

THE ELEKTROBUDOWA SA GROUP

Condensed Consolidated Financial Statements

for the 1st quarter of 2012

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(all amounts in thousands of PLN unless otherwise stated)

Consolidated Statement of Financial Position

	as at 31.03.2012 end of I quarter/2012	as at 31.12.2011 end of prior year/2011	as at 31.03.2011 end of I quarter/2011
ASSETS			
Non-current assets	172 576	159 668	182 463
Property, plant and equipment	85 209	86 230	85 184
Intangible assets	32 093	30 747	26 107
Investments in associates	23 913	23 151	21 654
Available-for-sale financial assets	7 434	7 434	36 640
Non-current receivables	20 896	6 967	6 762
Deferred income tax assets	1 602	3 694	4 770
Non-current prepayments	1 429	1 445	1 346
Current assets	406 943	499 892	314 274
Inventories	75 134	57 225	42 144
Trade and other receivables	190 572	290 317	153 024
Available-for-sale financial assets	24	24	184
Current prepayments	7 268	4 267	4 314
Amounts due from construction contract work	103 526	108 984	84 840
Cash and cash equivalents	29 703	38 359	28 142
Fixed assets held for sale	716	716	1 626
Total assets	579 519	659 560	496 737
EQUITY AND LIABILITIES			
Equity	337 335	330 022	325 052
Issued share capital	26 375	26 375	26 375
Supplementary capital	281 574	282 520	261 361
Capital from valuation of available-for-sale investment	1 317	1 317	4 525
Currency translation differences	(441)	275	0
Capital from currency translation differences	2 055	2 064	464
Retained earnings	25 950	16 939	32 118
Total equity attributable to shareholders of the Company	336 830	329 490	324 843
Minority interest	505	532	209
Liabilities			
Non-current liabilities	12 017	10 896	8 887
Employee benefit obligations	3 564	3 603	2 856
Other liabilities	8 453	7 293	6 031
Current liabilities	230 167	318 642	162 798
Trade and other payables	195 164	274 702	122 297
Corporate income tax liabilities	249	524	1
Derivative financial instruments	1 876	7 185	0
Provisions	713	777	4 934
Accrued expenses	10 461	11 844	8 478
Amounts due to customers for construction contract work	21 704	23 610	27 088
Total liabilities	242 184	329 538	171 685
Total equity and liabilities	579 519	659 560	496 737

(all amounts in thousands of PLN unless otherwise stated)

Consolidated Statement of Comprehensive Income

	Q1 /2012 period from 01.01.2012 to 31.03.2012	Q1 /2011 period from 01.01.2011 to 31.03.2011
Continuing operations		
Revenue on sales of products, goods and materials	184 843	145 077
Cost of products, goods and materials sold	(172 480)	(137 103)
Gross profit on sales	12 363	7 974
Selling costs	(1 390)	(514)
General administrative expenses	(3 476)	(3 147)
Other operating expenses	(957)	(553)
Other gains (losses) - net	2 969	531
Operating profit	9 509	4 291
Finance income (costs) - net	0	0
Share in net profit of associates measured according to equity method	697	(444)
Gross profit before income tax	10 206	3 847
Income tax expense	(2 122)	(421)
Net profit from continuing operations for the period	8 084	3 426
Discontinued operations		
Net profit (loss) from discontinued operations for the period	0	0
Net profit for the period	8 084	3 426
<i>of which:</i>		
- attributable to the equity holders of ELEKTROBUDOWA SA	8 065	3 452
- attributable to minority holders	19	(26)
Other comprehensive income, total		
- valuation of available-for-sale investments	0	1 076
- deferred tax on valuation of available-for-sale investments	0	(205)
- currency translation differences from revaluation of the financial statements	(716)	0
- currency translation differences of subsidiaries and associates	(9)	564
- currency translation differences of minority interests	6	(10)
Total other comprehensive income	(719)	1 425
Total comprehensive income	7 365	4 851
<i>of which:</i>		
- attributable to the equity holders of ELEKTROBUDOWA SA	7 340	4 887
- attributable to minority holders	25	(36)
Earnings (loss) per share from continuing and discontinued (in PLN per one share)		
- basic	1,70	0,73
- diluted	1,70	0,73

(all amounts in thousands of PLN unless otherwise stated)

Consolidated Statement of Changes in Equity

	Attributable to equity holders of ELEKTROBUDOWA SA							Attributable to minority holders	Total equity
	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		
1 January 2012	26 375	100 676	181 844	1 317	275	16 939	2 064	532	330 022
<i>net profit</i>					(716)		(9)	6	(719)
<i>currency translation differences</i>						8 065		19	8 084
total comprehensive income				0	(716)	8 065	(9)	25	7 365
distribution of profit			50			(50)		30	30
coverage of prior years' loss			(996)			996			0
other changes								(82)	(82)
31 March 2012	26 375	100 676	180 898	1 317	(441)	25 950	2 055	505	337 335

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Q1 2012 condensed consolidated financial statements

(all amounts in thousands of PLN unless otherwise stated)

