

**ELEKTROBUDOWA SPÓŁKA AKCYJNA
KATOWICE, UL. PORCELANOWA 12**

**FINANCIAL STATEMENTS
FOR THE 2011 FINANCIAL YEAR**

**WITH
AUDITOR'S OPINION
AND
AUDIT REPORT**

TABLE OF CONTENTS

AUDITOR'S OPINION	3
REPORT SUPPLEMENTING THE OPINION ON THE AUDIT OF THE FINANCIAL STATEMENTS OF ELEKTROBUDOWA SA FOR THE 2011 FINANCIAL YEAR	5
I. GENERAL INFORMATION	5
1. Details of the audited Company.....	5
2. Information about the financial statements for the previous financial year	6
3. Details of the authorized entity and the key certified auditor acting on its behalf.....	7
4. Availability of data and management's representations	7
II. ECONOMIC AND FINANCIAL POSITION OF THE COMPANY	8
III. DETAILED INFORMATION	9
1. Evaluation of the accounting system.....	9
2. Information about the audited financial statements	10
3. Information about selected material items of the financial statements.....	10
4. Completeness and correctness of the notes and explanations and the report on the activities of the Company	11
IV. FINAL NOTES.....	12

FINANCIAL STATEMENTS OF ELEKTROBUDOWA SA FOR THE 2011 FINANCIAL YEAR

1. Statement of Financial Position
2. Statement of Comprehensive Income
3. Statement of Changes in Equity
4. Statement of Cash Flows
5. Notes, comprising a summary of significant accounting policies and other explanatory information

REPORT ON THE ACTIVITIES OF ELEKTROBUDOWA SA FOR THE 2011 FINANCIAL YEAR

AUDITOR'S OPINION

To the Shareholders and Supervisory Board of ELEKTROBUDOWA SA

We have audited the attached financial statements of ELEKTROBUDOWA SA with registered office in Katowice at Porcelanowa 12 including the statement of financial position prepared as at 31 December 2011, the income statement and statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the financial year from 1 January 2011 to 31 December 2011 and notes, comprising a summary of significant accounting policies and other explanatory information.

Preparation of financial statements and a report on the activities in line with the law is the responsibility of the Management Board of the Company.

The Management Board of the Company and members of its Supervisory Board are obliged to ensure that the financial statements and the report on the activities meet the requirements of the Accounting Act of 29 September 1994 (Journal of Laws of 2009, No. 152, item 1223, as amended), hereinafter referred to as the "Accounting Act".

Our responsibility was to audit and express an opinion on compliance of the financial statements with the accounting principles (policy) adopted by the Company, express an opinion whether the financial statements present fairly and clearly, in all material respects, the financial and economic position as well as the financial result of the Company and an opinion on the correctness of the underlying accounting records.

Our audit of the financial statements has been planned and performed in accordance with:

- section 7 of the Accounting Act;
- national auditing standards, issued by the National Council of Statutory Auditors in Poland.

We have planned and performed our audit of the financial statements in such a way as to obtain reasonable assurance to express an opinion on the financial statements. Our audit included, in particular, verification of the correctness of the accounting principles (policy) and material estimates applied by the Company, verification - largely on a test basis - of the accounting evidence and records supporting the amounts and disclosures in the financial statements, as well as overall evaluation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the audited financial statements in all material respects:

- present fairly and clearly the information material to evaluate the economic and financial position of the Company as at 31 December 2011, as well as its profit/loss in the financial year from 1 January 2011 to 31 December 2011;
- have been prepared in accordance with the International Accounting Standards, International Financial Reporting Standards and related interpretations published as European Commission regulations, and in all matters not regulated in the standards - in accordance with the provisions of the Accounting Act, secondary legislation to the Act and based on properly kept accounting records;
- comply with the provisions of law and the by-laws of the Company which affect the contents of the financial statements.

The report on the activities of the Company for the 2011 financial year is complete within the meaning of Article 49.2 of the Accounting Act and the Ordinance of the Minister of Finance of 19 February 2009 on current and periodic information published by issuers of securities and the rules of equal treatment of the information required by the laws of non-member states and consistent with underlying information disclosed in the audited financial statements.

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

.....
represented by

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

Warsaw, 19 March 2012

The above audit opinion together with audit report is a translation from the original Polish version. In case of any discrepancies between the Polish and English version, the Polish version shall prevail.

