR as follows:

a) asset and liabilities items – according to the average rate announced By the National Bank of Poland for:
- 30 June 2011 3.9866 PLN / EUR
- 31 December 2010 3.9603 PLN / EUR;
- 30 June 2010 4.1458 PLN / EUR;

b) items in the consolidated statement of comprehensive income 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 reporting period:

- from 01.01.2011 to 30.06.2011 3.9673 PLN / EUR.
- from 01.01.2010 to 30.06.2010 4.0042 PLN / 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.

Notes to the consolidated financial statements (continued)

46. Changes in presentation of consolidated financial statements

In the consolidated statement of financial situation prepared as at 30 June 2011 a change was made in the presentation of comparable data, consisting in the transfer of value of fixed assets held for sale in the amount of 711 thousand PLN as of 31 December 2010 and in the amount of 1 033 thousand PLN as of 30 June 2010 from Non-current Assets to Current Assets.

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 01.01-30.06.2011 and for auditing the 2011 annual Financial Statements of ELEKTROBUDOWA SA and the 2011 annual Consolidated Financial Statements of the ELEKTROBUDOWA SA group was concluded with Deloitte Audyt Sp. z o.o., having their registered office in Warsaw, on 7 July 2011.

The agreed remuneration for the above review and auditing of the above mentioned 2011 financial statements is 175 thousand PLN (excluding the goods and services tax) and includes:

- 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 of the financial statements of the subsidiary ELEKTROBUDOWA Ukraine Ltd.	30

Deloitte Audyt Sp. z o.o. was also appointed to review the interim financial statements for the period from 1 January 2011 to 30 June 2011 and to audit the 2011 annual financial statements of the subsidiary, ENERGOTEST sp. z o.o. A relevant agreement was signed on 9 June 2011. The agreed remuneration for auditing the subsidiary is (in PLN'000):

- review of the half-year financial statements	15
- Audit of the annual financial statements	10
Review and auditing of the financial statements	**25**

In H1 2011 the parent entered into contract with Deloitte Doradztwo Podatkowe Sp. z o.o. based in Warsaw for tax consulting services in respect of preparing transfer price records for transactions entered into by ELEKTROBUDOWA SA with related parties. The payment for the performed work was established as 48 thousand PLN and will be increased by VAT.

Notes to the consolidated financial statements (continued)

48. Additional information

Comparability of the consolidated financial statements

The comparable data have been presented according to the same accounting principles as were applied for preparation of the consolidated financial statements for 2010.

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 2011 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 financial statements for the six months ended 30 June 2011.

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

As at 30 June 2011 and as at 30 June 2010 the group did not have any contractual commitments due to the acquisition of fixed tangible assets or intangible assets.

Significant events after the balance sheet date

On 18 July 2011 ELEKTROBUDOWA SA issued an order to redeem the units in the foreign investment fund Franklin Templeton Investment Funds. The cash in the amount of 25 219.8 thousand PLN was received on the company's bank account on 22 July 2011. The transaction resulted in other operating gains of 3 666.9 thousand PLN.
On 2 August 2011 ELEKTROBUDOWA SA received a 1 500.0 thousand PLN advance on expected 2011 dividend. The advance was paid pursuant to the Resolution of the Management Board of ENERGOTEST sp. z o.o. adopted on 29 July 2011 against the partner's application approved by the Supervisory Board of ENERGOTEST sp. z o.o. By the Resolution the Management Board decided to pay the amount of 3 000.0 thousand PLN to ELEKTROBUDOWA SA as the advance on dividend expected for the financial year 2011, subject to the provisions of Art. 194 and 195 of the Polish Commercial Companies Code. It was decided that the advance would be paid in two parts: 1 500.0 thousand PLN on 2 August 2011 and 1 500.0 thousand PLN on 5 September 2011.

Notes to the consolidated financial statements (continued)

Representation by the Management Board

The Management Board of ELEKTROBUDOWA SA state that on 30 August 2011 they authorise for issue the present interim consolidated financial statements of the ELEKTROBUDOWA SA group for H1 2011.

SIGNATURES OF ALL MANAGEMENT BOARD MEMBERS

Name and surname	Position / Function	Date	Signature
Jacek Faltynowicz	President	30.08.2011	
Jarosław Tomaszewski	Board Member	30.08.2011	
Ariusz Bober	Board Member	30.08.2011	
Tomasz Jaźwiński	Board Member	30.08.2011	
Janusz Juszczyk	Board Member	30.08.2011	
Arkadiusz Klimowicz	Board Member	30.08.2011	

SIGNATURE OF THE PERSON IN CHARGE OF ACCOUNTING BOOKS

Name and surname	Position / Function	Date	Signature
Sylwia Wojtas	Chief Accountant	30.08.2011	

Report on the Activities
of the
ELEKTROBUDOWA SA GROUP

for the six months ended 30 June 2011

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1. STRUCTURE OF THE ELEKTROBUDOWA SA GROUP

1.1 The Parent, ELEKTROBUDOWA SA

ELEKTROBUDOWA SA with registered office in Katowice, at 12 Porcelanowa Street, 40-246 Katowice is a joint stock company established and operating according to the Polish law. The company is registered in the National Court Register (KRS) in the District Court Katowice-Wschód in Katowice, 8th Business Department under KRS entry no. 0000074725.
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: construction.

The business activity of ELEKTROBUDOWA SA includes:

- comprehensive electrical installation works in newly built, extended and modernized power plants and industrial facilities;
- supply of electric power equipment, mainly the electricity transmission and distribution equipment;
- design engineering, testing, commissioning and start-up of electrical installations.

ELEKTROBUDOWA SA is an enterprise consisting of several divisions, including the Head Office and three production divisions which are not subject to disclosure in the National Court Register:

- **Power Generation Division (RWE)**
  Its organisational units are located partly in Katowice at 12, Porcelanowa Street and in Jaworzno at 51, Promienna Street. The Power Generation Division conducts its operations on the whole territory of Poland and also in other countries. The domestic operations of the Division are carried out by organised, permanent facilities, located in Tychy, Opole, Kozienice, Bełchatów, Rybnik and Częstochowa. The Power Generation Division also registred its facilities (branches) outside Poland, through which it conducts its business in Finland and Luxembourg.
  The permanent establishment in Finland was registered on 19 March 2008 under number 2176143-1 of the Commercial Register maintained by the National Board of Patents and Registration of Finland, Helsinki. The registration address is: TVO Olkiluoto 3, Construction Site f, 27160 EURAJOKI. The branch still exists in operation.
  The establishment in Luxembourg was registered in the Trade and Companies Register in Luxembourg on 21 December 2010 under the number B157469 ,at the address: 41, Boulevard Prince Henri, L-1724 Luxembourg. The entry is in force for indefinite time.

- **Industry Division (RP)**

  Organisational units of the Division are located partly in Katowice at 12, Porcelanowa Street and in Płock at 42, Zglenickiego Street. The Industry Division carries out its operations on the whole territory of Poland, through its organised, permanent facilities, generally in Płock, Katowice, Warsaw, Konin and Gdańsk.

- **Power Distribution Division (RDE)**

  The production facility and administration units of the Division are located in Konin at 156, Przemysłowa Street. The Power Distribution Division conducts business in Poland through its organised, permanent facilities in Konin, Wrocław and Katowice. A significant part of products manufactured by the Division is sold to foreign markets.

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

with its registered office at 12, Porcelanowa Str., 40 -246 Katowice.
ELEKTROBUDOWA SA held 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 property protection, providing telecommunication services, 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, production of data processing devices, electrical switching and control devices, installation, repairs and maintenance of switchgear and controlgear, also tests and technical surveys.

1.4. A subsidiary - ELEKTROBUDOWA UKRAINE Ltd.

with registered office in Sevastopol, in General Petrov Street, Bldg 20 office 7, 9901 Sevastopol, Ukraine.
ELEKTROBUDOWA SA held a 62% stake in ELEKTROBUDOWA UKRAINE Ltd.
The objects of ELEKTROBUDOWA UKRAINE 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 2011 ELEKTROBUDOWA SA holds 49% shares of KRUELTA's representing 49% of its equity and has significant influence on the associate's financial and economic policies.
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 2011 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 2011 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 offering low, medium and high voltage electrical systems, including switchgear and distribution panels and electrical substations as well as installation, repair and maintenance services for energy control and distribution systems.

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

2.1 Sales Revenues - Principal Products and Services

The revenues from sales of goods, services and materials of ELEKTROBUDOWA SA group generated in the six months of 2011 amounted to 372 499 thousand PLN. Major part of sales revenues was generated by the basic operations of the group, that is electrical installation services. These services earned 320 347 thousand PLN for the group, which was 86.0% of its total sales revenues.

The H1 2011 sales rose by 59 865 thousand PLN on H1 2010 which is the increase by 19.2%.

In the six months of 2011 ELEKTROBUDOWA SA group recorded further increase in export sales, which also includes supplies of goods and services within the EU. Export sales amounted to 55 592 thousand PLN and were by 16.2% higher than in H1 2011. The fast growth concerned sales of construction and installation services, principally to Finland.

The group treats as priority all actions aimed at boosting its competitiveness in the foreign markets and increasing exports. Following such policy the ELEKTROBUDOWA SA group with its products and services entered new markets, such as Nigeria, South Africa, the United States of America, Uzbekistan, Luxembourg and substantially increased the volume of export sales by selling to Finland, Saudi Arabia and Turkey.

The table below presents the structure of net revenue from the sales of products, goods and materials in H1 2011 and H1 2010.

	H1 2011		**H1 2010**		**Change**
	PLN'000	**%**	**PLN'000**	**%**	**PLN'000**
Revenue from sales of products, merchandise and materials	**372 499**	**100.0**	**312 634**	**100.0**	**59 865**
construction and erection services	320 347	86.0	226 436	72.4	93 911
electro-technical products	39 962	10.7	77 270	24.7	(37 308)
other services	10 253	2.8	6 678	2.1	3 575
merchandise and materials	1 937	0.5	2 250	0.8	(313)

The ELEKTROBUDOWA SA group specializes in providing electric installation services and in manufacturing of equipment used for transmission and distribution of electric energy. Sales of this equipment accounted for 10.7% of total H1 2011 sales revenue. Furthermore, a substantial part of the products through internal sales is transformed to external sales within provided installation services. Maintaining the position of a leading supplier of medium-voltage switchgear on the Polish market is one of the key strategic goals of the group.

In H1 2011 the group sold industrial products for the sum of 73 265 thousand PLN. From this amount 33 303 thousand PLN falls to internal sales realised by the erection units, whereas direct (external) sales reached the value of 39 962 thousand PLN. The presented sales volumes of finished goods account for consolidation exclusions within the group.