	Attributable to equity holders of ELEKTROBUDOWA SA							Attributable to minority holders	Total equity
	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		
1 January 2011	26 375	100 676	160 685	3 654	0	28 666	(100)	245	320 201
<i>currency translation differences</i>					275		2 164	52	2 491
<i>net profit</i>						37 918		218	38 136
<i>valuation of available-for-sale-investments</i>				1 617					1 617
<i>deferred tax on valuation of available-for-sale investments</i>				(308)					(308)
<i>reversal of valuation of available-for-sale investments</i>				(4 502)					(4 502)
<i>deferred tax on reversal of valuation of available-for-sale investments</i>				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

THE ELEKTROBUDOWA SA GROUP
Q1 2012 condensed consolidated financial statements

(all amounts in thousands of PLN unless otherwise stated)

	Attributable to equity holders of ELEKTROBUDOWA SA							Attributable to minority holders	Total equity
	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		
1 January 2011	26 375	100 676	160 685	3 654	0	28 666	(100)	245	320 201
<i>currency translation differences</i>							564	(10)	554
<i>net profit</i>						3 452		(26)	3 426
<i>valuation of available-for-sale-investments</i>				1 076					1 076
<i>deferred tax on valuation of available-for-sale investments</i>				(205)					(205)
total comprehensive income				871		3 452	564	(36)	4 851
31 March 2011	26 375	100 676	160 685	4 525	0	32 118	464	209	325 052

Notes to the consolidated financial statements

Consolidated Statement of Cash Flow

	Q1 /2012 period from 01.01.2012 to 31.03.2012	Q1 /2011 period from 01.01.2011 to 31.03.2011
Cash flows from operating activities		
Gross profit before taxes	10 206	3 847
Share of net profit of associates measured according to equity method	(697)	444
Depreciation and amortisation	3 172	2 983
Gains/losses from currency translation differences	(351)	(241)
Interest and share in profit (dividends)	5	0
Profit from/loss on sale of property, plant and equipment (PPE)	3	(119)
Change in inventories	(17 909)	(16 365)
Change in trade and other receivables	86 122	87 955
Change in liabilities, except loans and borrowings	(77 474)	(74 494)
Income tax paid	(612)	(6 421)
Change in current prepayments and accrued expenses	(4 384)	(3 086)
Change in non-current prepayments and accrued expenses	16	(16)
Change in settlements of construction contracts	3 552	(9 420)
Other adjustments	(6 123)	(256)
Net cash used in operating activities	(4 474)	(15 189)
Cash flows from investing activities		
Sale of intangible assets and PPE	23	152
Dividend and share in profits	0	426
Purchase of intangible assets and PPE	(4 545)	(5 007)
Net cash used in investing activities	(4 522)	(4 429)
Cash flows from financial activities		
Payment of finance lease obligations	(11)	0
Net cash used in financial activities	(11)	0
Net decrease in cash and bank overdrafts	(9 007)	(19 618)
Balance sheet change in cash and bank overdrafts	(8 656)	(19 377)
Change in cash due to currency translation differences	351	241
Cash and bank overdrafts at beginning of period	38 359	47 519
Cash and bank overdrafts at end of period	29 703	28 142

Notes to the consolidated financial statements

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 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 statistical number REGON 271173609.

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

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

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

The business activity of ELEKTROBUDOWA SA includes:

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

A subsidiary - KONIP Sp. z o.o. (Ltd) based at 12, Porcelanowa Str., 40 -246 Katowice.

ELEKTROBUDOWA SA holds a 100% stake in the equity of 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 buildings and structures, renting the useful areas, fire protection services, cleaning the rooms and area, as well as maintenance of fixed tangible assets, implementation of investment and repairs plans, property protection, managing the traditional and mobile telephone communications, maintaining the archives and the reception service.

Notes to the consolidated financial statements (continued)

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

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

Basic activity of ENERGOTEST sp. z o.o. 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 March 2012 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 Electrotechnical Company VECTOR Ltd. with registered office in Votkinsk, at 2, Pobiedy Str., the Autonomic Republic of Udmurtia of the Russian Federation.

As at 31 March 2012 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 equipment, including communication devices.

Notes to the consolidated financial statements (continued)

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

As at 31 March 2012 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 Shareholders.

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

1.2 Changes in the composition of the group and their consequences

As at 31 March 2012, as compared with 31 December 2011 and 31 March 2011, the organizational structure of the ELEKTROBUDOWA SA did not change.

1.3 Going concern concept

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

In order to fully understand the financial standing and performance of the group, the present consolidated financial statements should be read together with the quarterly condensed separate financial statements of ELEKTROBUDOWA SA for the 1st quarter of 2012.

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.

2. Summary of significant accounting policies

2.1 Statement of compliance with legislation

The Q1 2012 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.

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 the acquisition are recognised in the income statement 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 less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

There are no entities in the group which would be excluded from consolidation. Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.

The parent's and other consolidated entities' share in the subsidiaries, with that portion of net assets of subsidiaries, measured at their fair value, which reflects the parent's and other consolidated entities' share in the subsidiaries, at the date of taking control by the group, is eliminated.

Associates

Associates are all entities over which the parent has significant influence, participating in formulating their financial and operational policies, but has no control over them.

