THE ELEKTROBUDOWA SA GROUP

Consolidated Financial Statements

For the financial year from 1 January to 31 December 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.

Index to the financial statements

all amounts in PLN thousands unless otherwise stated)

Statement of Financial Position

	Note	as at 31 December 2011	2010
ASSETS			
Non-current assets		**159 668**	**186 416**
Property, plant and equipment	8	86 230	85 506
Intangible assets	9	30 747	26 466
Investments in associates	11	23 151	23 009
Available-for-sale financial assets	12.1	7 434	35 560
Non-current receivables	14.1	6 967	9 455
Deferred income tax assets	24	3 694	5 090
Non-current prepayments	15	1 445	1 330
Current asssets		**499 892**	**392 967**
Inventories	16	57 225	25 779
Trade and other receivables	14.2	290 317	236 945
Available-for-sale financial assets	12.1	24	189
Current prepayments	18	4 267	3 425
Amounts due from construction contract work	30.1	108 984	78 399
Cash and cash equivalents	17	38 359	47 519
Fixed assets held for sale	19	716	711
Total assets		**659 560**	**579 383**
EQUITY AND LIABILITIES			
Equity		**330 022**	**320 201**
Issued share capital	20	26 375	26 375
Supplementary capital	21.1	282 520	261 361
Capital from valuation of available-for-sale investment	21.2	1 317	3 654
Currency translation differences		275	0
Capital from currency translation differences		2 064	(100)
Retained earnings		16 939	28 666
Total equity attributable to shareholders of the Company		**329 490**	**319 956**
Minority interest in equity		**532**	**245**
Liabilities			
Non-current liabilities		**10 896**	**8 584**
Employee benefit obligations	25	3 603	2 904
Other liabilities	22.1	7 293	5 680
Current liabilities		**318 642**	**250 598**
Trade and other payables	22.2	274 702	198 641
Corporate income tax liabilities		524	6 263
Derivative financial instruments	13	7 185	0
Loans, borrowings and debt securities	23	0	0
Provisions	25	777	4 952
Accrued expenses	26	11 844	10 675
Amounts due to customers for construction contract work	30.2	23 610	30 067
Total liabilities		**329 538**	**259 182**
Total equity and liabilities		**659 560**	**579 383**

all amounts in PLN thousands unless otherwise stated)

Statement of Comprehensive Income

	Note	period ended 31 December 2011	2010
Continuing operarations			
Revenue on sales of products, goods and materials	29	945 215	786 748
Cost of products, goods and materials sold	31	(879 298)	(710 343)
Gross profit on sales		**65 917**	**76 405**
Selling costs		(4 256)	(4 616)
Administrative expenses		(14 024)	(12 783)
Other operating expenses	32	(3 356)	(6 170)
Other gains (losses) - net	33	4 991	222
Operating profit		**49 272**	**53 058**
Finance income (costs) - net	34	271	473
Share in net profit of associates measured according to equity method		(423)	1 323
Gross profit before income tax		**49 120**	**54 854**
Income tax expense	35	(10 984)	(9 774)
Net profit from continuing operations for the year		**38 136**	**45 080**
Discontinued operations			
Net profit (loss) from discontinued operations for the period		**0**	**0**
Net profit for the period		**38 136**	**45 080**
of which:			
- attributable to the equity holders of ELEKTROBUDOWA SA		*37 918*	*45 050*
- attributable to minority holders		*218*	*30*
Other comprehensive income, total			
- valuation of available-for-sale investments		1 617	2 353
- deferred tax on valuation of available-for-sale investments		(308)	(447)
- reversal of valuation of available-for-sale investments		(4 502)	(216)
- deferred income tax on reversal of valuation of available-for-sale investments		856	41
- currency translation differences from revaluation of the financial statements		275	632
- currency translation differences of subsidiaries and associates		2 164	0
- currency translation differences of minority interests		52	(15)
Total other comprehensive income		**154**	**2 348**
Total comprehensive income		**38 290**	**47 428**
of which:			
- attributable to the equity holders of ELEKTROBUDOWA SA		*38 020*	*47 413*
- attributable to minority holders		*270*	*15*
Earnings (loss) per share from continuing and discontinued (in PLN per one share)			
- basic	36	7,99	9,49
- diluted	36	7,99	9,49

all amounts in PLN thousands unless otherwise stated)

Statement of Changes in Equity

	Attributable to equity holders of ELEKTROBUDOWA SA								
	Share capital	**Supplementary capital from share premium**	**Other supplementary capital**	**Capital from valuation of available-for-sale investment**	**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					*275*		*2 164*	*52*	*2 491*
net profit						*37 918*		*218*	*38 136*
valuation of available-for-sale-investments				*1 617*					*1 617*
deferred tax on valuation of available-for-sale investments				*(308)*					*(308)*
reversal of valuation of available-for-sale investments				*(4 502)*					*(4 502)*
deferred tax on reversal of valuation of available-for-sale investments				*856*					*856*
total comprehensive income				**(2 337)**	**275**	**37 918**	**2 164**	**270**	**38 290**
distribution of profit			21 159			(21 159)		30	30
dividend payment						(28 486)			(28 486)
adjustment of share issue cost recognition									0
other changes								(13)	(13)
31 December 2011	**26 375**	**100 676**	**181 844**	**1 317**	**275**	**16 939**	**2 064**	**532**	**330 022**

all amounts in PLN thousands unless otherwise stated)

	Attributable to equity holders of ELEKTROBUDOWA SA								
	Share capital	**Supplementary capital from share premium**	**Other supplementary capital**	**Capital from valuation of available-for-sale investment**	**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**

all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements

Statement of Cash Flow

	Note	period ended 31 December 2011	2010
Cash flows from operating activities			
Gross profit before taxes		49 120	54 854
Share of net profit of associates measured according to equity method		423	(1 323)
Depreciation and amortisation		12 316	10 916
Gains/losses from currency translation differences		(92)	(75)
Interest and share in profit (dividends)	38	(260)	(473)
Profit from/loss on sale of property, plant and equipment (PPE)	38	163	(310)
Change in inventories		(31 446)	(20 456)
Change in available-for-sale financial assets	38	(4 864)	(380)
Change in trade and other receivables	38	(51 657)	(51 846)
Change in liabilities, except loans and borrowings	38	73 834	70 919
Income tax paid	38	(14 037)	(8 362)
Change in current prepayments and accrued expenses		327	539
Change in non-current prepayments and accrued expenses	38	(82)	412
Change in settlements of construction contracts		(37 042)	(41 039)
Other adjustments	38	7 627	(657)
Net cash generated from operating activities		**4 330**	**12 719**
Cash flows from investing activities			
Sale of intangible assets and PPE		658	731
disposal of interest in other entities		161	0
Disposal of other available-for-sale financial assets		35 028	3 997
Dividend and share in profits	38	2 186	3 052
Other proceeds		0	253
Purchase of intangible assets and PPE		(18 159)	(34 866)
Purchase of available-for-sale financial assets		(4 920)	(30 000)
Net cash generated from / used in investing activities		**14 954**	**(56 833)**
Cash flows from financial activities			
Proceeds from minority interests		0	222
Dividends and other payments to owners		(28 486)	(16 616)
Other proceeds		2	0
Payment of finance lease obligations		(52)	0
Other cash outflows		0	(20)
Net cash used in financial activities		**(28 536)**	**(16 414)**
Net decrease in cash and bank ovedrafts		(9 252)	(60 528)
Balance sheet change in cash and bank overdrafts		(9 160)	(60 453)
Change in cash due to currency translation differences		92	75
Cash and bank ovedrafts at beginning of period		47 519	107 972
Cash and bank ovedrafts at end of period		**38 359**	**47 519**

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, three 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 execution 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 31 December 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 31 December 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, 11481 Riyadh, the Kingdom of Saudi Arabia.

As at 31 December 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 31 December 2011, as compared with 31 December 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.

2. Summary of significant accounting policies

2.1 Compliance with legislation

The 2011 annual report of the ELEKTROBUDOWA SA group 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.

Notes to the consolidated financial statements (continued)

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 through profit and loss.
There are no entities in the group which would be excluded from consolidation.
Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.
The parent's and other consolidated entities' share in the subsidiaries, with that portion of net assets of subsidiaries, measured at their fair value, which reflects the parent's and other consolidated entities' share in the subsidiaries, at the date of taking control by the group, is eliminated.

Associates

Associates are all entities over which the parent has significant influence, participating in formulating their financial and operational policies, but has no control over them.
In the consolidated financial statements the associates are accounted for using the equity method.
Profits or losses, assets and liabilities of associates are recognised in the consolidated financial statements using the equity method. According to this method, investments in an associate are recognised in the consolidated statement of financial position under historical cost convention, with necessary adjustment reflecting the changes of the group's share of net assets of an associate happened after the acquisition date, less impairment of investments.

Notes to the consolidated financial statements (continued)

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, 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 and UKROSOTSBANK UniCredit Group.

Gains and losses from settlement of the above transactions and balance sheet valuation of monetary assets and liabilities expressed in foreign currencies are recognised in 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.

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.

Notes to the consolidated financial statements (continued)

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.

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.

Notes to the consolidated financial statements (continued)

- 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.

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.

Notes to the consolidated financial statements (continued)

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.

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.

Notes to the consolidated financial statements (continued)

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 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 financial 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 for the financial asset.

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 is not reversed through this result. Any increases in fair value occurring after the impairment loss is 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.

Notes to the consolidated financial statements (continued)

2.11 Leases

Lease agreements 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.
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.

2.13 Construction contracts

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

Notes to the consolidated financial statements (continued)

2.14 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.

2.15 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.

2.16 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) classified as held for sale are stated at the lower of initial carrying amount and fair value less costs to sell.

2.17 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 “own 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.

Notes to the consolidated financial statements (continued)

Supplementary capital is established as provided in 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.

2.18 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.

2.19 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.

Notes to the consolidated financial statements (continued)

2.20 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.

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.

2.21 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.

2.22 Trade and other payables

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

Notes to the consolidated financial statements (continued)

2.23 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.

2.24 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 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 12.

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.

Notes to the consolidated financial statements (continued)

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.

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 17.0% of total revenues gained by the group in 2011, of which 12.0% comes from sales in EUR (principally to Finland), whereas 3.6% falls to revenue earned in US dollars (generally to East-European countries).

As at 31 December 2011 in the trade receivables, amounts of receivables in foreign currencies constitute 22.3%, in the structure of payables amounts of payables in foreign currencies constitute 5.1%, and in the structure of cash – foreign currencies constitute 26.8%.