Production of principal products by volume and value in the six months of 2011 and 2010 was as follows:

- By volume:

Type of Product	Unit of measure	Quantity	
		H1 2011	H1 2010
Medium voltage switchgear	panel	851	1 128
Low voltage switchgear	segment	636	480
Mobile substations	set	17	55
Busducts	m	1 650	1 909
Cable trays	ton	35	24
Electricity distribution and control devices	pce	61	145
Measuring and monitoring devices (recorders)	pce	6 434	859
Peripheral devices (separators, converters, controllers)	pce	109	2 943

- By value

Product	H1 2011		H1 2010	
	Value (PLN'000)	percentage (%)	Value (PLN'000)	percentage (%)
Medium voltage switchgear	36 293	49.1	28 338	29.6
Low voltage switchgear	14 223	19.3	9 021	9.4
Mobile substations	7 919	10.7	39 359	41.1
Busducts	7 153	9.7	9 763	10.2
Cable trays	268	0.4	216	0.2
Electricity distribution and control devices	859	1.2	1 552	1.6
Measuring and monitoring devices (recorders)	3 483	4.7	1 133	1.2
Peripheral devices (separators, converters, controllers)	53	0.1	497	0.5
Other products	3 576	4.8	5 976	6.2
Total	**73 827**	**100.0**	**95 855**	**100.0**

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

Poland was the only Central European country where the construction sector did not suffer a drop either in 2009 or 2010. Although in the first four months of 2010 the construction industry encountered serious problems caused by unfavourable weather conditions, the improved results of further months

gave grounds for cautious optimism. Since then the construction industry observed steady growth which resulted in the 3.5% increase in the construction production for the whole 2010 year. Polish companies expect that the year 2011 will bring further growth of this sector by 3.4% as compared to 2010. The overall economic climate of the construction sector in H1 2011 had positive opinions. Promising forecasts are made concerning order backlog and construction and installation production as well as the financial situation. The present condition of the Polish building industry and forecasts for its future growth are optimistic. Companies still see some limitations of the growth possibilities. Employment costs, strong competition and bureaucracy were major barriers to conducting the construction activity. The increase in labour cost was related to the demand for experienced professionals and contracts carried out in other countries where terms of payment for the group's employees must conform to local regulations. Strong market competition and participation in tender procedures where the most-favourable-price bids are successful keep the profit margins on a low level. Furthermore, execution of awarded orders is bound with the building materials price risk, as price changes may have adverse influence on contract profitability.

The economic and financial results of the reporting period closed with the 10 878 thousand PLN net profit; in the last years it was decreasing. The net profit dropped by 10 544 thousand PLN on H1 2010 and by 14 165 thousand PLN on H1 2009.

The most serious decline in profits, both gross and net, was suffered by the Power Distribution business segment of the group. During the first four months of 2011 the Power Distribution Division of the parent and other group's entities operating in this business segment encountered difficulties in winning new orders, while the fulfilment of order backlog did not guarantee that the planned revenues would be generated. In the structure of sales of the Power distribution Division there was a decrease of revenue on sales of medium voltage switchgear panels and mobile substations, which are the key products of this business segment of the parent. At the same time there was a considerable accumulation of selling of high voltage substations – complete turnkey facilities, where profit margins were substantially lower. The segment's financial results had essential contribution to decrease in profitability of the group. After a tough beginning of the year for the Power Distribution Division in further months of H1 2011 the segment recovered and recorded a rapid growth in orders.

The present situation in the Power Distribution segment prognosticates well for the accomplishment of annual budget assumptions and earning the net profit on the forecast level by the group.

The priorities of the coming months include further improvement of business efficiency and operational effectiveness, improvement of project management process and optimization of purchase processes. The strengths that at present help the companies to operate in the Polish construction market are: reliability, professionalism, good track record and references, experience. ELEKTROBUDOWA SA, the parent, has all these qualities and therefore is a genuine leader for the other entities within the group.

Upturn in the markets were the ELEKTROBUDOWA SA group operates resulted in growth in value of orders received both in Polish market and foreign markets. Total value of contracts, orders and purchase orders received by the parent from domestic and foreign partners in H1 2011 amounted to

550.0 million PLN which was the increase by 64.7% on the comparative period of the previous year. Order backlog of ELEKTROBUDOWA SA as at 30 June 2011 amounted to 836.8 million PLN and its value was by 29.6% higher than on 30 June 2010.

Although the sales invoiced by the group in H1 2011 were mostly the effect of orders received in prior years, significant increase in orders received in the reporting period contributed to the volume of sales. Weather conditions during last winter in Poland were also much more favourable for the construction sector than in the previous year. Consequently, sales revenue produced by the group in the second quarter of 2011 rapidly increased and reached the value of 227.4 million PLN, which constitutes 61.1% of total revenue generated by the group. As compared to the first quarter of 2011 the revenue grew by 56.8%.

In H1 2011 revenues on sales of products, goods and materials earned by the ELEKTROBUDOWA SA group amounted to 372.5 million PLN and were by 59.9 million PLN higher than in H1 2010, which is equivalent to a 19.2% growth.

Sales invoiced in H1 2011 were generated principally on big contracts for electrical installation services and supply of electrical equipment, such as:

-	the National Stadium in Warsaw, including infrastructure for the Consortium ALPINE Construction Polska Sp. z o.o. and Hydrobudowa Polska SA	PLN 42.9m
-	supply of erection & precomissioning of electrical and I&C components and systems for NPP OLKILUOTO 3 in Finland	PLN 32.8m
-	turnkey supply of the 110/kV station Przemyśl – Głęboka	PLN 10.6m
-	construction of TESCO 3K retail facility with technical infrastructure in Malbork Grobelno	PLN 10.2m
-	modernization of control and surveillance system including electrical installations for unit 5 of Bałchatów Power Station	PLN 9.3m
-	supply of pump station of the main dewatering plant and the 6kV switchgear in the 950 m level in the coal mine “BORYNIA”, JSW S.A.	PLN 9.2m
-	civil works for the “Sky Tower” Project – supply of electrical installations	PLN 7.2m
-	modernization of control and surveillance system including electrical installations for unit 6 of Bałchatów Power Station	PLN 6.9m
-	supply and installation of electrical equipment and cables, construction of electrical rooms for the project “Construction of a new OOG-420 Boiler 2 for the Heat&Power Plant	PLN 6.1m
-	supply of complete electrical system in EC Kraków S.A.	PLN 5.5m

The biggest contracts of the group were received by the parent. 95.5% of total group’s revenues were generated by the parent, ELEKTROBUDOWA SA, whereas the subsidiary, ENERGOTEST sp. z o.o. was responsible for 4.9% share in the revenues. The remaining 0.5% was attributable to the subsidiary, ELEKTROBUDOWA Ukraine Ltd.

The main items of the statement of comprehensive income for H1 2011 and H1 2010:

	H1 2011		*H1 2010*		Change
	PLN'000	*%*	*PLN'000*	*%*	*PLN'000*
Net sales revenues	372 499	100.0	312 634	100.0	59 865
Cost of products, goods and materials sold	(350 289)	94.0	(275 582)	88.1	(74 707)
Gross profit on sales	**22 210**	**6.0**	**37 052**	**11.9**	**(14 842)**
Selling costs	(1 407)	0.4	(1 764)	0.6	357
Administration expenses	(6 977)	1.9	(5 861)	1.9	(1 116)
Other operating expenses	(1 330)	0.3	(970)	0.3	(360)
Other gains / losses - net	57	0.0	(2 224)	0.7	2 281
Operating profit	**12 553**	**3.4**	**26 233**	**8.4**	**(13 680)**
Finance income / costs – net	271	0.0	473	0.2	(202)
Share in profit of associates	(540)	0.1	(469)	(0.2)	(71)
Profit before income tax	**12 284**	**3.3**	**26 237**	**8.4**	**(13 953)**
Net profit for the period	**10 878**	**2.9**	**21 422**	**6.9**	**(10 544)**

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

The H1 2011 profitability ratios dropped as compared to H1 2010. Gross profit margin fell by 5.1 percentage point, whereas the operating profit margin by 4.0 percentage point. The decrease of profit margin in H1 2011 is the result of growing costs of products, goods and materials sold which was higher than the growth rate of net sales revenues.
Growth in cost of sold products, goods and materials by 27.1% was accompanied by the 19.2% growth in net sales revenues. Higher growth rate of costs as compared to revenues by approximately 7.9 percentage point resulted in the decrease of gross profit on sales by 14 842 thousand PLN, that is by 40.1% on the earnings in the previous year.

The decline in return on sales of the group is the consequence of growing competition in the market of construction services for the power industry on the level of ultimate supplier. In the conditions of weak European market, building companies from the Czech Republic, Slovakia, Romania, Serbia are trying to enter the Polish market with their services. Strong competition with foreign and domestic companies involved the reductions in prices for the performed services and thus the reduction of margins on executed contracts.

Selling costs in the first half of 2011 amounted to 1 407 thousand PLN and were by 357 thousand PLN lower than in the first half of 2010. The level of selling costs was correlated with the level of sales revenue in consecutive years. The share of selling costs in sales revenue in H1 2011 and H1 2010 slightly fluctuated and was 0.6% and 0.4% respectively.

The general administrative costs incurred in H1 2011 amounted to 6 977 thousand PLN and rose by 1116 thousand PLN as compared to H1 2010. Their percentage share in total sales in H1 2011 and H1 2010 remained on the same level and fluctuated around 2.0%.

Other operating costs incurred by the group in H1 2011 amounted to 1 330 thousand PLN and included charges and fees paid for contract bonds issued by banks and insurance companies (1 257

thousand PLN) and legal fees and penalties (73 thousand PLN). As compared to the relevant six months of 2010 other operating costs rose by 360 thousand PLN, i.e. by 37.1%. The increase in other operating costs was due to fast growth in volume of contract bonds provided by the group.

In the six months of 2011 other income exceeded the amount of other expenses and earned the profit on other operating activity for the group in the amount of 57 thousand PLN. Other expenses in H1 2010 were bigger than other income and a 2 224 thousand PLN operating loss was generated.

Main items of other income:

- gains from disposal of financial fixed assets	1 197	thousand PLN
- interest	923	thousand PLN
- reversal of provision for impairment of receivables	676	thousand PLN
- gains from disposal of non-finance fixed assets	162	thousand PLN
- received compensation	251	thousand PLN

Main items of other expenses:

- provision for impairment of receivables	1 459	thousand PLN
- negative currency translation differences	486	thousand PLN
- damage repair cost	193	thousand PLN
- donations and gifts	124	thousand PLN
- negative valuation of forward	49	thousand PLN

in H1 2011 the operating profit generated by the group amounted to 12 553 thousand PLN and return on operating profit was 3.4%. The profitability of operating activity dropped by 7.3 percentage point lower on the comparable period of 2010.

The group recorded 271 thousand PLN gains from financial activities. The gains include dividend received by the parent on its interest in PI Biprohut Sp. z o. o. (258 thousand PLN) and dividend received by the subsidiary ENERGOTEST sp. z o. o. on its interest in Energotest Diagnostyka Sp. z o. o. (13 thousand PLN).

The H1 2011 pre-tax profit tax amounted to 12 284 thousand PLN whereas net profit was earned in the amount of 10 878 thousand PLN, by 10 544 thousand PLN lower than in H1 2010.