In the consolidated financial statements the associates are accounted for using the equity method.

Notes to the consolidated financial statements (continued)

Profits or losses, assets and liabilities of associates are recognised in the consolidated financial statements using the equity method. According to this method, investments in an associate are recognised in the consolidated statement of financial position under historical cost convention, with necessary adjustment reflecting the changes of the group's share of net assets of an associate happened after the acquisition date, less impairment of investments.

The group's share of its associates' profits is recognised in the statement of comprehensive income. Unrealised gains or losses on transactions between the group and its associates are eliminated to the extent of the group's interest in associates. The amount of dividend due to the group from the associates is also eliminated.

2.4 Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

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

Notes to the consolidated financial statements (continued)

- income and costs in each statement of comprehensive income are translated at average exchange rate for each currency, which is the arithmetic mean of average rates on the last day of each month of the reporting period, unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions;
- all resulting exchange differences are recognized as a separate component of equity.

2.5 Summary of significant accounting policies

The present condensed consolidated financial statements have been prepared in compliance with IAS 34 (Interim Financial Reporting).

The same accounting principles (policies) and calculation methods have been followed in the Q1 2012 condensed consolidated financial statements as in the annual consolidated financial statements prepared as at 31 December 2011.

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

In the 1st quarter of 2012 no operation was discontinued by the entities of the group and no such discontinuation is planned for the following period.

4. 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.

Notes to the consolidated financial statements (continued)

- 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 construction projects.
- 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 of generators, 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 thousands of PLN unless otherwise stated)

Notes to the consolidated financial statements (continued)

Business segments results for Q1 2012

	Power Generation Division	Industry Division	Power Distribution Division	Automation Division	All other segments	Group total
<u>Continuing operations</u>						
Sales revenue	66 301	52 026	70 189	8 777	2 797	200 090
of which:						
Revenue on external customers	65 478	51 799	59 596	7 296	674	184 843
Inter-segment sales	823	227	10 593	1 481	2 123	15 247
Operating profit	2 373	2 650	5 111	(635)	10	9 509
Financial activities result	0	0	0	0	0	0
Share of net profit of associates measured according to equity method	0	0	697	0	0	697
Profit before income tax	2 373	2 650	5 808	(635)	10	10 206
Income tax expense	(569)	(1 138)	(451)	107	(71)	(2 122)
Net profit from continuing operations for the period	1 804	1 512	5 357	(528)	(61)	8 084
<u>Discontinued operations</u>						
Net profit (loss) from discontinued operations for the period	0	0	0	0	0	0
Net profit for the period	1 804	1 512	5 357	(528)	(61)	8 084
of which:						
net profit of equity holders of ELEKTROBUDOWA SA	1 804	1 512	5 338	(528)	(61)	8 065
- net profit of minority shareholders	0	0	19	0	0	19

Other items of business segments recognized in the consolidated statement of comprehensive income for Q1 2012

	Power Generation Division	Industry Division	Power Distribution Division	Automation Division	All other segments	Group total
depreciation	996	382	458	157	590	2 583
amortisation	61	53	352	109	14	589

all amounts in thousands of PLN unless otherwise stated)

Notes to the consolidated financial statements (continued)

Business segments results for Q1 2011

	Power Generation Division	Industry Division	Power Distribution Division	Automation Division	All other segments	Group total
<u>Continuing operations</u>						
Sales revenue	65 927	50 031	33 908	8 996	2 389	161 251
of which:						
Revenue on external customers	65 270	49 476	21 597	8 124	610	145 077
Inter-segment sales	657	555	12 311	872	1 779	16 174
Operating profit	4 543	273	(1 329)	(201)	1 005	4 291
Financial activities result	0	0	0	0	0	0
Share of net profit of associates measured according to equity method	0	0	(444)	0	0	(444)
Profit before income tax	4 543	273	(1 773)	(201)	1 005	3 847
Income tax expense	(536)	72	132	(16)	(73)	(421)
Net profit from continuing operations for the period	4 007	345	(1 641)	(217)	932	3 426
<u>Discontinued operations</u>						
Net profit (loss) from discontinued operations for the period	0	0	0	0	0	0
Net profit for the period	4 007	345	(1 641)	(217)	932	3 426
of which:						
net profit of equity holders of ELEKTROBUDOWA SA	4 007	345	(1 615)	(217)	932	3 452
- net profit of minority shareholders	0	0	(26)	0	0	(26)

Other items of business segments recognized in the consolidated statement of comprehensive income for Q1 2011

	Power Generation Division	Industry Division	Power Distribution Division	Automation Division	All other segments	Group total
depreciation	945	370	485	142	500	2 442
amortisation	64	52	316	102	7	541

all amounts in thousands of PLN unless otherwise stated)

Notes to the consolidated financial statements (continued)

Assets and liabilities of business segments at 31 March 2012

	Power Generation Division	Industry Division	Power Distribution Division	Automation Division	All other segments	Group total
Assets	161 934	151 631	126 657	48 022	91 275	579 519
Liabilities	73 269	78 440	78 242	7 876	4 357	242 184
Expenditure on investments	122	139	1 925	168	1 189	3 543