REPORT SUPPLEMENTING THE OPINION ON THE AUDIT OF THE FINANCIAL STATEMENTS OF ELEKTROBUDOWA SA FOR THE 2011 FINANCIAL YEAR

I. GENERAL INFORMATION

1. DETAILS OF THE AUDITED COMPANY

The Company operates under the business name ELEKTROBUDOWA SA. The Company's registered office is located in Katowice at Porcelanowa 12.

The Company operates as a joint stock company incorporated by a notarized deed on 9 January 1992 prepared by Paweł Błaszczak, notary public, in Notary Office No. 18 in Warsaw (Repertory No. 225/92).

The Company was registered in the commercial register kept by the District Court in Katowice, the Business Registry Division, under number 0000074725, based on a decision of 29 December 2001. Currently, the Company is recorded in the Register of Entrepreneurs kept by the District Court in Katowice – Wschód in Katowice, VIII Business Division under number KRS 0000074725.

The Company has the tax identification number NIP: 634-01-35-506 assigned to it by the Head of Tax Office in Katowice.

The REGON number assigned by the Statistical Office is 271173609.

The Company operates in accordance with the provisions of the Code of Commercial Companies.

In accordance with the Company's by-laws, the scope of its activities includes:

- assembly of electric installations;
- supplies of energy devices;
- providing services involving design, assembly measurement and startup related to the above activities.

As at 31 December 2011, the Company's share capital amounted to PLN 26,375 thousand and was divided into 4,747,608 ordinary shares with a face value of PLN 2 each.

As at 31 December 2011, the Company's shareholders were:

- AVIVA OFE AVIVA BZ WBK SA – 15.19% of shares;
- ING Otwarty Fundusz Emerytalny – 9.95% of shares;
- Otwarty Fundusz Emerytalny PZU „Złota Jesień” – 8.46% of shares;
- Generali Otwarty Fundusz Emerytalny – 9.82% of shares;
- AXA Otwarty Fundusz Emerytalny – 8.34% of shares;
- Amplico Otwarty Fundusz Emerytalny – 5.65% of shares;
- other shareholders – 42.59% of shares.

As at 31 December 2011 the Company's equity amounted to PLN 332,449 thousand.

The Company's financial year is the calendar year.

The Company has the following related parties:

- | | | |
|--|---|------------------|
| – ENERGETEST sp. z o.o. | - | 100% subsidiary; |
| – KONIP Sp. z o.o. | - | 100% subsidiary; |
| – ELEKTROBUDOWA UKRAINA Sp. z o. o. | - | 62% subsidiary; |
| – Zakład Elektrotechniczny WEKTOR Sp. z o.o. | - | 49% associate; |
| – KRUELTA Sp. z o.o. | - | 49% associate; |
| – SAUDI ELEKTROBUDOWA Sp. z o.o. | - | 33% associate. |

Composition of the Management Board as at the date of the opinion:

- | | | |
|------------------------|---|-----------------------------------|
| – Jacek Faltynowicz | - | Chairman of the Management Board; |
| – Ariusz Bober | - | Member of the Management Board; |
| – Jarosław Tomaszewski | - | Member of the Management Board; |
| – Tomasz Jaźwiński | - | Member of the Management Board; |
| – Arkadiusz Klimowicz | - | Member of the Management Board; |
| – Janusz Juszczuk | - | Member of the Management Board. |

Changes in the composition of the Management Board during the audited period:

- By means of a resolution No. 4/VIII/2011 of 22 June 2011, the Supervisory Board accepted resignation of Stanisław Rak from the Board Member position.
- By means of a resolution No. 5/VIII/2011 of 22 June 2011, the Supervisory Board appointed Janusz Juszczuk to the Board Member position.

The above changes have been reported and registered in a competent registry court.

2. INFORMATION ABOUT THE FINANCIAL STATEMENTS FOR THE PREVIOUS FINANCIAL YEAR

The activities of the Company in 2010 resulted in a net profit of PLN 49,595 thousand. The financial statements of the Company for 2010 were audited by a certified auditor. The audit was performed by authorized entity Deloitte Audyt Sp. z o.o. On 18 March 2011, the certified auditor issued an unqualified opinion on those financial statements.

The General Shareholders' Meeting which approved the financial statements for the 2010 financial year was held on 19 April 2011. The Shareholders' Meeting decided about the following distribution of the net profit for 2010:

- | | |
|---|------------------------|
| – dividends for shareholders | – PLN 28,486 thousand; |
| – reclassification to supplementary capital | – PLN 21,110 thousand. |

In accordance with applicable laws, the financial statements for the 2010 financial year were submitted to the National Court Register (KRS) on 22 April 2011 and filed for publication in Monitor Polski B on 26 April 2011. They were published in Monitor Polski B No. 1219 on 25 July 2011.