Notes to the consolidated financial statements (continued)

Measurement:

	period ended 31 December 2011 currency		period ended 31 December 2010 currency	
	USD	**EUR**	**USD**	**EUR**
- amount in foreign currency (receivables and cash less payables) (USD'000 / EUR'000)	2 825	13 041	1 492	8 649
- exchange rates	3.4174	4.4168	2.9641	3.9603
- receivables, payables and cash (in PLN'000)	9 654	57 599	4 442	34 253
- **exchange rate accounting for 10% change**	**3.7591**	**4.8585**	**3.2605**	**4.3563**
- receivables, payables and cash with exchange rates change considered	10 619	63 360	4 865	37 678
- change in profit before taxes (in PLN'000)	965	5 761	422	3 425
- change in net profit (in PLN'000)	782	4 666	342	2 774
- **exchange rate accounting for 25%change of USD and 15% change of EUR**	**4.2718**	**5.0793**	**3.7051**	**4.5543**
- receivables, payables and cash with exchange rates change considered	12 068	66 239	5 528	39 390
- change in profit before taxes (in PLN'000)	2 414	8 640	1 086	5 137
- change in net profit (in PLN'000)	1 955	6 998	880	4 161

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 31 December 2011 it may be expected that:

- if the USD exchange rate had strengthened or weakened by 10%, the net profit would have been by 782 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 1 955 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 4 666 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 6 998 thousand PLN increase or decrease in the net profit.

The group companies' exposure to foreign exchange risk in the current period rose with respect to transactions denominated both in USD and EUR, while it significantly rose with respect to transactions made in EUR. This is bound with the increase of foreign exchange balance on bank accounts and growth of trade receivables denominated in EUR. The situation is caused by the growth in export sales by 26.6% as compared with the previous year but also by a continuous growth trend in basic exchange rates in 2011.

In the structure of the group's exports income for 2011 the sales in EUR had the biggest, 70.3% share, whereas the sales in US dollars accounted for 21.2% of all.

The present situation in the euro zone and the resulting uncertainty and variability of exchange markets make the currency rates forecast more tentative than ever.

all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

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 2011 the group's companies did not utilise any bank loans.

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.
As at 31 December 2011 maximum share of one bank in respect of resources deposited by the group was 38%.
Taking into account the above and the short term nature of investment it is considered that the cash and bank deposits credit risk is low.

Cash in bank and on hand:

	as at 31 December	
	2011	**2010**
- BANK HANDLOWY w Warszawie S.A.	14 718	8 481
- Bank PeKaO S.A.	10 694	9 672
- ING BANK ŚLASKI S.A.	5 102	11 693
- PKO BP S.A.	2 830	826
- NORDEA BANK FINLAND PLC	1 522	4 693
- BRE BANK S.A.	1 331	1 773
- PRIVATBANK SF KB	941	475
- ING LUKSEMBOURG S.A.	553	0
- BNP PARIBAS BANK POLSKA S.A.	487	3 604
- RAIFFEISEN BANK POLSKA S.A.	155	153
- GETIN NOBLE BANK SA	0	6 135
- UKROSOTSBANK UniCredit Group	0	5
- CASH	26	9
TOTAL	**38 359**	**47 519**

all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

4.3.2 Credit risk arising from derivative financial instruments

The entities with whom the group enters into derivative contracts operate in the financial sector. These are financial institutions (mostly banks) which have suitable equity and strong, stable market position.

In 2011 the parent used forward transactions as foreign exchange risk hedges.
As at 31 December 2011 ELEKTROBUDOWA SA had two forward foreign exchange transactions opened for total value of 17 520 thousand EUR. Until the reporting date, closing transactions to the forward transaction were concluded for the total amount of 211.5 thousand EUR at the rate of 4.0725; transaction value 861.3 thousand PLN. The currency exchange transaction will be settled on 30 March 2012 in the amount of 3 220 thousand EUR and on 29 June 2012 in the amount of 14 088.5 thousand EUR

Forward is a not-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 with high ratings, 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:

	31 December	
	2011	**2010**
Poland	79.8%	85.3%
Finland	9.0%	7.1%
Estonia	2.0%	0.0%
The Netherlands	1.9%	0.0%
Russia	1.7%	1.7%
Switzerland	0.9%	0.0%
Ukraine	0.6%	0.0%
Germany	0.5%	0.3%
Saudi Arabia	0.5%	0.4%
Austria	0.1%	0.4%
Other countries	3.0%	4.8%

all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

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 issued by banks, blockade of cash on customer's bank accounts and advance payments. Another form of payment security is the receipt from a customer a statement of submission to execution pursuant to Article 777 Clause 1 point 5 of the Polish Code of Civil Procedure. About 24.8% of short-term trade receivables are secured in the above ways.
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.

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

		as at 31 December	
Current trade receivables		**2011**	**2010**
1.	current	262 570	211 025
2.	overdue:		
	a) up to 1 month	16 229	13 711
	b) over 1 month up to 3 months	5 423	4 588
	c) over 3 months up to 6 months	1 407	3 172
	d) over 6 months up to 1 year	231	72
TOTAL		**285 860**	**232 568**

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

- as of 31 December 2011 11 824 thousand PLN,
- as of 31 December 2010 11 685 thousand PLN,

In 2011 a provision for impairment of receivables was created in the amount of 2 229 thousand PLN, while the provision established in 2010 amounted to 1 088 thousand PLN. As at the balance sheet date the group impaired 4.0% of its receivables.
In the opinion of the group, for not impaired trade receivables there is no risk of being uncollectible, taking into account current financial position of the customers and past experience.
Basing on available historic data and long experience in contacts with customers, the parent estimates the credit risk as low.

all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

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

In 2010 the group invested its free cash in the purchase of units in an investment fund. The purpose of investing PLN 30 000 thousand in the Franklin Templeton Investments Funds was to sort out financial resources for the group's investing and development needs.
As of 31 December 2010 the group owned 519 443.956 units whose carrying amount of 32 834 thousand PLN was recognised in non-current assets.
In 2011 the group acquired 73 608.618 units worth 4 920 thousand PLN and sold 519 443.956 units receiving the income of 35 028 thousand PLN. On the selling transaction the group earned a profit of 5 028 thousand PLN.
As at 31 December 2011 the group held 73 608.618 units in the fund which carrying amount, recognized in non-current assets, was 4 711 thousand PLN.
Fair value of the units as at 31 December 2011 was measured basing on the current quotation in the regulated market.

Before taking a decision on investing free cash in financial instruments the group makes a thorough analysis of the market and assesses the risk of significant impairment of invested resources in the assumed longer time horizon.

Basing on observation of quotation of the fund the Management of the parent assesses that the risk of significant loss in value of the purchased units in longer time horizon is low.

4.4 Financial liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities and guarantee lines.
These are manifested by:
- diversification of sources of funding – cooperation with twelve 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 and 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.

The table shows the breakdown of undiscounted financial liabilities of the group into relevant maturity groupings which h would be settled in relevant time limits based on the period from the balance sheet date 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**
31 December 2011	205 273	62 115	7 311	3	8 557	**283 259**
31 December 2010	148 075	44 238	6 328	0	6 517	**205 158**

all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

As at 31 December 2011 and 31 December 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 (Note 23).

Both in 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 7 458 thousand PLN, which is 1.1% of the company's total assets. It is only an estimate, subject to change, as:

- fair value of non-current financial assets available for sale was determined 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 31 December 2011 and did not change as compared with the values shown as at 31 December 2010. The fair value of shares was measured by an independent expert using the discounted cash flows method.

Notes to the consolidated financial statements (continued)

2. The carrying amount of shares in Energotest Diagnostyka Sp. z o.o. based in Brzezie k.Opola owned by the group was 253 thousand PLN as at 31 December 2011 and 256 thousand PLN as at 31 December 2010. The group held 17 shares of nominal value 8.5 thousand PLN. The assets were measured at fair value.

3. The company received ordinary shares in the WSE listed 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 2011 the shares were sold at disadvantage of 164 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. At 31 December 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 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 31 December 2010 the group held 519 443.956 units in the Franklin Templeton Investment Funds, which carrying amount was 32 834 thousand PLN. In 2011 the group bought 73 608.618 units worth 4 920 thousand PLN and sold 519 443.956 units for purchase price of 30 million PLN. Profit earned on the sale amounted to 5 028 thousand PLN. As at 31 December 2011 the group held 73 608.618 worth 4 711 thousand PLN.

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 optimum level of 30%.
Rise of the gearing ratio in 2011 and exceeding its preferred level by 13% were the consequence of increased commitment of own financial resources and increased share of trade credit in financing current operations. Significant growth in orders received in 2011 as compared with the same period of the previous year involved increased outlays for working assets required for execution of the orders. The expenditure in the current reporting period shall allow the company to generate additional cash flows from operating activity after the production cycle is closed.

all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

The gearing ratios in the reportable periods were as follows:

	2011	2010
trade and other payables	281 995	204 321
corporate income tax liability	524	6 263
bank borrowings	0	0
cash and cash equivalents	(38 359)	(47 519)
net financial debt	244 160	163 065
equity	330 022	320 201
total capital	574 182	483 266
gearing ratio (effective debt ratio)	43%	34%

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 year ended 31 December 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),

- **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.

Notes to the consolidated financial statements (continued)

- **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 2010). 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, after certain conditions have been met, are classified as equity, irrespective of currency in which the rights .

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

- **IFRIC Interpretation 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, amendments and interpretations did not significantly affect the accounting policy applied by the entities within the group.

Notes to the consolidated financial statements (continued)

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

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

- **Amendments to IFRS 7 "Financial Instruments: Disclosures" - transfers of financial assets** - published by IASB on 7 October 2010 and adopted by the EU on 22 November 2011(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.

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

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

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, amendments to standards and interpretations presented below, which, as at 31 January 2012, had not yet been adopted:

- **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.

- **Amendments to IFRS 7 "Financial Instruments: Disclosures" - Offsetting Financial Assets and Financial Liabilities** - published by IASB on 16 December 2011 (effective for annual periods beginning on or after 1 January 2013). The amendments require an entity to provide disclosures of any recognized financial instruments which were offset according to clause 42 of IAS 32. The amendments also require to provide information about the recognized financial instrument which give a right of offsetting according to a relevant agreement or similar agreements, even if they have not been offset according to IAS 32.