Assets and liabilities of business segments at 31 March 2011

	Power Generation Division	Industry Division	Power Distribution Division	Automation Division	All other segments	Group total
Assets	138 945	115 282	93 272	49 629	99 609	496 737
Liabilities	54 543	48 910	55 735	5 497	7 000	171 685
Expenditure on investments	2 132	152	433	119	334	3 170

Impairment of receivables by business segments

	Power Generation Division	Industry Division	Power Distribution Division	Automation Division	All other segments	Group total
as at 31 March 2012	1 982	2 792	3 158	193	3 760	11 885
as at 31 March 2011	1 890	1 757	3 915	80	3 973	11 615

Notes to the consolidated financial statements (continued)

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:

	Q1 /2012	Q1 /2011
	period from	period from
	01.01.2012	01.01.2011
	to 31.03.2012	to 31.03.2011
Revenue on sales of products, goods and materials		
- domestic market	124 863	120 271
- East-European market	30 584	4 253
- Skandinavian market	23 565	18 219
- South-West Asia	3 057	203
- Western Europe	2 666	588
- Central Asia	102	0
- Central Europe	6	190
- Turkish market	0	1 342
- other markets	0	11
	184 843	145 077

In the 1st quarter of 2012 the group operated principally in the domestic market (68% of the sales revenues), East-European markets (17%), the Scandinavian market (13%) and the South-West Asian markets (2%).

Information about key customers

The revenue on direct sales generated by the Power Generation Division amounting to 65.5 million PLN (65.3 million PLN in the comparable Q1 of 2011) includes the 23.6 million PLN revenue earned on the contract with the group's biggest customer (in Q1 2011 it was 18.2 million PLN). This revenue accounted for 12.8% of total revenues generated by the group in Q1 2012, as compared to 12.5% for the comparable period of 2011.

Further, the revenue on the direct sales generated by the Industry Division in the 1st quarter of 2011 in the amount of 51.8 million PLN (49.5 million PLN in the comparable period of 2011) includes the 16.1 million PLN revenue on the contract with the second biggest customer of the group (in Q1 2011 it was 11.6 million PLN). This revenue accounted for 8.7% of total revenues generated by the group in the 1st quarter of 2012, as compared to 8.0% for the comparable period of 2011.

The revenue generated by the group on two key customers during the first quarter of 2012 accounted for 21.5% of its total revenue, while in the first quarter of 2011 it was 20.5%.

Notes to the consolidated financial statements (continued)

5. Earnings per share

Calculation of earnings per ordinary share for Q1 2012 was based on:

	Earnings	Shares	Earnings per share
Net profit attributable to equity holders of ELEKTROBUDOWA SA for the period (in PLN)	8 064 925		
Weighted average number of shares		4 747 608	
Basic earnings per share (in PLN)			1,70
Diluted earnings per share (in PLN)			1,70

Calculation of earnings per ordinary share for Q1 2011 was based on:

	Earnings	Shares	Earnings per share
Net profit attributable to equity holders of ELEKTROBUDOWA SA for the period (in PLN)	3 452 104		
Weighted average number of shares		4 747 608	
Basic earnings per share (in PLN)			0,73
Diluted earnings per share (in PLN)			0,73

6. Book value per share

	as at 31.03.2012 end of Q1 /2012	as at 31.12.2011 end of prior year/2011	as at 31.03.2011 end of Q1 /2011
equity attributable to shareholders of ELEKTROBUDOWA SA	336 830	329 490	324 843
number of shares (pcs)	4 747 608	4 747 608	4 747 608
book value per share	70,95	69,40	68,42

7. Dividend, paid or declared, per share

Pursuant to Resolution No. 20/2012 of the Annual General Meeting of ELEKTROBUDOWA SA held on 26 April 2012 on distribution of 2011 profit, the amount of 18 990 432.00 PLN was allocated for dividend to be paid in the amount of 4 PLN per share.

The dividend record date is 25 July 2012, the date of dividend payment is 9 August 2012.

Notes to the consolidated financial statements (continued)

8. Composition of the Management Board and Supervisory Board

Composition of the Management Boards of the parent and subsidiaries as of 31 March 2012

Management Board

ELEKTROBUDOWA SA

Jacek Faltynowicz	- President
Jarosław Tomaszewski	- Member
Ariusz Bober	- Member
Tomasz Jaźwiński	- Member
Janusz Juszczak	- Member
Arkadiusz Klimowicz	- Member

Management Board

KONIP Sp. z o.o.

Tadeusz Lamch	- President
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Management Board

ENERGOTEST sp. z o.o.

Arkadiusz Klimowicz	- President
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Executive Body

ELEKTROBUDOWA UKRAINE Ltd.