The level of H1 2011 net profit was influenced by the drop in the return on sales in result of price competition (low productivity of projects).

2.3 Financial analysis

As at the end of June 2011 the group's balance sheet total increased by 86.1 million PLN as compared to the six months of 2010.

The growth was recorded both in non-current assets (by 13.5 million PLN) and current assets (by 72.6 million PLN). A significant growth was recorded in the non-current assets items: property, plant and equipment by 17.4 million PLN and deferred income tax assets by 3.9 million PLN. Growth of current assets in H1 2011 was attributable to the growth in inventories by 24.6 million PLN, "trade and other

receivables" by 38.2 million PLN, available-for-sale financial assets by 4.7 million PLN and amounts due for construction contract work by 42.1 million PLN.

On the equity and liabilities side, the relation of liabilities to equity was increased. In H1 2011, as compared to H1 2010, the increase in equity by 7.2 million PLN was accompanied by the increase in liabilities by 78.9 million PLN. The growth in equity is principally attributed to the increase of supplementary capital by 21.2 million PLN further to distribution of 2010 profit. The increase in liabilities was generally caused by the increase in short-term trade and other payables by 78.4 million PLN and provisions by 4.5 million PLN.

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

Selected ratios describing the company economic and financial position:

		H1 2011	H1 2010	H1 2009
I.	**Profitability ratios**			
1.	Net profit margin *net profit / sales revenues*	2.9%	6.9%	8.2%
2.	Gross profit margin *profit before taxes / sales revenues*	3.3%	8.4%	11.2%
3.	operating profit margin *operating profit / sales revenues*	3.4%	8.4%	10.7%
4.	Return on equity (ROE) *net profit / average equity capital*	3.5%	7.3%	9.8%
5.	Return on assets (ROA) *net profit / average assets*	1.9%	4.5%	5.7%
II.	**Liquidity ratios**			
1.	Current ratio *average current assets / average current liabilities*	1.6	1.9	1.9
2.	Quick ratio *(average current assets – inventories)/ (average current liabilities*	1.4	1.7	1.8
III.	**Turnover ratios**			
1.	Receivables turnover ratio (days) *average trade debtors x 360 days / sales revenues*	105	99	95
2.	Accounts payable turnover ratio (days) *average trade creditors x 360 days sales revenues*	73	52	49

3.	Inventory turnover (days) *average inventories x 360 days / sales revenues*	18	9	7
4.	Assets turnover *sales revenues /average total assets*	0.7	0.7	0.7
IV.	**Debt ratios**			
1.	Borrowed capital ratio *average borrowed capital /average total assets*	45.6%	37.2%	39.4%

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

Profitability ratios define the ability of sales to generate earnings. Within the last few years return on sales ratios gradually decreased. Their changes reflect changes in net profit generated by the group. In the reporting period the net profit margin was 2.9% whereas gross profit margin 3.3%. In H1 2011 the net profit margin dropped by 4.0 percentage point on H1 2010 and 5.3 percentage point on H1 2009.

The return on assets ratio (ROA), which indicates ability to generate earnings after taxes by all assets used in the group was 1.9% in the reporting period and was by 2.6 percentage point lower than in H1 2010 and by 6.3 percentage point lower than in H1 2009. Although ROA has been 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 2011 by 3.8 percentage point as compared to H1 2010 and by 6.3 percentage point on H1 2009. The decrease in ROE in the analysed periods means that the growth in equity was greater that the growth in profits. This growth in equity strengthened the group's financial position, as its share in covering the assets increased.

Liquidity ratios were changing insignificantly in the analysed years.
Both current and quick ratio in H1 2011 dropped by 0.3 each as compared to H1 2010 and respectively by 0.3 and 0.4 on H1 2009. In the case of current ratio it is assumed that its optimal value should remain between 1.5 and 2.0, while the quick ratio should approximate one or be slightly higher. Levels of the liquidity ratios in H1 2011 indicate 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.

The collection period of trade receivables in H1 2011 was 105 days and was by 6 days longer than in H1 2010 and by 10 days longer than in H1 2009. During the analysed years the receivables turnover ratios were in a growing trend, which indicates that the period of trade credit allowed to its customers by the group has been extended. Overdue trade receivables were impaired in the amount of 11 391 thousand PLN and the impairment covered the trade receivables for which the group's has a

warrant of execution by the bailiff, that are within the estate in bankruptcy, or that were due over 180 days ago.

According to the balance sheet data, payables are settled within 73 days. Maturity dates for payables vary from 14 days to 60 days. Within the analysed 6 months accounts payable turnover ratio grew by 21 days on H1 2010 and by 24 days on H1 2009. Although the period in which the group paid its debt got longer, the turnover period for payables was shorter than in the case of receivables, which indicates that the group more often extends trade credit to its customers than utilizes such credit from its suppliers.

Inventories turnover period, which was 18 days, provides information on the length of process of transforming the inventories into finished products sold. In H1 2011 the inventories turnover period was by 9 days longer than in H1 2010 and by 11 days longer than in H1 2009. Inventories turnover period was gradually growing within the analysed years. Considering the increase in revenue on sales of products, goods and materials recorded in the consecutive reporting periods, the growth indicates that the volume of stock is suitably adjusted to the demand for the group's products. The length of inventories turnover cycle indicates efficiency of managing the material resources of current assets.

Borrowed capital ratio slightly rose in H1 2011 by 8.4 percentage point as compared to H1 2010, and by 6.2 percentage point on H1 2009. The relations between the group's assets and liabilities show that the group attained considerable 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 situation of the group and its financial strategy. The group's payables are fully secured by the assets owned and equity gathered. The analysis shows that the group has strengthened its sound financial position achieved within recent years.

Presented above key parameters and ratios characterising the economic and financial position of the group and its equity have been calculated basing on the financial statements prepared under the going concern assumption.

2.4 Financial resources management

In H1 2011 the ELEKTROBUDOWA SA group implemented the policy of financing its operations from its own funds and had full capacity to fulfil its financial obligations. The group did not use any bank loans or borrowings in the reporting period. Cooperation with several banks ensured even distribution of committed sources of financing and to maintain suitable level of funds for working capital.

In their business activity the entities in the group rationally utilized various products offered by banks, such as daily balancing the accounts, automatic overnight deposits for cash surplus, negotiated interest on deposits, negotiated exchange rates, financial market transactions – derivative instruments (forward).

Owing to such behaviour it was possible to minimise financial costs and optimize management of financial liquidity.

The group's activity relating to foreign exchange transactions was determined by the exchange rates of basic currencies, EUR and USD. Because of the unstable position of PLN against these currencies, ELEKTROBUDOWA SA concluded forward contracts to hedge the exchange rates. The parent enjoys, however, natural hedging of foreign exchange risk, as the company's imports and payments in foreign currencies are made from foreign currencies received as payments for the group's exports.
In its financial policy the group consequently avoided using foreign currency options or any other risky financial instruments.

The ELEKTROBUDOWA SA group has maintained wide cooperation with banks and insurance companies with respect of contract bonds and signed agreements for contract bonds within the extended revolving lines to secure: bid bonds, advance payment bods, performance bonds and warranty bonds. Favourable contractual terms of bank and insurance guarantees were a strong competitive advantage and gave the group a good position in tender procedures (necessity to prove credit quality).

Because of high financial liquidity the group did not utilize its opened credit facilities (limit up to 17 million PLN).

Agreements with banks concerned mainly lines of guarantee, with the limit up to 284 million PLN, utilized in the amount of 202 million PLN as at 30 June 2011.

2.5 Human capital management

In H1 2011 average monthly employment was 2121 job equivalents and was about 9.2% higher than in H1 2010. At 30 June 2011 the group had 2213 employees, of which 709 seasonal workers employed for the realization of specific contracts. The employment as at the end of June 2011 was by 194 persons bigger than as at the end of June 2010.

Out of the average number of employees, 1 206 job equivalents fell to direct labour, whereas 915 job equivalents to white-collar staff. In both groups there was an increase on H1 2010, with bigger growth in the group of manual workers (11.4% rise), whereas the number of non-manual workers rose by 6.5%.

In respect of employment structure by education, the number of personnel with higher education, mainly engineering, regularly increases. At the end of June 2011 the number of employees with degrees accounted for 31% of total.

The H1 2011 productivity of employment, calculated as the relation of sales revenues and average monthly employment amounted to 175.6 thousand PLN. Profitability of employment, calculated as the relation of gross profit and average monthly employment, was 5.8 thousand PLN in the first half of 2011.

In the period from 1 January to 30 June 2011 together 258 new people were employed in different trade groups, 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 contracts executed by the parent in Finland (OLKILUOTO 3) and the Netherlands (HYCO – 4).

No bigger problems with job terminations were recorded. Redundancies made by the employers, resulting from organisational changes, were not frequent and were the consequence of optimisation of employment in different organisational units.

Average gross monthly pay in the group in H1 2011 was 5 745 PLN, by about 7.4% higher than in the same period of the previous year. Growth of average monthly remuneration is principally attributed to the contracts performed in Finland, Luxembourg and the Netherlands, where the group maintained the level of guaranteed salaries in Euro required by local regulations and collective labour agreements, and due to the extension of the incentive system tying the remuneration with economic performance.

The group consequently developed the non-financial incentives programmes to support the process of recruitment and retaining employees and to increase the level of motivation and effective work.

Development of employee's qualifications and competence is a key for the development of the group. So, as in previous periods, in H1 2011 training policy was being implemented as planned, basing on the Procedure for Personnel Training and Development which is included in the ISO system valid in the group. Expenditure on training principally concerned the policy of systematic development of the project management-focused corporate culture and also the issues of enhancing professionalism of work teams, particularly managerial skills and language skills.

In H1 2011 the group invested 1 247.2 thousand PLN in training of its personnel, which gives an average of 588 PLN per one employee. Training costs accounted for 1.7% of the total remuneration fund in H1 2011. The implemented development programmes not only contribute to the increased professionalism of acting and professional development of employees but also complement the applied incentive systems and plans.

Cooperation with the trade union organisations was very good in the six months of 2011. There were no labour disputes, or collective bargaining with the trade union organisations acting in the group.

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

Since 1 December 2010 the parent, ELEKTROBUDOWA SA is a member of the Global Compact. The UN Global Compact is a unique, powerful platform for skill-sharing, implementation and disclosure of sustainability and social governance policies and practices. It has 8700 corporate participants and other stakeholders from over 130 countries.

In H1 2011 the parent evaluated its economic, social and environmental impact on local environment. The Management Board of ELEKTROBUDOWA SA appointed a Representative whose duties

comprise representing and coordinating the company's activities in the sphere of Corporate Social Responsibility (CSR). ELEKTROBUDOWA SA was included together with several dozen of WSE-listed companies in Respect Index, the first in Central and Eastern Europe stock exchange index which includes listed companies – leaders in considering social issues in their strategies.