Notes to the consolidated financial statements (continued)

- **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 9 "Financial Instruments" and to IFRS 7 "Financial Instruments: Disclosures" - mandatory effective date and modified transition disclosures** published by IASB on 16 December 2011. The amendment is deferring the mandatory effective date from 1 January 2013 to 1 January 2015. Entities are relieved from the obligation to restate their comparative financial statements on adoption of IFRS 9. Initially, such relief was available only to the entities that decided to adopt IFRS 9 before 2012. Instead, other disclosures are required about the effects of transition to new standards, to help investors understand the impact of the initial adoption of IFRS 9 on the classification and measurement of financial instruments.

- **IFRS 10 "Consolidated Financial Statements"** was 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 introducing a single control model of consolidation for all entities, irrespective of the nature of investment (i.e. whether the investee is controlled through investors' voting rights or through other contractual agreements generally applied in special purpose entities). According to IFRS 10, an investor controls an investee if and only if the investor has: 1) power over 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"** was published by IASB on 12 May 2011 (effective for annual periods beginning on or after 1 January 2013). IFRS 11 establishes principles for the financial reporting by parties to a joint arrangement and supersedes IAS 31 "Interests in Joint Ventures". A choice to apply proportionate consolidation method to all jointly controlled entities has been removed. IFRS 11 also eliminates jointly controlled assets while a division into joint operations and joint ventures has been kept. A joint operation is a contractual arrangement where the parties have a joint control over the rights to the assets and liabilities. A *joint venture* is a contractual arrangement where the parties have a joint control over the rights to the net assets of the arrangement.

- **IFRS 12 "Disclosure of interests in other entities"** was published by IASB on 12 May 2011 (effective for annual periods beginning on or after 1 January 2013). IFRS 12 requires extensive disclosures relating to the entity's interest in consolidated and unconsolidated entities. The information shall help users of its financial statements evaluate the basis of control, any restrictions on consolidated assets and liabilities, risk exposures arising from involvements with unconsolidated structured entities and non-controlling interest holders' involvement in the activities of consolidated entities.

Notes to the consolidated financial statements (continued)

- **IFRS 13 "Fair Value Measurement"** was 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. However, it does not amend requirements relating to the issue which elements should be measured or disclosed at fair value.

- **Amendments to IAS 1 "Presentation of Financial Statements" – presentation of items of other comprehensive income** – were 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 (OCI) that may be reclassified to the profit or loss section of the income statement. The amendments also reaffirm existing requirements that items in OCI and profit or loss should be presented as either a single statement or two consecutive statements.

- **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 IAS 19 "Employee benefits" improvements to the accounting for post-employment benefits** - were 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.

- **IAS 27 "Separate Financial Statements (as amended in 2011)** was 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)** was published by IASB on 12 May 2011 (effective for annual periods beginning on or after 1 January 2013). IAS 28 has been amended after IFRS 10, IFRS 11 and IFRS 12 were published.

- **Amendments to IAS 32 "Financial Instruments: Presentation" - Offsetting Financial Assets and Financial Liabilities** was published by IASB on 16 December 2011 (effective for annual periods beginning on or after 1 January 2014). The amendments clarify its requirements for offsetting and focus on four main areas: (a) clarification of the meaning of 'currently has a legally enforceable right of set-off'; (b) the application of simultaneous realisation and settlement; (c) the offsetting of collateral amounts; (d) the unit of account for applying the offsetting requirements.

Notes to the consolidated financial statements (continued)

- **IFRIC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine** published by IASB on 19 October 2011 (effective for annual periods beginning on or after 1 January 2013). The Interpretation requires that stripping costs is accounted for as an addition to, or as an enhancement of, an existing asset and is depreciated or amortised over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity. The units of production method is used unless another method is more appropriate.

The parent anticipates that the adoption of these standards, revisions and interpretations would have had no material impact on the financial statements if they had been applied by an entity 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.

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 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.

Notes to the consolidated financial statements (continued)

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

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

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

The accounting principles applied to the segments are the same as described in the presentation of the significant accounting standards.

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

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

all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

Business segment results for 2011

	Power Generation Division	Industry Division	Power Distribution Division	Automation Division	All other segments	Group total
Continuing operations						
Sales revenue	336 331	358 121	258 093	49 326	9 027	**1 010 898**
of which:						
Revenue on external customers	332 580	356 226	211 667	42 645	2 097	**945 215**
Inter-segment sales	3 751	1 895	46 426	6 681	6 930	**65 683**
Operating profit	**22 546**	**13 235**	**10 189**	**2 556**	**746**	**49 272**
Financial activities result	0	0	0	13	258	**271**
Share of net profit of associates measured according to equity method	0	0	(423)	0	0	**(423)**
Profit before income tax	**22 546**	**13 235**	**9 766**	**2 569**	**1 004**	**49 120**
Income tax expense	(4 922)	(2 752)	(2 267)	(557)	(486)	**(10 984)**
Net profit from continuing operations for the period	**17 624**	**10 483**	**7 499**	**2 012**	**518**	**38 136**
Discontinued operations						
Net profit (loss) from discontinued operations for the period	**0**	**0**	**0**	**0**	**0**	**0**
Net profit for the period	**17 624**	**10 483**	**7 499**	**2 012**	**518**	**38 136**
of which:						
net profit of equity holders of ELEKTROBUDOWA SA	*17 624*	*10 483*	*7 281*	*2 012*	*518*	***37 918***
- net profit of minority shareholders	*0*	*0*	218	*0*	*0*	***218***

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

	Power Generation Division	Industry Division	Power Distribution Division	Automation Division	All other segments	Group total
depreciation	3 988	1 502	1 918	634	2 283	**10 325**
amortisation	268	229	1 077	376	41	**1 991**

all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

Business segment results for 2010

	Power Generation Division	Industry Division	Power Distribution Division	Automation Division	All other segments	Group total
Continuing operations						
Sales revenue	279 532	295 112	245 632	37 551	9 354	**867 181**
of which:						
Revenue on external customers	277 302	275 293	199 729	32 326	2 098	**786 748**
Inter-segment sales	2 230	19 819	45 903	5 225	7 256	**80 433**
Operating profit	**21 552**	**9 422**	**23 795**	**(4 167)**	**2 456**	**53 058**
Financial activities result	0	0	0	21	452	**473**
Share of net profit of associates measured according to equity method	0	0	1 323	0	0	**1 323**
Profit before income tax	**21 552**	**9 422**	**25 118**	**(4 146)**	**2 908**	**54 854**
Income tax expense	(4 006)	(1 722)	(4 680)	(3)	637	**(9 774)**
Net profit from continuing operations for the period	**17 546**	**7 700**	**20 438**	**(4 149)**	**3 545**	**45 080**
Discontinued operations						
Net profit (loss) from discontinued operations for the period	**0**	**0**	**0**	**0**	**0**	**0**
Net profit for the period	**17 546**	**7 700**	**20 438**	**(4 149)**	**3 545**	**45 080**
of which:						
net profit of equity holders of ELEKTROBUDOWA SA	*17 546*	*7 700*	*20 408*	*(4 149)*	*3 545*	***45 050***
- net profit of minority shareholders	*0*	*0*	*30*	*0*	*0*	***30***

Other business segment items recognized in the consolidated statement of comprehensive income for 2010

	Power Generation Division	Industry Division	Power Distribution Division	Automation Division	All other segments	Group total
depreciation	3 035	1 404	1 893	621	1 718	**8 671**
amortisation	259	154	1 461	323	48	**2 245**

all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

Assets and liabilities of business segments as at 31 December 2011

	Power Generation Division	Industry Division	Power Distribution Division	Automation Division	All other segments	Group total
Assets	186 671	191 128	138 865	47 985	94 911	**659 560**
Liabilities	94 544	121 478	103 050	8 876	1 590	**329 538**
Capital expenditure	4 123	1 487	7 731	770	3 627	**17 738**

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**

Impairment of receivables by business segments

	Power Generation Division	Industry Division	Power Distribution Division	Automation Division	All other segments	Group total
at 31 December 2011	2 104	2 799	3 160	193	3 760	**12 016**
at 31 December 2010	1 896	1 757	3 995	103	3 973	**11 724**

Provisions for impairment of receivables by business segments

	Power Generation Division	Industry Division	Power Distribution Division	Automation Division	All other segments	Group total
in 2011	454	1 605	199	113	2	**2 373**
in 2010	278	728	87	0	0	**1 093**

all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

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 2011	246	563	1 034	23	215	**2 081**
in 2010	40	123	48	11	66	**288**

Secondary reporting format – geographical segments

The ELEKTROBUDOWA SA group operates in the domestic market and in foreign markets.
The geographical division corresponds to the locations of final customers and is as follows:

	period ended 31 December	
	2011	**2010**
Revenue on sales of products, goods and materials		
- domestic market	784 565	659 827
- Skandinavian market	70 863	59 097
- East-European market	53 536	52 508
- Western Europe	23 062	3 041
- Southwestern Asia	7 304	4 351
- Turkish market	2 373	4 207
- Central Asia	1 919	0
- Central Europe	920	2 328
- Australian market	470	0
- Central America	164	1 089
- other markets	39	300
	945 215	**786 748**

In 2011 the group operated principally in the domestic market (83% of the sales revenues), the Scandinavian market (7%), East-European markets (6%) and Western Europe (2%).

all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

Information about key customers
The revenue on the direct sales generated by the Industry Division in the amount of 356.2 million PLN (275.3 million PLN in 2010) includes the 72.2 million PLN revenue on the contract with the group's biggest customer (in 2010 it was 49.6 million PLN). In 2011 the revenue accounted for 7.6% while in 2010 for 6.3% of total revenues generated by the group.

The revenue on direct sales generated by the Power Generation Division in the amount of 332.6 million PLN (277.3 million PLN in 2010) includes the 68.2 million PLN revenue on the contract with the company's second biggest customer (in 2010 it was 50.7 million PLN). In 2011 the revenue accounted for 7.2% while in 2010 for 6.4% of total revenues generated by the group.

The 2011 revenue from the two biggest customers accounted for 14.8% of total group's revenues, against 12.7% in the year 2010.