Oleksandr Karnaushenko	- Director
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Composition of the Supervisory Board of the parent as of 31 March 2012

Supervisory Board

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

Notes to the consolidated financial statements (continued)

9. Polish zloty exchange rate

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

In the table "Selected Financial Data" of the condensed consolidated financial statements of the ELEKTROBUDOWA SA group, the Q1 2012 and Q1 2011 as well as 2011 items have been translated into EUR as follows:

a) asset and liabilities items – according to the rate announced by the National Bank of Poland for:

- | | |
|--------------------|-------------------|
| - 30 March 2012 | 4.1616 PLN / EUR; |
| - 31 December 2011 | 4.4168 PLN/ EUR; |

b) items in the consolidated statement of comprehensive income and the consolidated statement of cash flow - according to the rate being the arithmetic mean of average euro rates announced by the National Bank of Poland at the end of each month of the reporting period:

- | | |
|--|-------------------|
| - from 1 January 2012 to 31 March 2012 | 4.1750 PLN / EUR; |
| - from 1 January 2011 to 31 March 2011 | 3.9742 PLN / EUR. |

10. Related-party transactions

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

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

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

- | | | |
|---|--------|------------|
| - sales of services – the Electrotechnical Company VECTOR Ltd. | 92 | thous. PLN |
| - sales of goods – the Electrotechnical Company VECTOR Ltd. | 15 920 | thous. PLN |
| - sales of materials - the Electrotechnical Company VECTOR Ltd. | 755 | thous. PLN |

Mutual balances between the parent and its associates as at 31 March 2012:

- | | | |
|--|----|------------|
| - payables of ELEKTROBUDOWA SA to SAUDI ELEKTROBUDOWA L.L.C. | 69 | thous. PLN |
|--|----|------------|

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

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

In the reporting period no costs of doubtful or hardly collectable receivables from transactions with the related parties were recognized. The parent, ELEKTROBUDOWA SA did not create provision for unsettled balances of payments with the related parties as at balance sheet date.

Notes to the consolidated financial statements (continued)

Figures relating to subsidiaries and associates:

As of 31 March 2012 the consolidation adjustments of the group were made for the amount of:	(29 809)	thous. PLN
which includes:		
- adjustment of the share capital of subsidiaries, attributable to the company's shareholders	(931)	thous. PLN
- adjustment of the supplementary capital of subsidiaries	(21 679)	thous. PLN
- currency translation differences from revaluation of associates	2 045	thous. PLN
- adjustment of current year's net profit in the amount of	503	thous. PLN
⇒ share in net profit of associated measured according to the equity method including income tax	552	thous. PLN
⇒ adjustment of net profit of subsidiaries	5	thous. PLN
⇒ adjustment of dividend received from settlement of profit	(54)	thous. PLN
- adjustment of prior year's net profit, of which:	(5 169)	thous. PLN
⇒ adjustment of net profit of subsidiaries	(3 163)	thous. PLN
⇒ adjustment of net profit of associates	(2 006)	thous. PLN
- adjustment of mutual settlements in the amount:	(4 578)	thous. PLN

Internal sales

In the consolidated financial statements consolidation exclusions were done in respect of revenue on sales between fully consolidated entities in the amount (5 032) thousand PLN.

Exclusions of unrealised gains

No essential eliminations of unrealised gains were made.

Investment in associates

The tables below present a summary of financial data concerning the associates.

	KRUELTA Ltd.	The Electrotechnical Plant VECTOR Ltd.	SAUDI ELEKTROBUDOWA LLC
Data of associates as at 31 March 2012			
total non-current assets	265	33 533	75
total current assets	1 777	51 553	179
long-term liabilities	0	680	0
short-term liabilities	1206	37 669	218
Data of associates for Q1 2012			
revenue from sales of products, goods and materials	41	27 805	0
cost of products, goods and material sold	41	22 820	0

Notes to the consolidated financial statements (continued)

	KRUELTA Ltd.	The Electrotechnical Plant VECTOR Ltd.	SAUDI ELEKTROBUDOWA LLC
Data of associates as at 31 March 2011			
total non-current assets	18	35 290	95
total current assets	2 828	18 739	1 033
long-term liabilities	0	707	0
short-term liabilities	11	11 450	1 009
Data of associates for Q1 2011			
revenue from sales of products, goods and materials	134	11 645	105
cost of products, goods and material sold	105	9 828	0

11. Contingent liabilities

a) guarantees

As at 31 March 2012, 31 December 2011 and 31 March 2011 the group extended contract guarantees, comprising performance bonds and warranty bonds, through:

	as at 31 March 2012	as at 31 December 2011	as at 31 March 2011
PKO BP S.A.	59 867	63 890	65 234
BRE Bank S.A.	52 536	62 854	46 963
T.U. ALLIANZ POLSKA SA	42 069	46 093	34 449
Bank PeKaO S.A.	33 280	31 658	5 873
Bank Handlowy w Warszawie S.A.	26 054	26 720	7 002
ING Bank Śląski S.A.	8 309	8 662	9 435
HDI Asekuracja TU S.A.	3 267	0	0
Gerling Towarzystwo Ubezpieczeniowe S.A.	2 655	2 859	2 383
BNP PARIBAS BANK POLSKA S.A.	183	458	0
PZU S.A.	25	212	289
FORTIS BANK Polska S.A.	0	0	530
Total amount of guarantees	228 245	243 406	172 158

Notes to the consolidated financial statements (continued)

b) Promissory notes

As of 31 March 2012 the ELEKTROBUDOWA SA group issued promissory notes for the total amount of 16 435 thousand PLN, and also:

- 1 promissory note issued in favour of BRE Bank S.A.o/Katowice as security for the guarantee line;
- 10 promissory notes as security for insurance guarantee claim of T.U. Allianz Polska S.A.;
- 1 promissory note as security for a multi-purpose agreement with Bank PeKaO S.A.;
- 10 promissory notes issued in favour of HDI Asekuracja TU S.A. as security for insurance guarantees agreement,
- 2 promissory notes as security for overdraft and a guarantee line provided by the bank PKO BP S.A.;
- 1 promissory note as security for the guarantee revolving line provided by Bank Handlowy w Warszawie SA;
- 1 promissory note as security for the multi-product agreement with ING Bank Śląski SA;
- 5 blank promissory notes with declaration and a certificate of deposit for 150 thousand PLN as security for claims from the contract bonds issued by PZU S.A.;
- 5 blank promissory notes with declaration in favour of HDI Gerling Polska S.A. as security for insurance guarantees;
- 1 blank promissory note in favour of BNP PARIBAS BANK POLSKA S.A. as security for bank guarantees.

As of 31 December 2011 ELEKTROBUDOWA SA group issued promissory notes as security for 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 insurance guarantees claim of T.U. Allianz Polska S.A.;
- 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 March 2011 the group issued promissory notes for the total amount of 15 294 thousand PLN, and also:

- 1 promissory note issued in favour of BRE Bank S.A.o/Katowice as security for the guarantee line;
- 10 blank promissory notes as security for claims from contract bonds against T.U. Allianz Polska S.A.;
- 1 blank promissory note as security for a bank loan and a guarantee line in PKO S.A.;
- 5 blank promissory notes with "without protest" restriction in favour of Gerling Polska T.U. S.A. as security for the issued contract bods;
- 2 blank promissory notes as security for the credit and guarantee line provided by the bank PKO BP S.A.;
- 1 blank promissory note as security for the guarantee line provided by Bank Handlowy w Warszawie SA;
- 1 blank promissory note as security for the guarantee line provided by ING Bank Śląski SA;
- 5 blank promissory notes with declaration in favour of PZU S.A. as security for the issued guarantees;
- 5 blank promissory notes with declaration in favour of Gerling Polska T.U. S.A. as security for contract bonds;
- 1 blank promissory note as security for FORTIS BANK POLSKA S.A. relating to bank guarantees.

c) Sureties

As of 31 March 2012, 31 December 2011 and 31 March 2011 the group did not grant any sureties.

12. Changes in the applied accounting standards

The accounting standards adopted by the group as well as the methods of establishing the financial result and preparing the consolidated financial statements are applied on continual basis in the consecutive reporting periods.

13. Changes in presentation of consolidated financial statements

In the consolidated statement of financial position prepared as at 31 March 2012 a change was introduced to presentation of comparable data, which concerned a shift of the amount of Non-current Assets Held for Sale worth 1 626 thousand PLN as at 31.03.2011 from Non-current Assets to Current Assets.

Notes to the consolidated financial statements (continued)

14. Additional notes

The market in which the group operates, supplying construction and erection services and executing projects for power industry, chemical industry and providing turnkey public utility facilities is strongly affected by seasonality. The beginning of a year is usually the time for establishing budgets by the customers and for tendering procedures, whereas many contracts have their scheduled completion dates by the end of the year. Work progress usually depends on weather, so most of outdoor building and installation works are performed in summer, whereas indoor works in winter.

After a hard beginning of the year for the building companies, further months of the 1st quarter 2012 were marked by constantly growing trend. In February 2012 the sales revenues generated by the parent were by 15.9% higher than in January 2012, in March 2012 they increased by 19.2% as compared with February. Revenues from the sales of products, goods and materials generated by the group in the 1st quarter of 2012 amounted to 184.8 million PLN, which accounts for 18.3% of the 2012 total budgeted revenues. As compared with the 1st quarter of 2011 the Q1 2012 sales revenue rose by 27.4%. Dynamic growth in revenues in Q1 2012 concerned mainly the sales of finished products, both to domestic and foreign markets. The Q1 2012 budget of sales revenues was performed in 87.0%. Lower share of Q1 2012 revenue in relation to the annual forecast indicates the occurrence of seasonality effect, characteristic for the building and construction trade in which the company operates. The impact of seasonality on execution of construction and erection services was accounted for at the stage of preparation of the 2012 company budget, based on the schedule of contractual works. Rescheduling of completion of stages of performance of contractual works involved shifting of progress-based payment dates to next reporting periods.

Non-current assets held for sale

In the statement of financial position as at 31 March 2012 the group recognizes held-for-sale assets for the total amount 716 thousand PLN. They include components of property, plant and equipment item and the right of perpetual usufruct of land which were ceased to use and made available for immediate sale in the actual state. The items are owned by the parent, ELEKTROBUDOWA SA.

In the third quarter of 2011, as for a long time the real estate market has shown no interest in the property put to sale, the subsidiary ENERGO TEST sp. z o.o. decided to enter the fixed assets that had not been sold, in the value of 711 thousand PLN, in the records of property, plant and equipment. At the same time the company adjusted the depreciation for the period from 1 January 2010 to 30 September 2011 for the amount of 77 thousand PLN. Depreciation of those fixed assets will be continued according to depreciation rates which had been applied before the assets were transferred to "Non-current assets held for sale".