2.6 Occupational Health and Safety Management

On 14 June 2011 the parent, ELEKTROBUDOWA SA obtained the certificate of the Occupational Health and Safety Management System according to the requirements of SHE Checklist Contractors, SCC**2008/5.1 valid throughout Europe with the exception of Finland. The system was certified by DET NORSKE VERITAS (DNV).
The parent also has the certificates issued by DNV for conformity of the Occupational Health and Safety Management System to the PN-N-18001:2004 and OHSAS 18001:2007 standards.

During H1 2011 there were no incidents of occupational illness.
Also, no claims were raised against any of the entities in the ELEKTROBUDOWA SA group due to non-observance of safety requirements or due to accidents at work.

2.7 Quality System Management

The key issue in the operations of the group is the continual improvement of product quality, with respect to the environment. The entities in the group are permanently involved in quality issues through the certified quality systems.
ELEKTROBUDOWA SA applies the 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 has been supplemented with:

- the NATO requirements defined in the document AQAP-2110,
- quality assurance requirements in nuclear power stations - acc. to KTA 1401,
- the requirements for welding - according to PN-EN ISO 3834-2.

ENERGOTEST sp. z o. o. has implemented a quality system certified to ISO 9001:2008 in the scope: "Development, production and control of electric power automation equipment. Services in the scope of designing, testing and start-up of power equipment and systems".

All the above systems, including supplements, are regularly audited and recertified to the relevant standard.

Essential events that occurred in the group in the six months of 2011 and which affect the assessment and functioning of the integrated quality and environmental management systems:

- recertification audit of the integrated quality and environmental management system (with positive result),
- reviews of the Integrated Management System by key managers,
- internal audits of the integrated quality and environmental management system,

- in-company training on amendments to the system documents,
- inspection audit for conformity to PN-EN 9001:2009 standard, with positive result.

The parent's plans for the second half of 2011 include:

- further training, meetings with contract managers and supervision staff in order to eliminate cases of non-observing the environmental regulations and quality requirements for manufactured products and supplied services, with particular attention to risk management;
- further preparation and implementation of documents which support application of methods improving the systems in force, uploading the documents in QMS and the intranet;
- developing a programme of training: Academy of Auditors 2011, targeted at improvement of the auditing process.

Positive results of internal and external audits, records in the review reports prove that the systems applied by the group's entities function correctly and that the entities in the group supply products and services in compliance with the relevant contracts for supplies and services.

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

Polish construction sector recorded a 3.5% growth for the whole 2010 year as compared to the results of 2009. Further growth in this industry is expected in 2011. The growth of sales generated by the construction companies should be in line with the general tendency expected for the sector. Although utilization of production capacities out of season by the construction companies deteriorated and reached an average level of 71%, the present situation of the construction industry as well as development forecasts are optimistic. Productivity optimization and improvement will be one of priorities for the Polish construction companies. The companies can see the growth of value of contracts signed within the last 12 months, and average period in which they will have the work ensured owing to concluded contracts, is 10 months.

As at 30 June 2011 the order backlog of the parent amounted to 836.8 million PLN and rose by 29.6% on the previous year. The orders received by the ELEKTROBUDOWA SA in H1 2011 reached the value of 550.0 million PLN and exceeded the volume of orders received in H1 2010 by 216.1 million PLN, i.e. by 64.7%. It is another year when the company recorded growth both in orders received and order backlog.

In H1 2011 the group recognized growth in sales revenue by 59.9 million PLN (by 19.2%) as compared with the comparable period of 2010.
Favourable changes in the volume of orders received and generated revenues were possible to achieve owing to:

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

The management of the parent, ELEKTROBUDOWA SA attaches considerable significance to strengthening the group's competitive advantage in foreign markets and to growth of exports. The group actively seeks new market for its products and boosts its export sales in its traditional areas. The parent registered two foreign permanent establishments through which it performs services in Finland and in Luxembourg. Registering of a permanent establishment in Estonia is underway.

Furthermore, in H1 2011 the group developed new export destinations, sending its products or supplying services in Nigeria, South Africa, the United States of America, Uzbekistan and Luxembourg. New orders are expected to win in Australia, Iraq and Germany.

Like in previous years, the sales offer of the ELEKTROBUDOWA SA group in H1 2011 did not significantly change and was still 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. Supply of complete automation and electrical systems.
3. Manufacture of indoor medium and low voltage switchgear assemblies.
4. LV. MV, HV stations.
5. Commissioning tests and start-up.
6. Design of equipment.
7. Manufacture of electrical automation devices.
8. Servicing.
9. General execution of investments, including public utility facilities, retail centres, industrial facilities.
10. Conceptual work and consulting.
11. Property management.

Customers were 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 on its own.

Growth of the 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; they differ in ways of conducting business and have different economic situation.

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

- favourable economic situation in the power, chemical, metallurgic and building trades,
- price level of electrical materials and equipment as well as metallurgic 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 group's administration costs.

Polish construction market of recent years was strongly stimulated by EU funds and choosing Poland as a host of EURO 2012. These two factors had the greatest influence on market trends. The resources, however, are depleting and the construction companies are seeking new markets. Segment with very good development opportunities include: power industry investments, railway investments, sewage and waste treatment plants. The outlook for construction projects other than housing has considerably improved.

As the situation in the financial sector improved and Polish economy is steadily developing, the share of big commercial investments, particularly shopping centres will be increasing in the coming years. During 2011 – 2012 engineering construction will still be a motor force of the Polish construction sector.

In performing its business operations the company is 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 chapter 4 of additional information to the financial statements for the six months of 2011.

Risk management is a process of identification, evaluation, management and control of potential occurrences or situations, aiming at provision of reasonable assurance that organisation's objectives will be accomplished. Risk management is focused on limiting the risks and protecting against their impact. The Management of the parent establishes the general rules for risk management and policies for specific risk areas.

3. MARKET SITUATION - SALES AND PROCUREMENT

3.1 Sales destinations

The activity of the group is concentrated mainly in the Polish market. Because of difficulties encountered by the construction industry in recent years and deteriorating economic situation in the Polish market the company focused on building up its competitiveness in foreign markets and systematic increase of exports. Export sales in H1 2011 which included supplies within the EU and to the countries outside the Union generated the revenue of 55 592 thousand PLN, which accounted for 14.9% of total sales revenues, whereas H1 2010 exports generated 47 852 thousand PLN. The group's exports are in the constant growth trend in recent years.

Presented below is an itemization of sales revenues of the ELEKTROBUDOWA SA group according to business sectors to which sales were made in H1 2011 and H1 2010.

Business areas	H1 2011		H1 2010	
	Value (PLN'000)	%	Value (PLN'000)	%
Power generation industry	153 332	41.2	104 601	33.5
Export of products and materials	55 592	14.9	47 852	15.3
Sports facilities	42 753	11.5	4 139	1.3
Chemical industry	29 928	8.0	46 510	14.9
Retail facilities	29 224	7.8	26 320	8.4
Housing and public utility construction	14 818	4.0	17 842	5.7
Transport	10 879	2.9	33	0.0
Mining	7 288	2.0	35 125	11.2
Environmental protection plants	6 636	1.8	6 508	2.1
Metallurgy	4 183	1.1	5 110	1.6
Building materials	3 592	1.0	798	0.3
Industrial automation	2 887	0.8	1 238	0.4
Automotive	1 714	0.5	426	0.1
Power distribution industry	1 153	0.3	1 416	0.4
Food industry	1 032	0.3	22	0.0
Electronic industry	868	0.2	500	0.2
Paper & pulp	859	0.2	8 710	2.8
Other areas	5 761	1.5	5 484	1.8
Total	**372 499**	**100.0**	**312 634**	**100.0**

As in previous years, power generating sector was the biggest source of the company's income in the six months of 2011 (41.2% 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 for environmental protection projects, which share in H1 2011 sales structure by industries was 1.8%.

A significant share of the group's H1 2011 activities belonged to works performed at the sites of sports facilities. Those services were responsible for 11.5% of sales revenue. The major contract concerned execution of the investment project at the Warsaw National Stadium. Revenue on the contract had 9.1% share of total revenue generated by the group. The investment was executed by the parent together with QUMAK - SEKOM S.A. and Przedsiębiorstwo "AGAT" S.A. against the consortium agreement.

Another biggest area of the group's activity was the chemical industry. The sales to the chemical industry in H1 2011, which made up 8.0% of total revenue, basically concerned PKN ORLEN S.A. (4.2% in the sales structure by industries).

A substantial, 7.8% share in the revenue belonged to supplies and services performed for new and modernized retail centres such as TESCO (3.6%) or Sky Tower (2.1%). Contracts of this type have been successfully performed by the ELEKTROBUDOWA SA group for several years.

Services for housing construction and public utility construction had a substantial, 4.0% share in total revenue earned by the group in H1 2011. The biggest contract in this group (0.8%) was performed at Centrum Tivoli Park and covered civil and electrical works.

Other market segments, responsible for 10.8% share in revenue, allowed the company to considerably supplement its sales outside the forenamed basic industries.

The destinations and structure of exports are presented below:

	H1 2011		H1 2010	
	Value (PLN'000)	**%**	**Value (PLN'000)**	**%**
Finland	34 789	62.6	19 177	40.1
Russia	7 709	13.9	14 760	30.8
Saudi Arabia	5 250	9.4	91	0.2
Turkey	2 275	4.1	1 555	3.3
Uzbekistan	1 919	3.4	0	0.0
Ukraine	1 644	3.0	2 304	4.8
Belarus	399	0.7	2 097	4.4
The Netherlands	287	0.5	740	1.6
Hungary	231	0.4	786	1.6
Trinidad & Tobago	87	0.2	723	1.5
Lithuania	86	0.2	0	0.0
Austria	16	0.0	2 144	4.5
Israel	0	0.0	3 220	6.7
The Czech Republic	0	0.0	165	0.3
Slovenia	0	0.0	24	0.1
Other countries	900	1.6	66	0.1
Total export sales	**55 592**	**100.0**	**47 852**	**100.0**

Substantial growth in export sales was recorded in installation services provided in the Scandinavian market. Export of services to Finland in H1 2011 amounted to 34.8 million PLN, which constituted 62.6% of the group's total export sales. 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 € 45.8m and the completion time scheduled for 30 June 2012. The invoiced value of works performed at this site in the six months of 2011 was 32.8 million PLN, corresponding to 59.0% of total export sales revenues.

Export to Russia also had the substantial share in total export revenue. The H1 2011 revenues from sales to Russia amounted to 7.7 million PLN, and dropped by nearly 47.8% on H1 2010. The group sold its products and services on the Russian market through its associate, the Electro-technical Plant VECTOR Ltd. The H1 2011 exports to this company amounted to 7.7 million PLN and constituted 13.9% of total exports.

In the developing Ukrainian market the group sells its goods through the subsidiary, ELEKTROBUDOWA UKRAINE Ltd. The sales revenue earned by ELEKTROBUDOWA UKRAINE Ltd. in the six months of 2011 amounted to 1.6 million PLN, which was 3.0% of total exports.

Exports to Russia and Ukraine principally concerned 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 SKP 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.