8. Property, plant and equipment

	as at 31 December	
	2011	**2010**
Property, plant and equipment		
- land	2 949	2 946
- buildings, civil engineering facilities	51 180	29 887
- machinery and technical equipment	16 371	10 010
- vehicles	8 515	9 501
- other fixed assets	4 839	4 436
- construction-in-progress	2 283	27 267
- downpayments for construction-in-progress	93	1 459
	86 230	**85 506**

	as at 31 December	
	2011	**2010**
Depreciation of property, plant and equipment is charged to the consolidated statement of comprehensive income in:		
- cost of products, goods and material sold	9 736	8 328
- administrative expenses	589	343
	10 325	**8 671**

all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

	land	buildings, civil engineering 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	23 506	9 652	2 442	1 952	(24 984)	(1 366)	11 205
- purchase	0	838	8 969	2 326	1 639	(1 762)	(1 366)	10 644
- internally manufactured	0	70	56	0	236	83	0	445
- takeover from investment	3	22 598	627	0	77	(23 305)	0	0
- other	0	0	0	116	0	0	0	116
Reductions (of which):	0	(46)	(1 385)	(654)	(227)	0	0	(2 312)
- selling	0	(46)	(477)	(238)	0	0	0	(761)
- liquidation	0	0	(908)	(416)	(227)	0	0	(1 551)
Other changes	0	(519)	14	0	8	0	0	(497)
Gross value of fixed tangible assets at 31 December 2011	2 949	60 625	44 508	23 535	14 541	2 283	93	148 534
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	(2 082)	(3 335)	(3 366)	(1 542)	0	0	(10 325)
Reduction due to selling, liquidation	0	20	1 379	593	218	0	0	2 210
Other changes	0	414	36	(1)	(6)	0	0	443
Accumulated depreciation at 31 December 2011	0	(9 445)	(28 137)	(15 020)	(9 702)	0	0	(62 304)
Net tangible fixed assets at 31 December 2011	**2 949**	**51 180**	**16 371**	**8 515**	**4 839**	**2 283**	**93**	**86 230**

The group does not have any property plant and equipment with restricted right of use.
As at 31 December 2011 the group uses fixed assets of initial value 116 thousand PLN against a lease agreement. Depreciation of leased fixed assets was 15 thousand PLN as of the balance sheet date. As at 31 December 2011 bank borrowings and guarantees were secured on property, plant and equipment for he value 172 880 thousand PLN and a pledge by registration was made for the value 2 441 thousand PLN. As at 31 December 2011 and 31 December 2010, except the above situation, there were no provisions for impairment of fixed assets.

all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

	land	buildings, civil engineering 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 changes	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 changes	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**

all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

	as at 31 December	
	2011	**2010**
Fixed tangible assets by ownership		
- owned	84 653	83 837
- financial lease	101	0
- investment in third party assets	1 476	1 669
	86 230	**85 506**

9. Intangible assets

	as at 31 December	
	2011	**2010**
Intangible assets		
- cost of finished development works	1 095	1 580
- acquired concessions, patents, licences and similar	1 248	1 377
- cost of unfinished development works	6 073	1 303
- goodwill	22 164	22 164
- intangible assets not handed over to use	167	42
	30 747	**26 466**

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 flow cash generating unit. The test was performed as at 30 November 2011 by a property valuer against an order from ELEKTROBUDOWA SA.

The adopted test procedure consisted in assessing the value in use of the company and comparing it with the book value of assets, excluding non-operating assets. The outcome of this operation is a current fair value of the company as of the date of test.
The company's value in use was estimated according to income approach using the discounted cash flows method, which allows valuation of the company basing on its capability to generate cash flows. For the needs of the valuation, generated cash flows were forecasted in two stages. The first part of the forecast covered a period of 3 years, during which a detailed projection of cash flows is carried in order to establish their so called stable level. In the other part the forecast is based on the assumption that in future a level providing stable growth shall be maintained, and cumulative value of cash flows is calculated basing on the so called perpetual annuity. The assumptions adopted for financial projections and for measurement of discounted cash flows are following:

all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

1) market conditions in Poland, governmental energy policy, investment forecasts of the power industry in Poland;
2) forecast of operating income and expenses was prepared for the period: December 2011 – 2014 basing on forecasts provided by the company and business strategy (for the purpose of the forecast tax not-deductible cost was assumed as zero and the level of amortisation for tax purposes the same as for balance-sheet amortisation);
3) following the IAS 36 result on other business activities is not forecasted;
4) result on financial activity is not forecasted according to IAS 36;
5) the level of capital expenditure was assumed without accounting for development and restructuring activities; only under assumption of recovery of the existing assets (the so called non-operating assets which did not generated cash flows were excluded from assets for the purpose of forecast);
6) working capital demand was calculated basing on the performance of eleven months of 2011 and adopted for the whole period of the forecast;
7) as a discount rate, weighted average cost of capital was assumed;
8) residual value was estimated basing on cash flows in the last year of the forecast (for calculation of residual value, 4% growth rate was assumed);
9) assumed corporate income tax in the projection period was 19%.

With the above assumptions in mind, the company's value in use was measured using the discounted cash flows method, book values of assets were calculated basing on carrying amounts, and fair value of the company was measured.

Outcome of the test:

1.	The company's value in use	45 001	thousand PLN
2.	Book value of the company's assets	22 259	thousand PLN
3.	**Fair value of goodwill**	**27 742**	**thousand PLN**
4.	**Book value of goodwill at 30 November 2011**	**22 164**	**thousand PLN**

The above results indicated that fair value of goodwill was not impaired as at the balance sheet date.

all amounts in PLN thousands unless otherwise stated)

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 put to use	Other intangible assets	Intangible assets total
Gross value of intangible assets at 1 January 2011	8 912	8 557	1 303	22 164	42	1 734	42 712
Additions, of which:	628	748	5 148	0	125	0	6 649
- purchase	0	748	634	0	125	0	1 507
- internally generated	0	0	5 142	0	0	0	5 142
- charged to the cost of unfinished development works	628	0	(628)	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	2	0	0	0	0	2
Gross value of intangible assets at 31 December 2011	9 540	9 307	6 073	22 164	167	1 734	48 985
Accumulated amortisation at 1 January 2011	(7 332)	(7 180)	0	0	0	(1 734)	(16 246)
Current amortisation charge	(1 113)	(878)	0	0	0	0	(1 991)
Other changes	0	(1)	0	0	0	0	(1)
Accumulated amortisation at 31 December 2011	(8 445)	(8 059)	0	0	0	(1 734)	(18 238)
Net intangible assets at 31 December 2011	**1 095**	**1 248**	**6 073**	**22 164**	**167**	**0**	**30 747**

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 31 December 2011 and 31 December 2010 there were no provisions for impairment of intangible assets within the group.

all amounts in PLN thousands unless otherwise stated)

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 put 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)
- write-off due to unequivocal impairment	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**

all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

	as at 31 December 2011	as at 31 December 2010
Amortisation of intangible assets is recognised in the statement of comprehensive income in items:		
- cost of sold products, goods and materials	1 820	2 182
- administrative expenses	171	63
	1 991	**2 245**

10. Capital expenditure

	as at 31 December 2011	as at 31 December 2010
Commenced investments at beginning of period	30 071	8 403
Expenditure during the reporting period	17 738	36 083
of which:		
- costs of internal manufacture	5 587	20 213
- third party costs	4 461	3 893
- cost of purchased machines, equipment and services	7 597	10 518
- advance payments for fixed assets in progress	93	1 459
Investments transferred to fixed tangible assets and intangible assets	(38 815)	(14 405)
Impairment write-off	(378)	(10)
Commenced investments at end of period	**8 616**	**30 071**
of which:		
- commenced investments relating to fixed tangible assets	2 283	27 267
- commenced investments relating to intangible assets	6 240	1 345
- advance payments for fixed assets in progress	93	1 459

all amounts in PLN thousands unless otherwise stated)

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 31 December 2011	49%	49%	33%
- % interest held as at 31 December 2010	49%	49%	33%
- purchase price	13 805	1 571	97
- share capital increase in 2009	7 711	-	-
- measurement as at 31 December 2011	608	(557)	(84)
- investment in associates as at 31 December 2011	22 124	1 014	13
- value of assets	71 801	2 069	275
- liabilities	26 649	1	236
- revenues on sale of products, goods and materials	62 989	3	412
- profit / loss - net	(419)	(87)	(156)

12. Financial assets

12.1 Available-for-sale financial assets

	as at 31 December 2011	2010
Available-for-sale financial assets		
- non-current	7 434	35 560
- current	24	189
	7 458	**35 749**

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.

all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

PI Biprohut Sp. z o.o. is not quoted in the stock exchange, so measurement of fair value of the shares held by ELEKTROBUDOWA SA was based on valuation made by an independent valuer as at 31 December 2010. The entity's key performance figures for 2011 did not significantly change as compared to its 2010 performance and indicate that the financial situation of the company is good. The analysis of reporting 2011 data and presented budget for 2012 shows that there were no indications of impairment of shares held by ELEKTROBUDOWA SA in the equity of PI Biprohut Sp. z o.o. as at 31 December 2011.
As of 31 December 2011 the parent had 23.02% interest in equity of PI Biprohut Sp. z o.o. equal to 22.58% share in total voting rights in the General Meeting, while at 31 December 2010 it was 22.57%. The shareholding structure of PI Biprohut Sp. z o.o. has not changed as compared with 31 December 2010.
As of 31 December 2011 the strategic investor of Biprohut held 62.16% stake which entitled him to 51.46% of votes 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, the parent 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 31 December 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
Purchase (gross amount)	0	(3)	4 920	4 920
Valuation recognized in equity	0	0	1 625	1 622
Reversal of valuation recognized in equity	0	0	(4 668)	(4 668)
Disposal of available-for-sale financial assets	0	0	(30 000)	(30 000)
Available-for-sale financial assets at 31 December 2011	**2 470**	**256**	**4 711**	**7 434**

all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

Current assets available for sale include shares in FAMAK S.A. based in Kluczbork.

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

As of 31 December 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	Total
Available-for-sale financial assets at 1 January 2011	144	24	21	189
Valuation recognized in equity	(3)	0	(2)	(5)
Reversal of valuation recognized in equity	167	0	(1)	166
Disposal of available-for-sale financial assets	(308)	0	(18)	(326)
Available-for-sale financial assets at 31 December 2011	**0**	**24**	**0**	**24**

12.2 Classification of assets by groups of financial instruments

Type of financial instrument	method of measurement as at 31 December 2011	at 31 December 2011	2010	amount charged to revaluation capital in 2011
1. Extended loans and own receivables		**294 936**	**245 846**	**0**
a) long-term receivables from sale of fixed assets	amortized cost	1 389	1 702	0
b) long-term receivables from contract bonds	amortized cost	2 733	499	0
c) long-term receivables with deferred payment	amortized cost	2 845	7 254	0
d) short-term trade receivables	amortized cost	285 860	232 568	0
e) other short-term receivables	amortized cost	2 109	3 823	0
2. Available-for-sale financial assets		**7 458**	**35 749**	**(2 885)**
a) interest in PI Biprohut Sp. z o.o.	fair value	2 470	2 470	0
b) interest in Energotest - Diagnostyka Sp. z o.o.	fair value	253	256	(3)
c) units in the Open-end Investment Funds	fair value	4 711	32 834	(3 043)
d) interest in Mostostal Zabrze S.A.	fair value	0	144	164
e) interest in Famak S.A.	fair value	24	24	0
f) interest in Energoaparatura S.A.	fair value	0	21	(3)
Total financial assets		**302 394**	**281 595**	**(2 885)**

all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

13. Derivative financial instruments

	as at 31 December 2011	2010
Forward contracts in foreign currencies		
- negative valuation of fair value	7 185	0

As at 31 December 2011 the parent, ELEKTROBUDOWA SA measured the foreign currency transactions concluded in 2011 for the total amount of 17 520 thousand EUR. The transaction will be closed with the application of forward rate in the first and second quarter of 2012.
Derivative financial instruments as at 31 December 2011 have been shown in the group's current liabilities.