Notes to the consolidated financial statements (continued)

Claims against the parent company and the related parties

In August 2011 and in January 2012 the Finnish Electrical Workers' Trade Union filed suits against the parent as an employer employing its workers at the site of Olkiluoto Nuclear Power Plant for payment of total amount of EUR 4 725 643.91. The claim concerns additional payments from ELEKTROBUDOWA SA to supplement remuneration paid to the employees for work in the period of their employment at the site of Olkiluoto NPP, Finland. Due to Finnish jurisdiction and the fact that the Finnish law is applicable to significant part of the claim, ELEKTROBUDOWA SA commissioned a law firm in Finland to represent the company in proceedings at law. Because of the value of claimed amount and complexity of the case, ELEKTROBUDOWA SA makes use of opinions of the international private law, presenting motions concerning incapacity of the Finnish Trade Union. ELEKTROBUDOWA SA disputes the claims in their major part. In result of consideration by the Finnish Trade Union of ELEKTROBUDOWA's arguments of violation of the EU law, total amount of claim was reduced to EUR 4 360 299.41.

The Management Board of the parent are of the opinion that the company has strong arguments to dismiss a substantial part of claim. Because of its complexity the case requires detailed documentation and presentation of opinions, therefore it is hardly probable that the proceedings in court would be finished by the end of the year.

In the opinion of the Management of the parent there are no circumstances, except the described above, either than above which would indicate the possibility for substantial liability to arise due to claim against any entity of the group.

15. Selected financial data

Deferred income tax assets

	as at 31.03.2012 end of Q1 2012	as at 31.12.2011 end of prior year /2011	as at 31.03.2011 end of Q1 2011
Deferred income tax assets	23 810	27 200	20 113
Deferred income tax liabilities	(22 208)	(23 506)	(15 343)
Deferred corporate income tax	1 602	3 694	4 770

The amount of the group's deferred income tax assets and related provisions depends mainly on the specific nature of settlements of construction contracts (the moment of recognition of the cost as incurred and the income as realized are different in the tax and the accounting methods).

Notes to the consolidated financial statements (continued)

Impairment provisions for receivables of the group

	as at 31.03.2012 end of Q1 2012	as at 31.12.2011 end of prior year /2011	as at 31.03.2011 end of Q1 2011
- receivables in bankruptcy proceedings	8 363	8 363	9 226
- receivables in arrangement proceedings	193	193	80
- receivables vindicated in court	192	221	275
- overdue debtors	3 137	3 239	2 034
Impairment of receivables	11 885	12 016	11 615

In the 1st quarter of 2012 the group created provisions for impairment of receivables, both current and non-current, in the total amount of 15 thousand PLN, of which:

- claims vindicated in court 15 thousand PLN

In the 1st quarter of 2012 the group reversed provisions for impairment of receivables (current and non-current) for the amount of 146 thousand PLN, of which:

- claims vindicated in court 48 thousand PLN
- overdue debts 98 thousand PLN

Receivables and payables write-off due to discount

In the 1st quarter of 2012 the group recognised impairment due to discount decreasing the amount of receivables by 53 thousand PLN and the discount decreasing the amount of payables by 94 thousand PLN.

In the 1st quarter of 2011 the group recognised impairment due to discount increasing the amount of receivables by 246 thousand PLN and the discount decreasing the amount of payables by 26 thousand PLN.

	Q1 /2012 period from 01.01.2012 to 31.03.2012	Q1 /2011 period from 01.01.2011 to 31.03.2011
Receivables and payables write-off due to discount		
- to sales revenues	(59)	230
- to manufacture cost	94	26
- to other gains (losses) - net	6	16
Total write-off due to discount	41	272

Notes to the consolidated financial statements (continued)

Provisions for future liabilities and expenses

	as at 31.03.2012 end of Q1 2012	as at 31.12.2011 end of prior year /2011	as at 31.03.2011 end of Q1 2011
- provision for long-term pension benefits	3 564	3 603	2 856
- provision for short-term pension benefits	143	208	48
- provision for warranty repair works	570	569	386
- provision for expected liquidated damages	0	0	4 500
Provisions for future liabilities and expenses	4 277	4 380	7 790

16. Current legal or arbitration proceedings or proceedings before the public administration body

There are no lawsuits pending against the entities of the ELEKTROBUDOWA group for receivables or liabilities of total claim value exceeding 10% of the group's equity.

17. Events and circumstances which affect the financial result

The economic conditions in the construction industry have been deteriorating since August 2011. The general business climate factor remained unfavourable due to negative evaluation of order backlog, building and construction output and financial situation of companies. Despite deteriorating business conditions, the forecasts allow to expect a period of optimism to come. In short-term outlook companies from the power sector and transport have the best opportunities to earn profit. Polish entrepreneurs regard road and railroad infrastructure and power industry as important sources of future income.