Exports to Saudi Arabia substantially increased in the six months of 2011 (9.4% of total) and concerned 86 panels of the high-current switchgear type D17P for ENERGY & POWER CONTRACTING CO. LTD. and 9 panels of D17P switchgear for Al-Alamiah Technical Corp.. Other exports to Saudi Arabia concerned frame structures for generator circuit breaker.

Turkey is still an important export partner. The sales to this country rose by 46.3% in the reporting six months of 2011. Transactions principally concerned equipment for the total value of 2.2 million PLN. Provided services were connected with the supplied busducts and included supervision over their erection. Export of equipment to the Turkish market had a 4.1% share in total revenues generated by the group on exports.

In H1 2011 the ELEKTROBUDOWA SA group entered new markets with its products: Nigeria, South Africa, Uzbekistan, Luxembourg and some others, which are less significant for the group's export sales.

3.2 Dependence on one or more customers

In the reporting six months of 2011 the group recorded its highest sales income on performance of the contract for overall electrical, small current, automation and BMS installations of Stage 2 construction of the National Stadium, Warsaw, performed for the consortium of ALPINE Construction Polska Sp. z o.o. and Hydrobudowa Polska SA. Value of works performed for this project (42.8 million PLN) and other services (0.1 million PLN) amounted to 42.9 million PLN, which was 11.5% of the group's revenue for the period.
In the reporting period the group was dependent on one customer who had more that 10% share in the sales revenue. The H1 2011 income on two customers accounted for 20.8% of total revenue. The customers were the recipients of services provided by two business segments: the Industry Division (11.5% of total revenue) and the Power Generation Division (9.3% of the group's revenue).

3.3 Sources of supply

In H1 2011 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 AGREEMENTS

4.1 Construction contracts and contracts for supply of goods

Total value of orders received in 2010 by the parent amounted to 550.0 million PLN.
The awarded contracts included:

1. Turnkey supply of a new gas fuelled Combined Cycle Unit of electrical capacity 45MWe and thermal capacity 40MWt in EC Głogów for KGHM Polska Miedź S.A.

2. Complete execution of project concerning reconstruction and revitalization of buildings of former chain store PDT “Okrąglak” and the adjacent office building “Kwadraciak” in Poznań, in order to obtain shopping and office space for Okrąglak Development Sp. z o.o..
3. Turnkey supply of a new gas fuelled Combined Cycle Unit of electrical capacity 45MWe and thermal capacity 40MWt in EC Polkowice for KGHM Polska Miedź S.A.
4. Turnkey supply, erection and commissioning of electrical part of the FGD plant for Units 1 and 2 in PGE GiEK Oddział Elektrownia Bełchatów S.A. for RAFAKO S.A.
5. Supply of the wing park consisting of 8 wind turbines, in 8 locations, including infrastructure for Megawat Kanin Sp. z o.o.
6. Engineering, manufacture, commissioning, trial run and acceptance tests of general and common auxiliaries electrical equipment and systems within the project : Construction of a Generating Unit OZE in PKE S.A. Elektrownia Jaworzno III – Elektrownia II” for Południowy Koncern Energetyczny S.A.
7. Erection of the 110kV cable line between GPZ Wartkowo and GPZ Karścino, construction of the Wartkowo main substation including supply of the power transformer and the extension of a line feeder in the Karścino main substation, extension of the Karścino main substation, together with execution drawings of the both facilities, for Przedsiębiorstwo Budownictwa Drogowo – Inżynieryjnego S.A.
8. Electrical and automation installations including associated civil works for the project Modernisation of Refinery Cooling Towers 1, 2, 3” for the scope of BWR-1, for PKN Orlen S.A.
9. Extension of the RT 312(T1) station for PGE Górnictwo i Energetyka Konwencjonalna S.A.
10. Electrical installations in the Hyco Plant Rotterdam, the Netherlands, for Air Produkts Nederland B.V.

4.2 Insurance contracts

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

- comprehensive car insurance;
- all-risks contractor’s insurance;
- business civil liability insurance, property liability insurance and product liability insurance,
- architects’, designers’ and construction supervision inspectors’ liability insurance,
- corporate property insurance,
- cargo insurance;
- foreign business trip casualty insurance;
- electronic equipment insurance
- group life term insurance;
- managers’ civil liability insurance.

The entities of the group cooperate with Towarzystwo Ubezpieczeń HDI ASEKURACJA S.A. in Warsaw, Towarzystwo Ubezpieczeń i Reasekuracji "WARTA" S.A. in Warsaw, Towarzystwo Ubezpieczeń Allianz Polska S.A., Towarzystwo Ubezpieczeń HDI Gerling Polska S.A., Chartis Europe Spółka Akcyjna Branch in Poland, Warsaw, UNIQA Towarzystwo Ubezpieczeń S.A. in Łódź, ING Nationale Nederlanden Polska SA, Leadenhall Polska S.A. (Lloyd's coverholder) in Warsaw.

5. INVESTMENTS

5.1 Investments carried out in H1 2011

The group's investment outlays amounted to 12 050 thousand PLN in H1 2011, of which 6 733 thousand PLN was spent by the parent and 5 317 thousand PLN by the subsidiaries: 5 209 thousand PLN by ENERGOTEST sp. z o.o., 72 thousand PLN by KONIP Sp. z o. o. and 36 thousand PLN by ELEKTROBUDOWA UKRAINE Ltd.

Total investment expenditure incurred by the group in H1 2011 included:

- financial investment 4 920 thousand PLN,
- expenditure on fixed assets 5 583 thousand PLN,
- expenditure on intangible assets 1 547 thousand PLN,
  of which:
- outlays for R&D 111 thousand PLN.

Financial investments constituted 40.8% of total investment expenditure and concerned purchase of units in Franklin Templeton Investments Funds by ENERGOTEST sp. z o.o.

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 and for erection of new structures. The expenditure in the group of buildings and structures amounted to 775 thousand PLN. Other major modernization works concerned the following facilities:

- exhaust ventilation of welding stands in shop no. 3 in Konin, 172 thousand PLN,
- construction of the High-Current Busduct Factory in Tychy, 161 thousand PLN,
- modernization of LAN network in Katowice, 160 thousand PLN,
- construction of new backup facilities in Płock, 95 thousand PLN.

In the reporting period the equipment to streamline the production and assembly processes was bought for the sum of 3 115 thousand PLN. Main items of the purchased machinery and equipment include:

- Dimeco sheet metal levelling and cutting line, 854 thousand PLN,
- equipment of powder paint shop and liquid paint shop for the Tychy factory, 443 thousand PLN,
- two sets of orbital welding machines, 407 thousand PLN,
- two pipe bending machines DB 622ST, 207 thousand PLN,

- hydraulic press brake TRUMPF CNC TruBend, 133 thousand PLN,
- measuring instruments, 127 thousand PLN,
- milling machine FWF 32JU2, 114 thousand PLN.

Furthermore, the replacement of physically and morally worn computer hardware was continued, for which the amount of 571 thousand PLN was earmarked, and modern software was purchased for the sum of 187 thousand PLN

Outlays for vehicles amounted to 1 122 thousand PLN: the fleet of vans and motors cars was enlarged.

The H1 2011 investments were financed from the funds owned by the group's entities, only a small part of those resources came from selling of some tangible assets.

5.2 Investment plan for the second half of 2011

Planned capital expenditure for non-finance fixed assets in the second half of 2011 amount to 7.8 million PLN and include the following investment:

- continuation of the production bay 2 modernization in Konin,
- exhaust ventilation of welding stands and soundproof ceiling in bay 3 in Konin,
- skylights on the roof of bay 4 in Konin,
- provision of backup facility in Płock,
- cable feeding line for air conditioning, including switchboard.

Modernisation of machine fleet will be continued. Purchase plans include: Novopress machine for busbar fabricating, portable tool for copper busbar fabricating, circular saw GR-170N, ban-saw with a device for angle cutting, cable cutter Cutfix, cable winch, 500 TIG and MAG/MIG welding machines, a set for orbital welding, pipe bender, for-lift trucks, cable termination tools, (press, shears).

A part of investment outlays planned for the second half of 2011 will be earmarked for further improvement of modern workplace organisation, including purchase of computer hardware and software.

Implementation of investment plans

Taking into account good financial standing of the group described in item 1.2 of this report, stable liquidity ratios and order backlog for H1 2011, 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 funds and owned financial assets.

6. RELATED PARTY TRANSACTIONS

In H1 2011 all transactions entered into by the group's entities with the related parties were typical, arm-length transactions carried out within normal current operating activity.
Transactions between the parent and its subsidiaries, who are the related parties for ELEKTROBUDOWA SA, were eliminated in the consolidation.

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

- sales of goods – the Electro-technical Company VECTOR Ltd.	6 923	thous PLN
- sales of services – the Electro-technical Company VECTOR Ltd.	84	thous PLN
- sales of materials - the Electro-technical Company VECTOR Ltd.	702	thous PLN

Mutual balances between the parent and its associates as at 30 June 2011:

- payables of the Electro-technical Company VECTOR Ltd. to ELEKTROBUDOWA SA	2 206	thous PLN
- payables of SAUDI ELEKTROBUDOWA LLC to ELEKTROBUDOWA SA	45	thous PLN
- payables of KRUELTA to ELEKTROBUDOWA SA	426	thous PLN
- payables of ELEKTROBUDOWA SA to the Electro-technical Company VECTOR Ltd.	9	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.
None of entities of the ELEKTROBUDOWA SA group extended any guarantees to the associates for securing contract bonds.
In the reporting period costs of doubtful receivables from transactions with related parties were not recognized. ELEKTROBUDOWA SA did not create provisions for unsettled balances with the related parties as at balance sheet date.

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

7.1 Credit contracts as at 30 June 2011

	Bank	Type of loan	Contract validity	Limit of credit
1.	ING Bank Śląski w Katowicach	overdraft	27.03.2012	1.0 million PLN
2.	Bank PEKAO S.A. w Warszawie	overdraft	30.04.2012	10.0 million PLN
3.	PKO BP w Warszawie	overdraft	23.02.2012	5.0 million PLN
4.	BNP PARIBAS Bank Polska S.A.	Ovedraft	6.07.2012	1.0 million PLN

In H1 2011 the entities composing the group did not utilize open credit lines.
As at 30 June 2011 the group did not have any liabilities due to bank loans or borrowings.

7.2 Other loan agreements

In H1 2011 the entities of the ELEKTROBUDOWA SA group neither were granted nor did themselves extend any loans.

7.3 Guarantees and Sureties

As at 30 June 2011 the ELEKTROBUDOWA SA group extended contract bonds: bid bonds, performance bonds and warranty bonds through banks and insurance companies, for the total amount of 202 million PLN.
The entities also used promissory notes to secure performance of contracts and contract payments, whose amount totalled 17 million PLN last year. The promissory notes issued by the group also secure credit lines and guarantees issued by banks or insurance companies.
In H1 2011 the group's entities did not extend any sureties.

8. DIFFERENCES BETWEEN 2010 PERFORMANCE AND THE PUBLISHED FORECAST

Basing on the performance of the reporting six months of 2011 the Management Board are of the opinion that the realisation of the announced budget is not at risk.