14. Trade and other receivables

14.1 Receivables recognised in non-current assets

	as at 31 December 2011	2010
Long-term receivables		
of which from:		
- disposal of property, plant and equipment	1 389	1 702
- contract bonds	2 733	499
- receivables with deferred payments	2 845	7 254
Long-term receivables - net	**6 967**	**9 455**
Discount of receivables	600	918
Long-term receivables - net	**7 567**	**10 373**

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 31 December 2011	as at 31 December 2010
Non-current receivables - by currency, without discount		
- in Polish zloty	7 063	7 082
- in foreign currencies (by currencies and translated to PLN)	504	3 291
of which:		
a) in EUR'000	114	831
as translated to PLN'000	504	3 291
	7 567	**10 373**

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

14.2 Receivables recognised in current assets

	as at 31 December 2011	as at 31 December 2010
Current trade and other receivables		
of which:		
- for supplies and services	285 860	232 568
- other	4 457	4 377
Total trade and other receivables, net	**290 317**	**236 945**
Receivables impairment charge	12 016	11 724
Total trade and other receivables, gross	**302 333**	**248 669**

The balance of receivables for the supply of products and services includes past due receivables amounting to 35 114 thousand PLN (33 228 thousand PLN in 2010), impaired by the amount of 11 824 thousand PLN (11 685 thousand PLN in 2010). 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 31 December 2011	as at 31 December 2010
Current trade and other receivables - by currency		
- in Polish currency	233 842	213 855
- in foreign currencies (by currencies and translated to PLN)	68 491	34 814
of which:		
a) in thousands of EUR	13 211	7 557
as translated into thousands of PLN	58 347	29 928
b) in thousands of USD	2 654	1 483
as translated into thousands of PLN	9 071	4 396
c) in thousands of UAH	2 522	37
as translated into thousands of PLN	1 073	14
d) in thousands of RUB	0	4 900
as translated into thousands of PLN	0	476
	302 333	**248 669**

	period ended 31 December 2011	period ended 31 December 2010
Provision for impairment of trade and other receivables		
Provision for impairment of receivables at beginning of period	11 724	10 919
Creating the provision	2 373	1 093
Reversal	(2 081)	(288)
of which:		
- paid receivables and interests	(599)	(131)
- reversal of provision for written off receivables	(22)	(76)
- use of impairment provision for receivables	(1 082)	0
- reversal of provision for impairment of interest	(378)	(81)
Provision for impairment of receivables at end of period	**12 016**	**11 724**
of which:		
- trade receivables	11 824	11 685
- other receivables	192	39

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

all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

15. Non-current prepayments

	as at 31 December 2011	as at 31 December 2010
Non-current prepayments		
- carrying amount of the right to perpetual usufruct of land	1 149	1 130
- other	296	200
	1 445	**1 330**

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 31 December 2011	as at 31 December 2010
Inventories		
- materials	30 316	13 027
- semi-finished products and work in progress	25 337	12 007
- finished products	1 572	745
	57 225	**25 779**

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

	period ended 31 December 2011	period ended 31 December 2010
Inventory write-down		
Write-down at the beginning of period	211	43
Created	140	211
Used	(4)	(43)
Inventory write-down at the end of period	**347**	**211**

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 31 December 2011	as at 31 December 2010
Cash at bank and on hand		
- cash at bank	37 725	47 050
- cash on hand	26	9
- other cash	608	460
	38 359	**47 519**

Cash in the amount of 608 thousand PLN is held in the form of certificates of deposit to secure the extended contract bonds issued by banks or insurance companies. The cash will be returned together with calculated income after the bonds have expired or the guarantee obligations have been settled

	as at 31 December 2011	as at 31 December 2010
Cash and cash equivalents - by currency		
- in Polish currency	28 073	41 855
- in foreign currencies (by currencies and translated to PLN) of which	10 286	5 664
a) in thousands / EUR	1 904	1 302
as translated into thousands of PLN	8 410	5 157
b) in thousands / USD	274	10
as translated into thousands of PLN	935	29
c) in thousands / UAH	2 211	1 288
as translated into thousands of PLN	941	478
	38 359	**47 519**

Average effective interest rate for bank deposits was 2.6% in 2011 and 2% in 2010.
Components of cash and cash equivalents are identical in the statement of cash flow and in the statement of financial position.

all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

18. Current prepayments

	as at 31 December 2011	as at 31 December 2010
Current prepayments		
- future periods expenses (subscriptions, fees, insurance)	1 817	1 480
- prepayments for supplies	2 450	1 945
	4 267	**3 425**

19. Non-current assets held for sale

	as at 31 December 2011	as at 31 December 2010
Fixed assets held for sale		
a) right of perpetual usufruct of land	0	58
b) fixed assets, of which:	716	653
- buildings, civil engineering facilities	680	575
- technical equipment and machines	36	78
	716	**711**

After the decision to dispose of some items of tangible assets, the entities of the group identified and presented them in the Consolidated Statement of Financial Situation as at 31 December 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.

Fixed property that was not sold during the year and for which there is no evidence that it would be sold soon, is transferred to operating activity.
In 2011 in the statement of financial situation fixed property for total amount of 653 thousand PLN was reclassified from the “Fixed assets held for sale” item to “Property, plant and equipment” item. Also, the right to perpetual usufruct of land valued at 58 thousand PLN was transferred to long-term accruals.

all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

20. Share capital

Share capital (structure) of the parent - as at 31 December 2011 did not change as compared with 31 December 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

all amounts in PLN thousands unless otherwise stated)

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 31 December 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-end Pension Fund)	472 405	9.95
3. Generali OFE	466 433	9.82
4. OFE PZU „Złota Jesień”	401 733	8.46
5. AXA OFE	395 723	8.34
6. Amplico OFE	268 343	5.65
7. Free float	2 021 877	42.59
Total number of shares in the share capital	**4 747 608**	**100.00**

all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

21. Other capital

21.1 Supplementary capital

	as at 31 December 2011	2010
Supplementary capital:		
- share premium	100 676	100 676
- created as required by law	3 334	3 334
- created acc. to the Articles of Association, over (minimum) value required by law	170 621	149 511
- other (by type)	7 889	7 840
a) transferred from reserve capital	5 562	5 562
b) from distribution of profit of subsidiary undertakings	708	659
c) restatement due to hyperinflation	1 619	1 619
	282 520	**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 General Meeting. 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 31 December 2011	2010
Capital from valuation of available-for-sale investments		
- valuation of available-for-sale investments	1 626	4 511
- deferred tax related to investment valuation	(309)	(857)
	1 317	**3 654**

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 sold, 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 31 December 2011	2010
Long-term liabilities		
- employee benefits	3 603	2 904
- other	7 293	5 680
Long-term liabilities, net	**10 896**	**8 584**
Discount of liabilities	1 264	837
Long-term liabilities, gross	**12 160**	**9 421**

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 31 December 2011	2010
Non-current other liabilities by titles		
- retentions from subcontracts	7 293	5 680

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

	as at 31 December 2011	2010
Non-current other payables - by currency, without discount		
- in Polish currency	8 502	6 366
- in foreign currencies (by currencies and translated to PLN) of which:	55	151
a) in thousands of EUR	1	0
as translated into thousands of PLN	4	0
b) in thousands of CHF	0	38
as translated into thousands of PLN	0	151
c) in thousands of UAH	119	0
as translated into thousands of PLN	51	0
	8 557	**6 517**

Notes to the consolidated financial statements (continued)

22.2 Current trade and other payables

	as at 31 December 2011	2010
Short-term trade and other payables		
- for supplies and services	225 827	160 979
- prepayments for supplies	7 395	6 340
- taxes, duties, insurance and other contributions	29 065	20 300
- remunerations	9 025	7 711
- other (by titles)	3 390	3 311
of which:		
a) acquisition of fixed assets	2 334	2 632
b) payables to employees	43	44
c) deductions from payroll	490	454
d) other	523	181
	274 702	**198 641**

Trade payables are realized within 60 days at average.

	as at 31 December 2011	2010
Current trade and other payables - by currency		
- in Polish currency	214 029	156 998
- in foreign currencies (by currencies and translated to PLN)	11 798	3 981
of which:		
a) in thousands of EUR	2 187	1 003
as translated into thousands of PLN	9 658	3 972
b) in thousands of USD	103	1
as translated into thousands of PLN	352	3
c) in thousands of HUF	0	423
as translated into thousands of PLN	0	6
d) in thousands of SEK	13	0
as translated into thousands of PLN	6	0
e) in thousands of DKK	1 589	0
as translated into thousands of PLN	944	0
f) in thousands of UAH	1 969	0
as translated into thousands of PLN	838	0
	225 827	**160 979**

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

all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

	as at 31 December 2011	2010
Liabilities due to taxes, duties, social insurance and other contributions		
- personal income tax	3 232	2 701
- calculated corporate income tax	752	3 649
- VAT	16 276	5 970
- social insurance	8 646	7 825
- National Fund for the Rehabilitation of the Disabled PFRON	159	155
	29 065	**20 300**

Liabilities due to personal income tax, corporate income tax, VAT and social insurance contributions include debt to public authorities, Polish and foreign.