3. DETAILS OF THE AUTHORIZED ENTITY AND THE KEY CERTIFIED AUDITOR ACTING ON ITS BEHALF

The audit of the financial statements was conducted based on the agreement of 7 July 2011 concluded between ELEKTROBUDOWA SA and Deloitte Audyt Sp. z o.o. with registered office in Warsaw, al. Jana Pawła II 19, recorded under number 73 on the list of entities authorized to provide audit services kept by the National Council of Statutory Auditors. On behalf of the authorized entity, the audit of the financial statements was conducted under the supervision of Joanna Sklarz-Snopek, key certified auditor, (No. 10781), in the registered office of the Company from 30 January to 3 February 2012 and outside the registered office until the opinion date.

The entity authorized to audit the consolidated financial statements was appointed by the resolution of the Supervisory Board of 19 May 2011.

Deloitte Audyt Sp. z o.o. and Joanna Sklarz-Snopek, key certified auditor, confirm that they are authorized to carry out audits and meet the requirements of Article 56 of the Act of statutory auditors and their self-regulation, entities authorized to audit financial statements and public supervision (Journal of Laws of 2009, No. 77, item 649), to express an unbiased and independent opinion on the financial statements of ELEKTROBUDOWA SA.

4. AVAILABILITY OF DATA AND MANAGEMENT'S REPRESENTATIONS

The scope of our audit was not limited.

During the audit, all necessary documents and data as well as detailed information and explanations were provided to the authorized entity and the key certified auditor, as confirmed e.g. in the written representation of the Management Board of 19 March 2012.

II. ECONOMIC AND FINANCIAL POSITION OF THE COMPANY

Presented below are the main items from the profit and loss account as well as financial ratios describing the financial performance of the Company and its economic and financial position compared to the prior years.

<u>Main items from the statement of comprehensive income (PLN '000)</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Sales revenue	902,458	752,500	661,788
Operating expenses	-858,953	-693,564	-595,241
Other operating expenses	-3,186	-6,034	-1,902
Other net profit (expense)	5,555	-182	-284
Net financial revenue (expense)	5,050	6,799	8,876
Income tax	-10,235	-9,924	-14,824
Net profit (loss)	40,689	49,595	58,413
Total comprehensive income	38,799	51,501	59,096
 <u>Profitability ratios</u>	 <u>2011</u>	 <u>2010</u>	 <u>2009</u>
- gross profit margin	5%	7%	10%
- net profit margin	5%	7%	9%
- net return on equity	14%	18%	26%
 <u>Effectiveness ratios</u>			
- assets turnover ratio	1.37	1.31	1.41
- receivables turnover in days	99	95	96
- liabilities turnover in days	81	67	57
- inventory turnover in days	17	7	2
 <u>Liquidity/Net working capital</u>			
- debt ratio	49%	43%	39%
- equity to fixed assets ratio	51%	57%	61%
- net working capital (PLN '000)	166,580	121,823	148,619
- current ratio	1.53	1.53	1.86
- quick ratio	1.35	1.43	1.84

An analysis of the above figures and ratios indicated the following trends in 2011:

- a decrease in profitability ratios;
- an increase in assets, receivables, liabilities and inventory turnover in days;
- an increase in the debt ratio accompanied by a decrease in the equity to fixed assets ratio;
- an increase in the net working capital;
- a decrease in the quick ratio.

III. DETAILED INFORMATION

1. EVALUATION OF THE ACCOUNTING SYSTEM

The Company has valid documentation required by Article 10 of the Accounting Act referring in particular to: definition of the financial year and reporting periods thereof, methods of measuring assets and liabilities and determining the financial result, method of keeping the accounting records and the system of data and file protection. The documentation of the accounting policy was developed in line with the Accounting Act and in terms of measurement of assets and liabilities and presentation of the financial statements, in line with IFRS, and approved for use since 1 January 2005 by resolution of the Management Board No. 53/38/2004 of 26 November 2004. The principal methods for measurement of assets, liabilities and profit/loss have been presented in the notes.

The accounting principles which the Company may choose pursuant to IFRS have been selected in such a way so as to properly reflect the nature of the Company's business, its financial position and financial performance. The principles have been applied consistently and have not been changed as compared to the principles used to keep the accounting records and prepare the financial statements in the prior year.