The 2011 consolidated budget of the ELEKTROBUDOWA SA group, published on 11 February 2011, assumed that annual consolidated sales revenues would reach the level of 793 453 thousand PLN and net profit 48 586 thousand PLN (of which 48 336 thousand PLN attributable to the company's shareholders). The consolidated performance of the group after the six months of 2011 were: 372 499 thousand PLN of the sales revenue and 10 878 thousand PLN net profit, of which 10 929 thousand PLN is attributable to the company's shareholders.
The parent enters the third quarter of 2011 with a considerable order backlog amounting to 836 801 thousand PLN, of which 440 269 thousand PLN is expected to be invoiced this year. Thus the value of annual sales should be reached according to the budget assumptions.

9. BASIS FOR PREPARATION

These consolidated financial statements have been prepared under the assumption that the group will be able to 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 consolidated 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

H1 2011 development works were implemented by the entities of the group in the following scope:

- Continuation of design works on explosion-proof switchgear – a model panel was built and tested by the Electrotechnical Institute in Warsaw; the project co-financed by the Ministry of Science and Higher Education. Implementation is intended to be completed in the middle of 2012.
- Continuation of works on SF6-insulated medium voltage switchgear, which is intended to complement the series of types of MV switchgear designed for distribution of electrical energy in 17.5V and 24 kV network;
- Tests and certification of a new variant of busbar trunking system PONTIS;
- Design, tests and implementation of 12kV switchgear with a double busbar system, for high rated currents: rated continuous 4000A and short-circuit 1s withstand 63kA;
- Attestation of new MV switchgear with a double busbar system: it was D-24-2S switchgear for rated voltage 24kV, rated continuous current 2000A, rated short-circuit 3s withstand current 63kA;
- developing and testing of a new variant of UNIPANEL switchgear provided with imported SF6 insulated disconnector;
- developing the construction drawings and technological design, implementing to production of a new variant of heavy current D-12P switchgear provided with AREVA-Schneider Electric circuit breakers, for short-circuit 3s withstand current 50kA and continuous current 3150A;
- developing the construction drawings and technological design, implementing to production of a new variant of D-12P switchgear provided with SIEMENS circuit breakers type 3AH5;
- developing the construction drawings and technological design, implementing to production of a new variant of SKP mobile substation – it was an assembled, module substation dedicated for work in KGHM underground mines,
- modernization of RZ40 communication processor card;
- a new version of a digital regulator DX369;
- a system of double input recording RWD of new generation;
- developing a new version of automatic changeover switches.

Major R&D plans of the group for the second half of 2011:

- Continuation of design works on explosion-proof switchgear, fabrication and certification of prototypes;
- Continuation of works on the medium voltage SF6-insulated switchgear, fabrication of a model panel, construction tests of the panel;
- tests and implementation of D-12-2S switchgear with double busbar system, for high rated currents;
- development of construction and technological documentation of the MV generator feeder provided with Schneider Electric circuit breaker type VAH;
- research on technology of busduct with forced cooling system;
- Continuation of development works on RZ40 communication processor card;
- Continuation of development works on a digital regulator DX369.

11. 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 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.

12. STATEMENT ON CHOICE OF AN AUDITOR

The Management Board of ELEKTROBUDOWA SA confirms that Deloitte Audyt Sp z o.o. with registered office at 19, Jana Pawła Str. 00-854 Warsaw was chosen to carry out the audit of the financial statements of ELEKTROBUDOWA SA for the year 2011 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 on 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 01.01-30.06.2011 and for auditing the 2011 annual Financial Statements of ELEKTROBUDOWA SA and the 2011 annual Consolidated Financial Statements of the ELEKTROBUDOWA SA group was concluded with Deloitte Audyt Sp. z o.o., having their registered office in Warsaw, on 7 July 2011.

The agreed remuneration for the above review and auditing of the above mentioned 2011 financial statements is 175 thousand PLN (excluding the goods and services tax) and includes:

- 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 of the financial statements of the subsidiary ELEKTROBUDOWA Ukraine Ltd.	30
Review and auditing of the financial statements	**175**

Deloitte Audyt Sp. z o.o. was also appointed to review the interim financial statements for the period from 1 January 2011 to 30 June 2011 and to audit the 2011 annual financial statements of the subsidiary, ENERGOTEST sp. z o.o. A relevant agreement was signed on 9 June 2011. The agreed remuneration for auditing the subsidiary is (in PLN'000):

- review of the half-year financial statements	15
- Audit of the annual financial statements	10
Review and auditing of the financial statements	**25**

In H1 2011 the parent entered into contract with Deloitte Doradztwo Podatkowe Sp. z o.o. based in Warsaw for tax consulting services in respect of preparing transfer price records for transactions entered into by ELEKTROBUDOWA SA with related parties. The payment for the performed work was established as 48 thousand PLN and will be increased by VAT.

13. SHAREHOLDERS OF THE PARENT, ELEKTROBUDOWA SA

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 of ELEKTROBUDOWA SA as at 30 June 2011:	Numbers of shares = number of votes	% of votes and % equity
1. AVIVA OFE AVIVA BZ WBK SA	721 094	15.19
2. ING OFE (Open-ended Pension Fund)	472 405	9.95
3. Otwarty Fundusz Emerytalny PZU „Złota Jesień”	464 588	9.79
4. Generali OFE	410 260	8.64
5. AXA OFE	395 723	8.34
6. Amplico OFE	268 343	5.65
7. Free float	2 015 195	42.45
Total number of shares in the share capital	**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.

Shares in ELEKTROBUDOWA SA held by its key executives as at 30 June 2011:

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

As of 30 June 2011 the key executives 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.

14. THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD OF THE PARENT

14.1 The Management Board of the parent

Composition of the Management Board of ELEKTROBUDOWA SA in H1 2011 was as follows:

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

On 22 June 2011 the Supervisory Board of the parent accepted a resignation as the Management Member submitted by Mr Stanisław Rak effective as at 30 June 2011. On the same day, on the motion proposed by President of the Management Board, the Supervisory Board appointed Mr Janusz Juszczyk as a member of the Management Board of ELEKTROBUDOWA SA with the effect from 1 July 2011.

Regulations for the Management Board activity are defined in the Articles and the By-Laws of the Management Board approved by the Supervisory Board.
All matters that are not reserved for General Meeting 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 a 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.

14..2 The Supervisory Board of the parent

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

The Annual General Meeting of ELEKTROBUDOWA SA convened for 19 April 2011 adopted resolutions on appointing the Supervisory Board for a new term of office.

Supervisory Board

Dariusz Mańko	-	Chairman
Karol Żbikowski	-	Vice-Chairman
Agnieszka Godlewska	-	Member
Eryk Karski	-	Member
Tomasz Mosiek	-	Member
Ryszard Rafalski	-	Member
Paweł Tarnowski	-	Member

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.

The Audit Committee and the Nominating and Remuneration Committee

Two committees were operating in the Supervisory Board of ELEKTROBUDOWA SA in H1: the Audit Committee and the Nominating and Remuneration Committee. Operations of the Committees are based on Regulations, annexed to the By-Laws of the Supervisory Board.

From among its members the Supervisory Board appoints an Audit Committee, composed of at least three members, of whom at least one shall be independent of the company and entities significantly related to the company and be competent in finances and accounting.

On 19 April 2011 the Supervisory Board appointed the Audit Committee in the following composition:
- Tomasz Mosiek – Chairman of the Committee
- Eryk Karski – Member
- Paweł Tarnowski – Member

The Nominating and Remuneration Committee is composed of at least two members.
The Committee appoints its Chairperson out of its members.

On 19 April 2011 the Supervisory Board appointed the Nominating and Remuneration Committee in the following composition:
- Ryszard Rafalski – Chairman of the Committee
- Agnieszka Godlewska – Member
- Karol Żbikowski – Member

15. STATEMENT ON OBSERVING THE CORPORATE GOVERNANCE RULES

The Management Board of ELEKTROBUDOWA SA declares that in H1 2011 ELEKTROBUDOWA SA 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 ELEKTROBUDOWA SA: www.elbudowa.com.pl.
The company does not implement the corporate governance practices which are not required by the Polish law.

SIGNATURES OF ALL MANAGEMENT BOARD MEMBERS

Name and surname	Position / Function	Date	Signature
Jacek Faltynowicz	President	30.08.2011	
Jarosław Tomaszewski	Board Member	30.08.2011	
Ariusz Bober	Board Member	30.08.2011	
Tomasz Jaźwiński	Board Member	30.08.2011	
Janusz Juszczyk	Board Member	30.08.2011	
Arkadiusz Klimowicz	Board Member	30.08.2011	

SIGNATURE OF THE PERSON IN CHARGE OF ACCOUNTING BOOKS

Name and surname	Position / Function	Date	Signature
Sylwia Wojtas	Chief Accountant	30.08.2011	

ELEKTROBUDOWA SA

Condensed Financial Statements

for the first half of 2011 covering the period from 01 January to 30 June 2011

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Statement of Financial Position

	as at 30.06.2011	as at 31.12.2010	as at 30.06.2010
ASSETS			
Non-current assets	**196 715**	**208 799**	**180 320**
Property, plant and equipment	82 925	83 105	65 259
Intangible assets	3 858	3 402	2 880
Investments in associates	23 184	23 184	23 336
Interest in subsidiaries	47 899	47 899	47 722
Available-for-sale financial assets	27 589	35 304	32 519
Non-current receivables	5 845	9 404	7 319
Deferred income tax assets	3 906	5 171	0
Non-current prepayments	1 509	1 330	1 285
Current asssets	**360 311**	**365 708**	**291 378**
Inventories	47 689	24 234	22 448
Trade and other receivables	201 575	227 317	166 216
Available-for-sale financial assets	24	189	222
Current prepayments	4 505	3 048	3 561
Amounts due from construction contract work	90 814	74 514	52 610
Cash and cash equivalents	14 988	36 406	46 321
Non-current assets held for sale	716	0	0
Total assets	**557 026**	**574 507**	**471 698**
EQUITY AND LIABILITIES			
Equity	**306 578**	**322 136**	**299 605**
Share capital (after restatement)	26 375	26 375	26 375
Supplementary capital	281 812	260 702	260 702
Capital from valuation of available-for-sale investment	4 177	3 454	1 225
Currency translation differences	(7)	0	0
Retained earnings	(5 779)	31 605	11 303
Liabilities			
Non-current liabilities	**8 677**	**8 486**	**9 081**
Deferred income tax liabilities	0	0	1 200
Employee benefit obligations	2 630	2 780	2 431
Other liabilities	6 047	5 706	5 450
Current liabilities	**241 771**	**243 885**	**163 012**
Trade and other payables	208 124	194 627	128 940
Corporate income tax liabilities	92	6 240	46
Derivative financial instruments	49	0	159
Provisions	4 864	4 937	341
Accrued expenses	6 697	10 159	6 782
Amounts due to customers for construction contract work	21 945	27 922	26 744
Total liabilities	**250 448**	**252 371**	**172 093**
Total equity and liabilities	**557 026**	**574 507**	**471 698**