Notes to the consolidated financial statements (continued)

23. Loans, borrowings and debt securities

Current borrowings and debt securities as at 31 December 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	PLN	0	PLN	WIBOR 1M + 1.2%	unitl 24 March 2012	enforcement title up to 21 450 thousand PLN, collateral mortgage KW 56388 (Mikołów,Kolejowa Str.) up to 1000 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
BANK PEKAO S.A. overdraft	Kraków	10 000	PLN	0	PLN	WIBOR 1M + 0.75%	until 30 April 2012	assignment of accounts receivable, 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 + 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	PLN	0	PLN	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.*

all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

24. Deferred income tax

	as at 31 December 2011	2010
Deferred income tax assets	**27 200**	**21 521**
- to be recovered after more than 12 months	1 259	1 056
- to be recovered within 12 months	25 941	20 465
Deferred income tax liabilities	**(23 506)**	**(16 431)**
- to be recovered after more than 12 months	(710)	(593)
- to be recovered within 12 months	(22 796)	(15 838)
	3 694	**5 090**

Structure of the deferred income tax:

period ended 31 December 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	(1 169)	(803)	43	1 668	5 900	**5 639**
	-changes credited/charged to equity	0	0	0	40	0	**40**
	end of period	**4 543**	**3 371**	**371**	**2 086**	**16 829**	**27 200**
Liabilities	**beginning of period**	**(14 895)**	**0**	**(481)**	**(742)**	**(313)**	**(16 431)**
	-changes credited/charged to financial result	(7 216)	0	(43)	1	(325)	**(7 583)**
	- changes credited/charged to equity	0	0	0	508	0	**508**
	end of period	**(22 111)**	**0**	**(524)**	**(233)**	**(638)**	**(23 506)**
End of period, total		**(17 568)**	**3 371**	**(153)**	**1 853**	**16 191**	**3 694**

all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

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**

25. Provisions for liabilities and other charges

	period ended 31 December 2011	2010
Change in non-current provision for employee benefits		
At beginning of period	2 904	2 659
Additions (of which)	1 029	500
- creating a provision (actuarial valuation)	1 029	500
Used (for)	(330)	(255)
- payment of pension benefits	(330)	(255)
At end of period	**3 603**	**2 904**

all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

	period ended 31 December	
	2011	**2010**
Movement in current provisions		
At beginning of period	4 952	448
Additions (of which)	461	4 599
- creating a provision for employee benefits	236	53
- creating a provision for warranty repairs	225	46
- creating other provisions	0	4 500
Used (for)	(4 636)	(95)
- payment of employee benefits	(94)	(32)
- incurred cost of warranty repairs	(42)	(63)
- release of other provisions	(4 500)	0
At end of period	**777**	**4 952**
of which:		
- current provisions for employee benefits	208	66
- current provisions for warranty repairs	569	386
- other non-current provisions	0	4 500

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 31 December	
	2011	**2010**
discount rate	5,7%	5,6% to 5,9%
expected inflation rate	2,5%	0% to 2,5%
expected salary increases	3,5%	0% to 3,5%
mobility rate	7,7% to 10%	10% to 10,9%

all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

	period ended 31 December	
	2011	**2010**
Long-term and short-term employee benefit obligations at beginning of period	**2 970**	**2 704**
- interest cost	175	170
- current employment cost	354	308
- benefits paid	(424)	(287)
- benefits used in prior years	0	(40)
- actuarial gains/losses on the liability	736	115
Long-term and short-term employee benefit obligations at end of period	**3 811**	**2 970**

The provision for employee benefits is charged to operating expenses.

26. Accrued expenses

	as at 31 December	
	2011	**2010**
Accrued expenses due to:		
- unused holidays	3 428	2 947
- annual bonuses	4 939	6 817
- provision for future salaries in Finland	2 000	0
- services	185	300
- auditing the financial statements	120	90
- received grant	1 172	521
	11 844	**10 675**

In August 2011 the Finnish Electrical Workers' Union filed a suit against the parent, as an employer employing the company workers at the construction site of Olkiluoto Nuclear Power Station, for the payment of EUR 2 704 906.67. Subject of the suit is the demand to adjudicate from ELEKTROBUDOWA SA additional payments to the remuneration paid to employees for the work performed at the site of the NPP in Finland. Because of Finnish jurisdiction and applicability of the Finnish law to the large part of the summons, ELEKTROBUDOWA SA commissioned the representation in proceedings at law to a law firm in Finland. The claim of the summons, according to the preliminary assessment by the Management, at the initial stage of the dispute seems unjustified, at least its substantial part. Because of complexity of the issue and the fact that the dispute refers to claims of about 100 workers and requires appropriate documentation and presentation of legal approaches, the proceedings at court are hardly probable to conclude in 2012. The Management of ELEKTROBUDOWA SA has estimated the risk relating to the action pending and has taken a decision to establish in the 2011 books a provision for future liability connected with the operating activity of the company in the amount of 2 million PLN.

all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

27. Classification of financial instruments recognized as liabilities

Type of financial instrument	method of measurement as at 31.12.2011	as at 31 December 2011	2010
1. Financial liabilities held for trading		**7 185**	**0**
a) forward contracts in foreign currencies	fair value	7 185	0
2. Other financial liabilities		**248 354**	**180 645**
a) long-term contract retentions from subcontracts	amortised cost	7 293	5 680
b) short-term payables for supplies and services	amortised cost	225 827	160 979
c) other short-term payables	amortised cost	3 390	3 311
d) accrued expenses	amortised cost	11 844	10 675
Financial instruments recognised in liabilities - total		**255 539**	**180 645**

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

	period ended 31 December 2011	2010
Net gains or losses on financial assets, of which relating to:	(2 321)	776
a) derivative financial instruments (forward)	(7 185)	400
b) available-for-sale financial assets	4 864	376
Net gains or losses on trade receivables and payables	4 303	(1 647)
Gains / losses on cash	682	1 915
Total net gains or losses on the financial instruments	**2 664**	**1 044**

all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

29. Sales revenues

	period ended 31 December	
	2011	**2010**
Revenue on sales of products, goods and materials		
- construction & installation services	786 472	601 427
- electrotechnical products	132 009	163 416
- other services	23 460	16 521
- materials	3 274	5 384
of which: export	*1 214*	*2 405*
	945 215	**786 748**

	period ended 31 December	
	2011	**2010**
Revenue on construction and installation services	786 472	601 427
Change in revenue recognized on an accruals basis	(37 042)	(41 039)
Discount of long-term receivables	(308)	(152)
Invoiced sales	749 122	560 236
Incurred costs	741 513	562 638
Net amount of profits (losses)	7 609	(2 402)

30. Construction contracts

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

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

30.1 Amounts due from customers for contract works

	as at 31 December	
	2011	**2010**
Amounts due from customers for contract work	108 984	78 399

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 “other receivables” item.

all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

30.2 Amounts due to customers for contract works

	as at 31 December	
	2011	**2010**
Amounts due to customers for contract work	23 610	30 067

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

31. Cost of products, goods and materials sold

	period ended 31 December	
	2011	**2010**
Expenses by nature		
- depreciation and amortisation	12 316	10 916
- materials and energy	345 913	285 718
- third party services	340 239	272 189
- taxes and charges	4 524	3 673
- salaries and wages	154 347	133 604
- social security and benefits	35 805	31 407
- other expenses by nature, of which:	20 963	14 959
a) representation and advertising expenses	2 927	1 996
b) business travels	14 235	9 816
c) property and personal insurance	2 977	1 721
d) other	824	1 426
Total expenses by nature	**914 107**	**752 466**
Movements in inventories of products and accrued expenses	(13 740)	(9 017)
Cost of products manufactured for own needs (negative value)	(5 587)	(20 213)
Selling costs (negative value)	(4 256)	(4 616)
General administrative expenses (negative value)	(14 024)	(12 783)
Cost of materials sold	2 798	4 506
Manufacture costs of products sold	**879 298**	**710 343**

all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

32. Other operating expenses

	period ended 31 December	
	2011	2010
Other operating expenses		
- commission and fees	(2 334)	(1 575)
- legal charges and penalties	(1 022)	(4 595)
	(3 356)	**(6 170)**

33. Other gains (losses) – net

	period ended 31 December	
	2011	2010
Other gains/(losses) - net		
- income from disposal of non-finance fixed assets	186	38
- income from disposal of financial assets	4 864	629
- donations	(178)	(230)
- impairment	(2 513)	(1 054)
- reversal of impairment of valuation	999	81
- interests	1 023	2 356
- currency translation differences	4 990	(1 295)
- forward contract valuation	(7 185)	147
- other	2 805	(450)
	4 991	**222**

34. Finance income (costs) – net

	period ended 31 December	
	2011	2010
Net finance gains (costs)		
- dividends and share in profits	271	473

all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

35. Income tax

	period ended 31 December	
	2011	**2010**
Income tax recognized in the statement of comprehensive income, of which:		
- current tax of the finacial year	7 666	13 728
- deferred tax	1 944	(4 096)
- tax on permanent establishments abroad	1 374	142
	10 984	**9 774**

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.

	period ended 31 December	
	2011	**2010**
Structure of income tax:		
Gross profit before tax	49 120	54 854
Tax calculated at applicable rates	10 488	11 088
Tax calculated on permanent differences in tax basis	(1 551)	(919)
Change in other temporary differences for which no deferred income tax asset was recognized	17	(537)
Adjusted income tax due to application of tax rate applicable in the country of location of permanent establishment	656	0
Income tax on permanent establishments abroad	1 374	142
Income tax	**10 984**	**9 774**

all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

36. Earnings per share

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

	Earnings	Shares	Earnings per share
Net profit attributable to equity holders of ELEKTROBUDOWA SA for the period (in PLN)	37 917 903		
Weighted average number of shares		4 747 608	
Basic earnings per share (in PLN)			7,99
Diluted earnings per share (in PLN)			7,99

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

	Earnings	Shares	Earnings per share
Net profit attributable to equity holders of ELEKTROBUDOWA SA for the period (in PLN)	45 050 234		
Weighted average number of shares		4 747 608	
Basic earnings per share (in PLN)			9,49
Diluted earnings per share (in PLN)			9,49

37. Dividend per share

2010 dividend paid by ELEKTROBUDOWA SA in August 2011 amounted to 28 485 648 PLN, that is 6.00 PLN per share.
The Management Board of the parent proposes to pay dividend from the 2011 profit in the amount of 14 242 824 PLN, that is 3.00 PLN per share.

The Management Board of KONIP Sp. z o.o. proposes to allocate the amount of PLN 103 898.85 of the 2011 profit. in 50% for dividend payment and in 50% for supplementary capital.

The Management Board of ENERGOTEST sp. z o.o. proposes to pay the whole 2011 profit in the amount of PLN 2 004 213.23 as dividend, and make a settlement with the advance payment made on account of expected 2011 dividend pursuant to Articles 194 and 195 of the Polish Code of Commercial Companies.