The Company uses JD Edwards computerized accounting system to record all business transactions. The JD Edwards system is password-protected against unauthorized access and has functional access controls. The description of the IT system complies with the requirements of Article 10.1.3c of the Accounting Act.

The opening balance resulting from the approved financial statements for the prior financial year has been properly introduced into the accounting records of the audited period.

In the part we have audited, documentation of business transactions, accounting records and the relationships between accounting entries, documents and financial statements complied with the requirements of section 2 of the Accounting Act.

The accounting records and evidence, the documentation of the accounting system and the approved financial statements of the Company are stored in compliance with section 8 of the Accounting Act.

The Company performed a physical count of assets and liabilities within the scope, timing and frequency required by the Accounting Act. Identified differences have been recorded and settled in the accounting records for the audited period.

2. INFORMATION ABOUT THE AUDITED FINANCIAL STATEMENTS

The audited financial statements were prepared as at 31 December 2011 and comprise:

- statement of financial position prepared as at 31 December 2011, with total assets and liabilities plus equity of PLN 656,907 thousand;
- statement of comprehensive income for the period from 1 January 2011 to 31 December 2011, disclosing a net profit of PLN 40,689 thousand and a total comprehensive income of PLN 38,799 thousand;
- statement of changes in equity for the period from 1 January 2011 to 31 December 2011, disclosing an increase in equity of PLN 10,313 thousand;
- statement of cash flows for the period from 1 January 2011 to 31 December 2011, disclosing a cash outflow of PLN 413 thousand;
- notes, comprising a summary of significant accounting policies and other explanatory information.

The structure of assets and liabilities plus equity as well as items affecting the financial result has been presented in the financial statements.

3. INFORMATION ABOUT SELECTED MATERIAL ITEMS OF THE FINANCIAL STATEMENTS

Property, plant and equipment

The Company's property, plant and equipment include:

- fixed assets of PLN 80,812 thousand;
- fixed assets under construction of PLN 2,283 thousand.

The notes correctly describe changes in fixed assets and fixed assets under construction and disclose any impairment losses on such assets.

Shares in subsidiaries

The notes correctly describe changes in investments during the financial year.

Inventories

The structure of inventories has been correctly presented in the relevant explanatory note to the statement of financial position.

Receivables

The ageing analysis of trade receivables has been correctly presented in the respective explanatory note to the statement of financial position.

Key items of the Company's receivables include:

- short-term trade and other receivables of PLN 277,216 thousand;
- receivables due to construction contracts of PLN 106,643 thousand.

Liabilities

Ageing and structure of liabilities have been correctly presented in the relevant explanatory note to the statement of financial position.

Key items of the Company's liabilities include:

- short-term trade and other liabilities of PLN 272,758 thousand;
- liabilities to clients due to construction contracts of PLN 23,110 thousand;

Prepayments, accruals and provisions for liabilities

The explanatory notes to prepayments, accruals and provisions for liabilities correctly present the structure of these items. Deferred expenses and income have been correctly classified with respect to the audited financial period. Provisions for liabilities have been determined at reliably estimated amounts. The items have been recognized completely and correctly in all material respects in relation to the financial statements as a whole.

4. COMPLETENESS AND CORRECTNESS OF THE NOTES AND EXPLANATIONS AND THE REPORT ON THE ACTIVITIES OF THE COMPANY

The Company confirmed the validity of the going concern basis in preparation of the financial statements. The notes give a correct and complete description of measurement principles regarding assets, liabilities, profit/loss and principles of preparation of the financial statements.

Limitations imposed on individual assets disclosed in the statement of financial position arising from security granted to creditors have been described.

The notes give a complete description of the reporting items and clearly present other information required pursuant to IFRS.

The financial statements have been supplemented with the Management Board's report on the activities of the Company in the 2011 financial year. The report contains information required under Article 49.2 of the Accounting Act and the Ordinance of the Minister of Finance of 19 February 2009 on current and periodic information published by issuers of securities and the rules of equal treatment of the information required by the laws of non-member states. We have audited the report with respect to the disclosed information derived directly from the audited financial statements.

IV. FINAL NOTES

Management Board's Representation

Deloitte Audyt Sp. z o.o. and the key certified auditor received a representation letter from the Company's Management Board, in which the Board stated that the Company complied with the laws in force.

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

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represented by

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Entity entitled to audit
financial statements entered under
number 73 on the list kept by the
the National Council of Statutory Auditors

Warsaw, 19 March 2012