Statement of Comprehensive Income

	Six months ended 30 June	
	2011	**2010**
Continuing operarations		
Revenue on sales of products, goods and materials	354 528	299 688
Cost of products, goods and materials sold	(335 507)	(262 839)
Gross profit on sales	**19 021**	**36 849**
Selling costs	(1 291)	(1 711)
Administration expenses	(4 909)	(4 084)
Other operating expenses	(1 187)	(850)
Other gains (losses) - net	12	(2 514)
Operating profit	**11 646**	**27 690**
Finance income (costs) - net	2 051	6 799
Gross profit before income tax	**13 697**	**34 489**
Income tax expense	(1 486)	(5 196)
Net profit from continuing operations for the period	**12 211**	**29 293**
Discontinued operations		
Net profit (loss) from discontinued operations for the period	**0**	**0**
Net profit for the period	**12 211**	**29 293**
Other comprehensive income, total		
valuation of available-for-sale investments	1 829	(399)
deferred tax relating to available-for-sale investments	(348)	76
reversal of available-for-sale investments valuation	(936)	
deferred tax relating to reversal of available-for-sale investments valuation	178	
currency translation differences of valuation	(7)	0
Total other comprehensive income	**716**	**(323)**
Total comprehensive income	**12 927**	**28 970**
Earnings (loss) per share from continuing and discontinued operations		
(in PLN per share)		
- basic	2,57	6,17
- diluted	2,57	6,17

Statement of Changes in Equity

	Share capital after restatement	Supplementary capital from share premium	Other supplementary capital	Capital from valuation of available-for-sale investment	Currency translation differences of valuation	Retained earnings	Total equity
1 January 2011	**26 375**	**100 676**	**160 026**	**3 454**	**0**	**31 605**	**322 136**
net profit						*12 211*	*12 211*
currency translation differences					*(7)*		*(7)*
valuation of available-for-sale-investments				*1 829*			*1 829*
deferred tax on valuation of available-for-sale investments				*(348)*			*(348)*
reversal of available-for-sale investments valuation				*(936)*			*(936)*
deferred tax relating to reversal of available-for-sale investments valuation				*178*			*178*
total comprehensive income				**723**	**(7)**	**12 211**	**12 927**
distribution of profit			21 110			(21 110)	0
dividend payment						(28 485)	(28 485)
30 June 2011	**26 375**	**100 676**	**181 136**	**4 177**	**(7)**	**(5 779)**	**306 578**

	Share capital after restatement	Supplementary capital from share premium	Other supplementary capital	Capital from valuation of available-for-sale investment	Currency translation differences of valuation	Retained earnings	Total equity
1 January 2010	**26 375**	**100 840**	**118 076**	**1 548**	**0**	**40 432**	**287 271**
net profit						*49 595*	*49 595*
valuation of available-for-sale-investments				*2 353*			*2 353*
deferred tax on valuation of available-for-sale investments				*(447)*			*(447)*
total comprehensive income				**1 906**		**49 595**	**51 501**
distribution of profit			41 776			(41 776)	0
dividend payment						(16 616)	(16 616)
adjustment of share issue cost recognition		(164)	164				0
other changes			10			(30)	(20)
31 December 2010	**26 375**	**100 676**	**160 026**	**3 454**	**0**	**31 605**	**322 136**

	Share capital after restatement	Supplementary capital from share premium	Other supplementary capital	Capital from valuation of available-for-sale investment	Currency translation differences of valuation	Retained earnings	Total equity
1 January 2010	**26 375**	**100 840**	**118 076**	**1 548**	**0**	**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**	**0**	**11 303**	**299 605**

Notes to the condensed financial statements

Statement of Cash Flow

	Six months ended 30 June	
	2011	**2010**
Cash flows from operating activities		
Gross profit before taxes	13 697	34 489
Depreciation and amortisation	5 734	4 937
Gains/losses from currency translation differences	(290)	(310)
Interest and share in profit (dividends)	(2 051)	(6 799)
Profit from/loss on sale of property, plant and equipment (PPE)	(180)	(62)
Change in inventories	(23 455)	(19 118)
Change in available-forsale financial assets	(1 197)	0
Change in trade and other receivables	30 116	15 660
Change in liabilities, except loans and borrowings	(11 634)	(17 657)
Income tax paid	(8 008)	(2 476)
Change in current prepayments and accrued expenses	(4 919)	(3 335)
Change in non-current prepayments and accrued expenses	(179)	116
Change in settlements of construction contracts	(22 277)	(19 849)
Other adjustments	(134)	(130)
Net cash used in operating activities	**(24 777)**	**(14 534)**
Cash flows from investing activities		
Sale of intangible assets and PPE	376	67
Disposal of shares in other entities	161	0
Disposal of other available-for-sale assets	9 808	0
Dividend and share in profits	1 047	1 496
Purchase of intangible assets and PPE	(8 323)	(11 866)
Acquisition of shares in subsidiaries and associates	0	(351)
Acquisition of available-for-sale assets	0	(30 000)
Net cash generated from/ used in investing activities	**3 069**	**(40 654)**
Cash flows from financial activities		
Net cash generated from financial activities	**0**	**0**
Net decrease in cash and bank overdrafts	(21 708)	(55 188)
Balance sheet change in cash and bank overdrafts	(21 418)	(54 878)
Change in cash due to currency translation differences	290	310
Cash and bank overdrafts at beginning of period	36 406	101 199
Cash and bank overdrafts at end of period	**14 988**	**46 321**

Notes to the condensed financial statements

1. Selected explanatory information

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 2010.
The presented condensed financial statements for H1 2011 have been prepared 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 condensed consolidated financial statements as of 30 June 2011 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 H1 2011.
In the first six months of 2011 the Polish construction industry has taken an upturn. Forecasts of orders received, construction and erection production and the financial situation are more and more optimistic. They are based on the volume of order received in the reporting period, worth 550.0 million PLN. As compared to the first six months of 2010 when orders for total amount of 333.9 million PLN were received, value of signed contracts and orders received grew by 64.7%.
The order backlog as at 30 June 2011, including the contracts either being performed or pending performance, reached the level of 836.8 million PLN. It means a growth by 29.6% as compared with the 645.7 million PLN order backlog at 30 June 2010. Growth of order backlog allows for positive appraisal of general business climate.
Revenues from the sales of products, goods and materials generated by the company in the 1st half of 2011 amounted to 354.5 million PLN, which accounts for 47.4% of the budgeted 2011 annual revenues.
The H1 2011 sales revenue rose by 18.3% on the comparable period of 2010. Higher rate of growth of sales revenue in H1 2011 concerned mainly the construction and erection industry. Weather conditions during the last winter were much more favourable for the Polish construction sector than in the previous year. Owing to good beginning of the year the construction and erection production substantially rose. In H1 2011 the sales of construction and erection production amounted to 284.7 million PLN which indicates the 44.7% increase on the comparable period of 2010 when it amounted to 196.7 million PLN.
Favourable weather conditions in the winter enabled 98.0% realization of budget assumptions for H1 2011 in respect of sales revenues. The impact of seasonality on execution of construction and erection services was accounted for at the stage of 2011 budget preparation, based on the schedules of contractual works provided for in the contracts.
The growth rate of revenues is correlated with the growth rate of cost price of products, goods and materials sold; H1 share of the latter in the value budgeted for 2011 was 49.3%. Realization of cost of sales in H1 2011 conforms to the budget assumptions for the period.
Cost of products, goods and materials sold in the first half of 2011 rose by 27.6% as compared with the same period of the previous year, which means exceeding the rate of growth of sales revenues by 9.3 percentage points. The relations between growth rates of revenues on and cost of sales of products, goods and materials established the gross sales result on the level by 17.8 million PLN lower than in the first half of 2010. After having accounted for the gains from other operating and financing activity, gross profit before taxes amounted to 13.7 million PLN and was by 7.0 million PLN lower than assumed in the budget for the six months of 2011. The net profit for the reporting period reached the amount of 12.2 million PLN, realizing the H! 2011 budget in 73.1%.

Notes to the condensed financial statements

The main barriers to conducting construction activity were related with employment costs, strong competition and bureaucracy. Increased employment costs result from demand for experienced professionals but also are connected with contracts carried out in foreign countries where remuneration terms have to conform to local regulations. Intense market competition, obtaining new orders in tender procedures where the most competitive, in terms of price, bids are winning, allow only for narrow profit margins. Furthermore, execution of orders won in tender procedures is bound with the risk of price change of building materials, which may have an adverse effect on contract profitability. The priorities include increased efficiency, improved project management and optimization of the procurement process.

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 rendered by the division 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 works, commissioning and start-up as well as general realization of investments.

- The segment: Power Distribution Division provides overall services for the power distribution sector and supplies of 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 metal cable trays and supporting structures, development and selling of control and signalling equipment, the supply of complete distribution substations and turnkey contracts for power transmission and distribution projects.

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

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

Notes to the condensed financial statements

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 the first half of 2011

	Power Generation Division	Industry Division	Power Distribution Division	Other segments	Total
Continuing operations					
Sales revenue	146 500	140 713	91 396	4 591	**383 200**
of which:					
Revenue on external customers	145 778	139 629	68 039	1 082	**354 528**
Inter-segment sales	722	1 084	23 357	3 509	**28 672**
Operating profit	**8 441**	**3 513**	**(895)**	**587**	**11 646**
Financial activities result	0	0	1 489	562	**2 051**
Profit before income tax	**8 441**	**3 513**	**594**	**1 149**	**13 697**
Income tax expense	(253)	(817)	(263)	(153)	**(1 486)**
Net profit from continuing operations for the period	**8 188**	**2 696**	**331**	**996**	**12 211**
Discontinued operations					
Net profit (loss) from discontinued operations for the period	**0**	**0**	**0**	**0**	**0**
Net profit for the period	**8 188**	**2 696**	**331**	**996**	**12 211**

Other items of business segments recognized in the statement of comprehensive income for the first half of 2011

	Power Generation Division	Industry Division	Power Distribution Division	Other segments	Total
depreciation	2 077	735	955	1 084	**4 851**
amortisation	133	106	627	17	**883**

Notes to the condensed financial statements

Business segment results for the first half of 2010

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

Other items of business segments recognized in the statement of comprehensive income for the first half of 2010

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

Notes to the condensed financial statements

Assets and liabilities of business segments at 30 June 2011

	Power Generation Division	Industry Division	Power Distribution Division	Other segments	Total
Assets	164 696	148 662	105 083	138 585	**557 026**
Liabilities	74 545	83 782	64 657	27 464	**250 448**
Capital expenditure	3 166	733	1 859	975	**6 733**

Assets and liabilities of business segments at 31 December 2010

	Power Generation Division	Industry Division	Power Distribution Division	Other segments	Total
Assets	178 858	148 432	105 055	142 162	**574 507**
Liabilities	97 349	105 742	65 366	(16 086)	**252 371**
Capital expenditure	9 294	1 696	2 400	21 662	**35 052**

Assets and liabilities of business segments at 30 June 2010

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

Impairment of receivables by business segments

	Power Generation Division	Industry Division	Power Distribution Division	Other segments	Total
as at 30 June 2011	1 907	2 688	2 992	3 768	**11 355**
as at 31 December 2010	1 896	1 757	3 995	3 973	**11 621**
as at 30 June 2010	1 869	1 177	9 778	3 973	**16 797**

Notes to the condensed financial statements

Created impairment of receivables of business segments

	Power Generation Division	Industry Division	Power Distribution Division	Other segments	Total
in H1 2011	131	1 298	30		**1 459**
in 2010	278	728	87	0	**1 093**
in H1 2010	244	106	5 859	0	**6 209**

Reversal or use of impairment of receivables of business segments

	Power Generation Division	Industry Division	Power Distribution Division	Other segments	Total
in H1 2011	120	367	1 033	205	**1 725**
in 2010	40	123	48	66	**277**
in H1 2010	33	81	37	66	**217**

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	
	2011	**2010**
Revenue on sales of products, goods and materials		
- domestic market	299 276	252 001
- Skandinavian market	34 870	19 193
- East-European market	9 564	19 161
- Southwestern Asia	7 169	3 311
- Turkish market	2 275	1 555
- Western Europe	1 045	784
- Central Europe	231	0
- Central America	87	723
- other markets	11	2 960
	354 528	**299 688**

The main geographical area of the company's operations in H1 2011 was the domestic market (84% of sales revenues), the Scandinavian market (10%), East-European markets (3%) and South-Western Asia (2%).