The Management Board of ELEKTROBUDOWA UKRAINE Ltd. proposes to pay the whole 2011 profit in the amount of UAH 1 540 976 as dividend.

all amounts in PLN thousands unless otherwise stated)

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:

	period ended 31 December	
	2011	**2010**
Interest and share in profits (dividends)		
- net financial gains (losses) acc. to the statement of comprehensive income	(271)	(473)
- interest on lease	11	0
- acc. to the cash flow statement	**(260)**	**(473)**

	period ended 31 December	
	2011	**2010**
Gains / losses from disposal of PPE		
- acc. to the statement of comprehensive income	(186)	(38)
a) costs relating to sales of fixed assets	378	(272)
b) write-off charge	(29)	0
- acc. to the statement of cash flow	**163**	**(310)**

	period ended 31 December	
	2011	**2010**
Change in available-for-sale financial assets		
- balance sheet change of available-for-sale assets	28 291	(28 520)
- change in assets recognised in equity	(2 885)	2 137
- purchase of available-for-sale financial assets	4 920	30 000
- proceeds from sale of available-for-sale financial assets	(35 190)	(3 997)
- acc. to the statement of cash flow	**(4 864)**	**(380)**

all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

	period ended 31 December 2011	period ended 31 December 2010
Movement in trade and other receivables		
- balance sheet change of receivables, of which:	(50 884)	(52 349)
a) balance sheet change of trade and other receivables recognised in non-current assets	2 488	(313)
b) balance sheet change of trade and other receivables recognised in current assets	(53 372)	(52 036)
- change in net receivables from sale of non-current assets items	(347)	(131)
- dividend of subsidiaries and associates	(426)	473
- other	0	161
Change in trade and other receivables reflected in the statement of cash flow	**(51 657)**	**(51 846)**

	period ended 31 December 2011	period ended 31 December 2010
Movement in trade and other payables		
- Balance sheet change of payables:	74 198	71 663
a) balance sheet change of long-term payables	2 312	343
b) balance sheet change of trade payables and other short-term payables	76 061	66 816
c) zmiana bilansowa stanu rezerw	(4 175)	4 504
- change in net liabilities due to investment expenditure	437	(1 220)
- income tax of permanent establishments abroad	(742)	476
- lease committments	(59)	0
Change in liabilities reflected in the statement of cash flow	**73 834**	**70 919**

	period ended 31 December 2011	period ended 31 December 2010
Income tax paid		
- current income tax in the statement of comprehensive income	(7 666)	(13 728)
- change in corporate income tax liabilities	(5 739)	6 003
- overpaid tax	0	(161)
- income tax paid - foreign branches	(632)	(476)
Income tax paid reflected in the statement of cash flow	**(14 037)**	**(8 362)**

all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

	period ended 31 December	
	2011	**2010**
Change in long-term accruals		
- balance sheet change of long-term accruals	(115)	412
- impairment of the right of perpetual usufruct of land	33	0
Change in long-term accruals in the statement of cash flow	**(82)**	**412**

	period ended 31 December	
	2011	**2010**
Other adjustments		
- valuation of forward contract	7 185	(147)
- income tax paid in Finland and not deductible	0	(142)
- settlemnt of fixed assets stocktaking differences	5	0
- income from disposal of the forward contract	0	(253)
- fixed assets held for sale	25	0
- other	412	(115)
Other adjustments in the statement of cash flow	**7 627**	**(657)**

	period ended 31 December	
	2011	**2010**
Dividends and share in profits		
- acc. to the statement of comprehensive income	271	473
a) dividend received from associates	1 915	2 579
- acc. to the statement of cash flows	**2 186**	**3 052**

39. Joint venture disclosures

On 15 December 2009 the parent, ELEKTROBUDOWA SA entered into a Consortium Agreement with QUMAK – SEKOM S.A. and „AGAT" S.A. with the purpose of cooperation targeted at preparation of a joint quotation for the project called: "The supply of overall electrical, small current, automation and BMS installations for Stage 2 Construction of the National Stadium, Warsaw". As the contract was awarded to the Consortium, the cooperation of its parties concerns also execution of the project.

The parent, 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 contract price of works provided by entities included in the Consortium was 126 957 thousand PLN as at 31 December 2011.

all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

The percentage share in the joint venture is as follows:

- ELEKTROBUDOWA SA 48%;
- QUMAK – SEKOM S.A. and Przedsiębiorstwo "AGAT" S.A. 52%;

Revenue on the joint venture generated in 2011 by the above entities amounted to 72 228 thousand PLN.

Partners of the consortium had the following share in the sales invoiced until 31 December 2011:

	period ended 31 December	
	2011	**2010**
- ELEKTROBUDOWA SA	56 995	21 331
- QUMAK – SEKOM S.A. and Przedsiębiorstwo "AGAT" S.A.	55 473	18 909
	112 468	40 240

The consortium agreement is in force until the completion of the project, including the warranty period, and expires when all claims arising from the contract expire.
As at 31 December 2011 the contract execution was secured by the performance bond for the amount of 11 997 thousand PLN, valid through 27 February 2012.

On 19 October 2010 the parent, ELEKTROBUDOWA SA entered into a consortium agreement with ENERGOINSTAL S.A. and Katowickie Przedsiębiorstwo Budownictwa Przemysłowego „BUDUS" S.A. for joint bidding for General Contractor of the project: „Construction of Steam&Gas Units in EC Głogów and EC Polkowice", in the form of open invitation to tender announced by KGHM Polska Miedź S.A. As the Consortium was awarded the contract, the Parties cooperate also in execution of the project.

ENERGOINSTAL S.A. was selected a consortium leader; the company is entitled to conduct negotiations and represent the consortium before the Purchaser and before third parties. On 9 March 2011 the Consortium signed a contract for turnkey supply of a new Steam and Gas Unit for KGHM Polska Miedź S.A., Polkowice for the contract price 93 800 thousand PLN and the Unit in Głogów for the price of 139 600 thousand PLN.

The percentage share in the joint venture is as follows:

a) Steam&Gas Unit in KGHM Polska Miedź S.A. Polkowice:
   - ELEKTROBUDOWA SA - 39%;
   - ENERGOINSTAL S.A. - 33%
   - Katowickie Przedsiębiorstwo Budownictwa Przemysłowego „BUDUS" S.A. - 28%.

b) Steam&Gas Unit in KGHM Polska Miedź S.A. Głogów:
   - ELEKTROBUDOWA SA - 52%;
   - ENERGOINSTAL S.A. - 28%
   - Katowickie Przedsiębiorstwo Budownictwa Przemysłowego „BUDUS" S.A. - 20%.

Income earned in the joint venture by ELEKTROBUDOWA SA in 2011 amounted to 3 440 thousand PLN.

all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

Sales invoiced until 31 December 2011:

	period ended 31 December	
	2011	**2010**
- Steam&Gas Unit in KGHM Polska Miedź S.A. Polkowice	1 068	0
- Steam&Gas Unit in KGHM Polska Miedź S.A. Głogów	2 372	0
	3 440	0

The consortium agreement is in force until completion of the project, including the period of warranty granted to the Purchaser, until all claims under contract expire.
As at 31 December 2011 the performance of contract “Construction of Steam&Gas Units in EC Polkowice” was secured by a bank guarantee issued for the amount of 3 130 thousand PLN valid through 31 January 2013 and the bank guarantee for the warranty period for the amount of 1 341 thousand PLN valid through 31 January 2018.
Further, the performance of contract “Construction of Steam&Gas Units in EC Głogów” was secured by a bank guarantee issued for the amount of 6 276 thousand PLN valid through 31 January 2013 and the bank guarantee for the warranty period for the amount of 2 690 thousand PLN valid through 31 January 2018.

On 11 April 2011 the parent, ELEKTROBUDOWA SA entered into a consortium agreement with ZUE S.A. for joint bidding in the public procurement tender for “Construction of the Franowo tramway depot in Poznań”. As the bid was successful, the Parties cooperate also in execution of the project.
ZUE S.A. was selected a consortium leader; the company is entitled to conduct negotiations and represent the consortium before the Purchaser and before third parties. On 13 July 2011 the Consortium concluded a contract for the supply of civil works and other services necessary for the successful completion of the project – construction of the Franowo tramway depot in Poznań.
The contract price of works provided by entities included in the Consortium was 208 806 thousand PLN as at 31 December 2011.

The percentage share in the joint venture is as follows:

- ELEKTROBUDOWA SA 48%;
- ZUE S.A. 52%.

Income earned in the joint venture by ELEKTROBUDOWA SA in 2011amounted to 14 806 thousand PLN.

The consortium agreement is in force within completion of the project, including the period of warranty granted to the Purchaser, until all claims under contract expire.
As at 31 December 2011 the performance of contract was secured by a bank guarantee issued for the amount of 12 408 thousand PLN, valid through 26 August 2017.

all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

40. Related party transactions

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

The transactions between the parent and its subsidiaries who are related parties for ELEKTROBUDOWA SA have been eliminated in consolidation and are not shown in this note.

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

W okresie sprawozdawczym jednostka dominująca ELEKTROBUDOWA SA dokonała następujących transakcji z podmiotami stowarzyszonymi:

- sales of goods – the Electrotechnical Company VECTOR Ltd.	22 588	thous PLN
- sales of services – the Electrotechnical Company VECTOR Ltd.	118	thous PLN
- sales of materials - the Electrotechnical Company VECTOR Ltd.	1 214	thous PLN
- sales of services – SAUDI ELEKTROBUDOWA LLC	1 282	thous PLN

Year-end balances between the parent and the associated undertakings as at 31 December 2011:

- zobowiązania ELEKTROBUDOWY SA wobec SAUDI ELEKTROBUDOWA Sp. z o.o.	68	thous PLN
- payables of SAUDI ELEKTROBUDOWA LLC to ELEKTROBUDOWA SA	45	thous PLN
- payables of the Electrotechnical Company VECTOR Ltd. to ELEKTROBUDOWA SA	5 300	thous PLN

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

The parent, ELEKTROBUDOWA SA did not extend any guarantees to the associates to secure 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. The entities of the group did not establish provisions for unsettled balances of receivables from related parties as at balance sheet date.

all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

41. Contingencies and contractual obligations

a) guarantees

As of 31 December 2011 and 31 December 2010 the ELEKTROBUDOWA SA group extended contract guarantees to secure contract performance including: advance payment guarantees, bid bonds, performance bonds and warranty bonds, and also to secure legal claims against the parent, through:

	as at 31 December	
	2011	**2010**
PKO S.A.	63 890	43 406
BRE Bank S.A.	62 854	54 035
T.U. ALLIANZ POLSKA SA	46 093	26 709
Bank PeKaO S.A.	31 658	6 852
Bank Handlowy w Warszawie S.A.	26 720	3 972
ING Bank Śląski S.A.	8 662	10 108
Gerling Towarzystwo Ubezpieczeniowe S.A.	2 859	2 451
BNP PARIBAS BANK POLSKA S.A.	458	1 677
PZU S.A.	212	338
Total amount of guarantees	**243 406**	**149 548**

b) Promissory notes

As of 31 December 2011 ELEKTROBUDOWA SA group issued promissory notes as security for contract performance bonds for the total amount of 16 311 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.;
- 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.