Notes to the condensed financial statements

Information about key customers

In H1 2011 the revenue on the direct sales generated by the Industry Division in the amount of 139.6 million PLN (106.9 million PLN in H1 2010) includes the 42.8 million PLN revenue earned on the contract with the biggest customer (in H1 2010 it was 34.1 million PLN). This revenue accounted for 12.1% of total H1 2011 revenues generated by the company, as compared to 11.4% share in the comparable period of 2010.

Further, in H1 2011 the revenue on the direct sales generated by the Power Generation Division in the amount of 145.8 million PLN (110.6 million PLN in H1 2010) includes the 34.8 million PLN revenue earned on the contract with the company's second biggest customer (in H1 2010 it was 16.0 million PLN). This revenue accounted for 9.8% of total H1 2011 revenues generated by the company, as compared to 5.3% in the comparable period of 2010.
In 2011 the revenue generated by the company on two key customers accounted for 21.9% of total revenue, while in 2010 it was 16.7%.

3. Property plant and equipment ad non-current assets held for sale

On 28 February 2011 the investment project completed by ELEKTROBUDOWA SA was commissioned and handed over for use. The initial value of buildings and structure of the new High-Current Busduct Plant in Tychy amounted to 21 849.2 thousand PLN. The total initial value of machines, equipment, tools and instruments as at the day of handover to use was 7 689.0 thousand PLN. The Plant in Tychy took over the production of finished goods so far realized in the High-Current Busduct Plant in Mikołów. Items of property, plant and equipment as well as the right of perpetual usufruct of land owned by the Plant in Mikołów whose use was discontinued, are held for sale and available for immediate purchase in their actual state. Non-current assets held for sale were measured at carrying amounts, including:

- buildings and equipment recognized in non-current assets in the "Non-current assets held for sale" item of the statement of financial position with the value of 716 thousand PLN,
- the right of perpetual usufruct of land recognized in the off-balance sheet records with the value of 105 thousand PLN.

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

	as at 30.06.2011	as at 31.12.2010	as at 30.06.2010
Provisions for future liabilities and expenses	**7 494**	**7 717**	**2 772**
of which:			
- for long-term pension benefits	2 630	2 780	2 431
- for short-term pension benefits	20	51	1
- for warranty repair works	344	386	340
- for expected liquidated damages	4 500	4 500	0

Notes to the condensed financial statements

	as at 30.06.2011	as at 31.12.2010	as at 30.06.2010
Provisions for impairment of receivables	**11 355**	**11 621**	**16 797**
of which:			
- in bankruptcy proceedings	8 361	9 230	9 230
- receivables vindicated in court	79	277	287
- other overdue debtors	2 915	2 114	7 280

	as at 30.06.2011	as at 31.12.2010	as at 30.06.2010
Deferred income tax assets	**20 012**	**20 673**	**10 124**
- to be recovered after more than 12 months	962	1 030	952
- to be recovered within 12 months	19 050	19 643	9 172
Deferred income tax liabilities	**(16 106)**	**(15 502)**	**(11 324)**
- to be recovered after more than 12 months	(548)	(539)	(554)
- to be recovered within 12 months	(15 558)	(14 963)	(10 770)
Deferred corporate income tax	**3 906**	**5 171**	**(1 200)**

5. Changes in contingencies

	as at 30.06.2011	as at 31.12.2010	as at 30.06.2010
Contingent liabilities	**215 009**	**162 776**	**157 302**
of which:			
guarantees	199 023	145 504	142 039
promissory notes	15 986	17 272	15 263

Notes to the condensed financial statements

6. Earnings per share

Calculation of earnings per share for the first half of 2011 was based on:

	Earnings	Shares	Earnings per share
Net profit for the period (in PLN)	12 211 470		
Weighted average number of shares		4 747 608	
Basic earnings per share (in PLN)			2,57
Diluted earnings per share (in PLN)			2,57

Calculation of earnings per share for the first half of 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

7. Book value per share

	as at 30.06.2011	as at 31.12.2010	as at 30.06.2010
shareholders' equity	306 578	322 136	299 605
number of shares (pcs)	4 747 608	4 747 608	4 747 608
book value per share	**64,58**	**67,85**	**63,11**

Notes to the condensed financial statements

8. Dividend, paid or declared, per share

Pursuant to the Resolution on division of 2010 profit adopted by the General Meeting of ELEKTROBUDOWA SA on 19 April 2011, the amount of 28 485 648.00 PLN was allocated for dividend, that is 6.00 PLN per one share. Dividend record date is 18 July 2011 and payment date was fixed as 2 August 2011.

9. Related party transactions

Transactions with related parties were carried out on arm's length basis.
In the reporting period ELEKTROBUDOWA SA carried out the following transactions with subsidiaries and associates:

a) Sales:		
- sales of goods – the Electrotechnical Company VECTOR Ltd.	6 923	thous. PLN
- sales of services – the Electrotechnical Company VECTOR Ltd.	84	thous. PLN
- sales of materials - the Electrotechnical Company VECTOR Ltd.	702	thous. PLN
- sales of services – KONIP Sp. z o.o.	44	thous. PLN
- sales of goods – ENERGOTEST sp. z o.o.	1	thous. PLN
- sales of services – ENERGOTEST sp. z o.o.	653	thous. PLN
- sales of goods – ELEKTROBUDOWA UKRAINA Ltd.	1 370	thous. PLN
b) Purchases:		
- purchases of services – KONIP Sp. z o.o.	481	thous. PLN
- purchases of services – ENERGOTEST sp. z o.o.	1 657	thous. PLN
- purchases of materials – ENERGOTEST sp. z o.o.	1 116	thous. PLN

Balances as at 30 June 2011:

- payables of ELEKTROBUDOWA SA to KONIP Sp. z o.o.	83	thous. PLN
- payables of ELEKTROBUDOWA SA to ENERGOTEST sp. z o.o.	2 531	thous. PLN
- payables of ENERGOTEST sp. z o.o. to ELEKTROBUDOWA SA	206	thous. PLN
- payables of ELEKTROBUDOWA SA to the Electro-technical Company VECTOR Ltd.	9	thous. PLN
- payables of the Electro-technical Company VECTOR Ltd. to ELEKTROBUDOWA SA	2 206	thous. PLN
- payables of SAUDI ELEKTROBUDOWA LLC to ELEKTROBUDOWA SA	45	thous. PLN
- payables of KRUELTA Ltd. to ELEKTROBUDOWA SA	426	thous. PLN

The unsettled balances of receivables and payables with the related parties are unsecured and will be settled in cash in the established payment dates.

Notes to the condensed financial statements

ELEKTROBUDOWA SA did not extend any guarantees to related parties securing contract bonds.
In the reportable period costs of receivables, collection of which is doubtful or at risk, arising from transactions with related parties, were not recognized. ELEKTROBUDOWA SA did not establish provisions for unsettled balances of receivables from related parties as at balance sheet date.

10. Significant events after the balance sheet date

On 18 July 2011 ELEKTROBUDOWA SA issued an order to redeem the units in the foreign investment fund Franklin Templeton Investment Funds. The cash in the amount of 25 219.8 thousand PLN was received on the company's bank account on 22 July 2011. The transaction resulted in other operating gains of 3 666.9 thousand PLN.
On 2 August 2011 ELEKTROBUDOWA SA received a 1 500.0 thousand PLN advance on expected 2011 dividend. The advance was paid pursuant to the Resolution of the Management Board of ENERGOTEST sp. z o.o. adopted on 29 July 2011 against the partner's application approved by the Supervisory Board of ENERGOTEST sp. z o.o. By the Resolution the Management Board decided to pay the amount of 3 000.0 thousand PLN to ELEKTROBUDOWA SA as the advance on dividend expected for the financial year 2011, subject to the provisions of Art. 194 and 195 of the Polish Commercial Companies Code. It was decided that the advance would be paid in two parts: 1 500.0 thousand PLN on 2 August 2011 and 1 500.0 thousand PLN on 5 September 2011.

11. Representations of the Management Board of ELEKTROBUDOWA SA on forecast announced earlier

Having considered the performance of the first half of the year, the Management Board is of the opinion that realization of the published forecast is not at risk.
Announced on 11 February 2011 annual budget for ELEKTROBUDOWA SA assumed that in 2011 total sales revenues will reach 748 055 thousand PLN, whereas net profit 44 904 thousand PLN. After the six months of 2011 the company generated the net profit of 12 211 thousand PLN whereas sales revenues amounted to 354 528 thousand PLN. The company enters the 3rd quarter of 2011 with a substantial order backlog of 836 801 thousand PLN, of which 440 269 thousand PLN is planned to be invoiced. This ensures generation of annual revenue according to the budget assumptions.
It results from the above data that budget annual sales revenues were realized in 47% whereas net profit in 27%. This meets the guidelines adopted in the budget, which take into account the seasonality in the construction industry.

SIGNATURES OF ALL MANAGEMENT BOARD MEMBERS

Name and surname	Position / Function	Date	Signature
Jacek Faltynowicz	President	30.08.2011	
Jarosław Tomaszewski	Board Member	30.08.2011	
Ariusz Bober	Board Member	30.08.2011	
Tomasz Jaźwiński	Board Member	30.08.2011	
Janusz Juszczyk	Board Member	30.08.2011	
Arkadiusz Klimowicz	Board Member	30.08.2011	

SIGNATURE OF THE PERSON IN CHARGE OF ACCOUNTING BOOKS

Name and surname	Position / Function	Date	Signature
Sylwia Wojtas	Chief Accountant	30.08.2011	