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.

c) Sureties

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

d) Rental, lease and similar commitments

Estimated value of rent for the lease of offices will amount to 2 402 thousand PLN in the coming year, while in the period over 1 year to 5 years it will be 10 856 thousand PLN.
The contractual value of rent from the lease of offices was 2 906thousand PLN in 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 332 thousand PLN and over 5 years: 6 059 thousand PLN.

all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

42. Employment

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

	average number of employees	
	in 2011	**in 2010**
Total number of employees	**2 153**	**2 027**
of which:		
Manual jobs	1 218	1 134
White-collar jobs	930	881
Persons on child care leaves or unpaid leaves	5	12

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

43. The Management Board and the Supervisory Board

Composition of the Management Boards of the parent and the subsidiaries at 31 December 2011

Management Board
ELEKTROBUDOWA SA
Faltynowicz Jacek - President
Tomaszewski Jarosław - Member
Bober Ariusz - Member
Jaźwiński Tomasz - Member
Juszczyk Janusz - Member
Klimowicz Arkadiusz - Member

Management Board
KONIP Sp. z o.o.
Lamch Tadeusz - President

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

Executive Body
ELEKTROBUDOWA UKRAINA Ltd.
Karnaushenko Oleksandr - Director

all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

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.

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 31 December 2011			
	Remuneration paid			
	Basic salary	**Bonus for 2010**	**Total remuneration**	**Extra benefits ***
Management Board	**1965**	**1 380**	**3 345**	**80**
Faltynowicz Jacek	480	360	840	31
Tomaszewski Jarosław	420	300	720	20
Bober Ariusz	360	270	630	1
Jaźwiński Tomasz	356	180	536	16
Juszczyk Janusz	150	0	150	8
Rak Stanisław	199	270	469	3
Klimowicz Arkadiusz	0	0	0	1
Management Board KONIP Sp. z o.o.	**97**	**30**	**127**	**0**
Lamch Tadeusz	97	30	127	0
Management Board ENERGOTEST sp. z o.o.	**360**	**0**	**360**	**2**
Klimowicz Arkadiusz	360	0	360	2
Executive Body ELEKTROBUDOWA UKRAINE Ltd.	**27**	**15**	**42**	**0**
Karnaushenko Oleksandr	27	15	42	0

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

all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

	period from 1 January 2010 to 31 December 2010			
	Remuneration paid			
	Base salary	**Bonus for 2009**	**Total remuneration**	**Extra benefits ***
Management Board	**1 979**	**1 210**	**3 189**	**87**
Faltynowicz Jacek	480	340	820	37
Tomaszewski Jarosław	420	310	730	26
Bober Ariusz	360	280	640	1
Jaźwiński Tomasz	359	0	359	16
Rak Stanisław	360	280	640	6
Klimowicz Arkadiusz	0	0	0	1
Management Board KONIP Sp. z o.o.	**93**	**30**	**123**	**0**
Lamch Tadeusz	93	30	123	0
Management Board ENERGOTEST sp. z o.o.	**360**	**165**	**525**	**1**
Klimowicz Arkadiusz	360	165	525	1
Executive Body ELEKTROBUDOWA UKRAINA Ltd.	**14**	**0**	**14**	**0**
Karnaushenko Oleksandr	14	0	14	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 31 December 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.*

all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

	period from 1 January 2010 to 31 December 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.*

The parent Management remuneration policy has been established by the Supervisory Board. Salaries of Members of the Management Board consist of two components:
- fixed component paid every month, depending on the position,
- variable component paid annually after the Supervisory Board has acknowledged fulfilment of duties in the relevant financial year, depending on performance in relation to the economic and financial objectives set for the year.

The principles on bonus compensation to Members of the Management Board who are employees of ELEKTROBUDOWA SA for 2011 have been introduced by Resolution No. 60/VII/2011 of the Supervisory Board of 18 March 2011. The resolution was adopted pursuant to Article 7 clause 2 points 2.11 and 2.12 of the Company's Articles and recommendation by the Nomination and Remuneration Committee.

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 31 December 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

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

all amounts in PLN thousands unless otherwise stated)

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 2011 to 31 December 2011 Remuneration paid			
	Basic salary	**Bonus for 2010**	**Total remuneration**	**Extra benefits***
Supervisory Board	**495**	**0**	**495**	**7**
Mańko Dariusz	87	0	87	1
Żbikowski Karol	78	0	78	1
Chłopecki Aleksander	26	0	26	0
Chwałek Jacek	26	0	26	0
Mosiek Tomasz	66	0	66	1
Rafalski Ryszard	66	0	66	1
Wojda Dariusz	26	0	26	0
Godlewska Agnieszka	40	0	40	1
Karski Eryk	40	0	40	1
Tarnowski Paweł	40	0	40	1

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

	period from 1 January 2010 to 31 December 2010 Remuneration paid			
	Basic salary	**Bonus for 2009**	**Total remuneration**	**Extra benefits***
Supervisory Board	**473**	**0**	**473**	**7**
Mańko Dariusz	83	0	83	1
Żbikowski Karol	75	0	75	1
Chłopecki Aleksander	63	0	63	1
Chwałek Jacek	63	0	63	1
Mosiek Tomasz	63	0	63	1
Rafalski Ryszard	63	0	63	1
Wojda Dariusz	63	0	63	1

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

Notes to the consolidated financial statements (continued)

The Supervisory Board remuneration policy was established by the General Assembly of the company's shareholders.

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 31 December 2011 and 31 December 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 the 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:
   - 31 December 2011 4.4168 zł / EUR;
   - 31 December 2010 3.9603 zł / EUR.

b) items in the profit and loss statement and the statement of cash flow - according to the rate being the arithmetic mean of average euro rates announced by the National Bank of Poland at the end of each month of the financial year:

- from 01.01.2011 to 31.12.2010 4.1401 zł / EUR.
  from 01.01.2010 to 31.12.2010 4.0044 zł / EUR;

45. Changes in the applied accounting standards

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

all amounts in PLN thousands unless otherwise stated)

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 31 December 2011 a change was introduced in the presentation of comparable data: the 711 thousand PLN amount of non-current assets held for sale as at 31 December 2010 was carried 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 on 7 July 2011 with Deloitte Audyt Sp. z o.o., having their registered office in Warsaw.
Deloitte Audyt Sp. z o.o. has reviewed the interim financial statements and audited the financial statement of ELEKTROBUDOWA SA and the consolidated financial statement of the ELEKTROBUDOWA SA group for three consecutive times.

The remuneration for the above review and auditing of the above mentioned statements is as follows:

	2011	**2010**
- review of the half-year financial statements of ELEKTROBUDOWA SA and consolidated financial statements of the ELEKTROBUDOWA SA group	55	55
- audit of the annual financial statements of ELEKTROBUDOWA SA and consolidated financial statements of the ELEKTROBUDOWA SA group	90	90
- review of the financial statements of the subsidiary, ELEKTROBUDOWA UKRAINE Ltd.	30	30
Total review and auditing the financial statements	**175**	**145**

The remuneration is VAT excluded.

As in 2010, Deloitte Audyt Sp. z o.o. was also commissioned to review the interim financial statements for the period 01.01.2011 - 30.06.2011 and to audit the annual 2011 Financial Statements of the subsidiary, ENERGOTEST sp. z o.o. The relevant contract was concluded on 09.06.2011 and the remuneration for auditing the subsidiary was established at:

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

The remuneration is VAT excluded.

In 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 whole performed work was established as 48 thousand PLN and will be increased by VAT. In 2010 Deloitte Doradztwo Podatkowe Sp. z o.o. or Deloitte Audyt Sp. z o.o. did not provide any additional services for the company.

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 31 December 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 2011.

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

As at 31 December 2011 and as at 31 December 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 17 January 2012 the Finnish Electrical Workers' Trade Union filed a motion to the District Court in Satakunta to supplement the lawsuit relating to payment of employee wages, started on 8 August 2011. In the supplement of earlier claim the plaintiff requested that the District Court obligated ELEKTROBUDOWA SA to pay to the Finnish Trade Union, to which the employees assigned their receivables, a total amount of EUR 3 305 376.20, together with due interests. The amount of earlier claim was EUR 2 704 906.67, together with due interests.
On 17 January 2012 the Finnish Electrical Workers' Trade Union filed another lawsuit against ELEKTROBUDOWA SA for payment of EUR 1 420 267.71. Subject of the lawsuit was the request to award payment by ELEKTROBUDOWA SA to the Finnish Trade Union representing further 85 employees of the company employed at the site of Olkiluoto Nuclear Power Plant of additional amounts to the remuneration for work performed in the period from January 2009 to August 2011. The Trade Union petitioned to adjudicate the case together with the earlier lawsuit filed against ELEKTROBUDOWA SA as it was based on the same legal grounds.

Notes to the consolidated financial statements (continued)

Currently, total amount of the claim lodged by the Finnish Trade Union is EUR 4 725 643.91 and concerns 185 workers. ELEKTROBUDOWA's officials believe that they have strong arguments that will allow the company to dismiss a substantial part of the claim (within 90 – 95% of the total amount).

Except the described above, no other events have occurred after the balance sheet date which could significantly impact the financial position of the company or its financial result.

Representation by the Management Board

The Management Board of ELEKTROBUDOWA SA state that on 19 March 2012 they authorise for issue the present consolidated financial statements of the ELEKTROBUDOWA SA group for 2011.

SIGNATURES OF ALL MANAGEMENT BOARD MEMBERS

Name and surname	Position / Function	Date	Signature
Jacek Faltynowicz	President	19.03.2012	
Jarosław Tomaszewski	Board Member	19.03.2012	
Ariusz Bober	Board Member	19.03.2012	
Tomasz Jaźwiński	Board Member	19.03.2012	
Janusz Juszczyk	Board Member	19.03.2012	
Arkadiusz Klimowicz	Board Member	19.03.2012	

SIGNATURE OF THE PERSON IN CHARGE OF ACCOUNTING BOOKS

Name and surname	Position / Function	Date	Signature
Sylwia Wojtas	Chief Accountant	19.03.2012	