The situation in the construction industry is reflected in the volume of orders received by the parent, ELEKTROBUDOWA SA in the 1st quarter of 2012. In the reporting period the company signed orders for total amount of 237.7 million PLN, while in the three months of 2011 the value of orders received amounted to 313.5 million PLN. As compared with the same period of the previous year, in Q1 2012 there was a 24.2% drop in the value of concluded contracts and received orders.

The parent's backlog of orders as of 31 March 2012, which includes contracts being performed and pending performance, reached the level of 908.6 million PLN. As compared with the 802.7 million PLN order backlog at 31 March 2011, there was a 13.2% increase. Forecasts for the level of orders in the coming period are optimistic, both in respect of domestic orders and exports.

The following contracts were signed in the 1st quarter of 2012:

- | | |
|--|------------------|
| - Equipment and erection of process- and building electrification installations for STORA ENSO Narew Sp. z o.o. | 27.3 million PLN |
| - Design engineering and construction of the 110/15kV – RPZ 11 substation with the 110kV overhead line in Białystok for PGE Dystrybucja Spółka Akcyjna | 21.4 million PLN |
| - Modernization of mill fans and rotary air heaters of units no. 4, 6, 3, 1 and 5 in TAURON Wytwarzanie Spółka Akcyjna – Oddział Elektrownia Jaworzno III, for FAWENT Spółka Akcyjna | 20.5 million PLN |

Notes to the consolidated financial statements (continued)

- Electrical equipment and installations of the boiler for biomass burning for the project: "Green Unit in Połaniec Power Plant" for FOSTER WHEELER ENERGIA POLSKA Sp. z o.o.	20.4 million PLN
- Extension of the scope of contract for the construction of the National Stadium in Warsaw incl. associated infrastructure for the Consortium of Alpine Construction Polska Sp. z o.o. and Hydrobudowa Polska S.A.	18.5 million PLN
- Construction and installation works for the project: Construction of the Car Parts Factory in Wałbrzych for Halla Engineering and Construction Corporation, Poland – for Polimex – Mostostal S.A.	13.5 million PLN
- Modernization of 6kV main substations RG-I and RG-II on the ground of coal mine KW S.A. Oddział KWK "Knurów – Szczygłowie" Ruch Szczygłowie for Kampania Węglowa S.A.	8.0 million PLN
- Supply, execution, testing and commissioning of electrical installations at Złota 44 Tower, Warsaw for INSO Sistemi per le infrastrutture Sociali S.p.A., Branch in Poland	7.3 million PLN
- Supply and commissioning of 14 sets of 6/0.5kV substations SKK for RAMB Sp. z o.o.	7.0 million PLN
- Turnkey supply: engineering, dismantling, supply, installation of electrical and I&C systems relating to the replacement of electrical precipitator of Unit 3 in Kozienice Power Plant for RAFAKO S.A.	4.3 million PLN

The biggest contracts won by the group were concluded by the parent.

Revenues from sales of product, goods and materials generated by the ELEKTROBUDOWA SA group for 1st quarter of 2012 amounted to 184 843 thousand PLN and were by 39 766 thousand PLN (by 27.4%) higher than in the same period of the previous year.

Out of the total revenues of the group, 94.4% was generated the parent, ELEKTROBUDOWA SA, while 4.0% by ENERGOTEST sp. z o.o. and 1.6% by ELEKTROBUDOWA UKRAINE Ltd.

The income generated by the group in Q1 2012 was owed mainly to the following contracts:

- Supply, erection and commissioning of electrical and I&C components and systems for the Nuclear Power Plant Olkiluoto Finland for AREVA NP GmbH	20.0 million PLN
- Turnkey reconstruction and revitalization of the building of former chain store, Powszechny Dom Towarowy "Okraglak" and adjacent office building "Kwadraciak" with the purpose of obtaining commercial and office space for Okraglak Development sp. z o.o.	16.2 million PLN
- Building and construction services including electrical and I&C works at the site of Bituminous Shale Deoiling Plant, for OUTOTEC GmbH.	9.6 million PLN
- The National Stadium, Warsaw incl. infrastructure, for the Consortium of Alpine Construction Polska Sp. z o.o. and Hydrobudowa Polska S.A.	8.1 million PLN

Notes to the consolidated financial statements (continued)

- Construction of the 110/15kV transformer station GPZ Gronowo with connection to the 110kV overhead line in Gronowo Górne, for ENERGA – OPERATOR Spółka Akcyjna	7.3 million PLN
- Turnkey supply, including equipment, installation and commissioning, of electrical part for the FGD plant of units 1 and 2 in PGE GiEK SA, Elektrownia Bełchatów SA Branch for Rafako SA.	6.9 million PLN
- Civil and other works relating to the project of building the Franowo tramway depot, Poznań for Miejskie Przedsiębiorstwo Komunikacyjne w Poznaniu Sp. z o.o.	6.1 million PLN
- Wind farm FW WARTKOWO in Gościno and Karlino communes for Przedsiębiorstwo Budownictwa Drogowo – Inżynieryjnego S.A.	3.5 million PLN
- Modernization of electrical switchgear in the EDF Group (Heat& Power Plant in Kraków) for EDF Polska CUW Sp. z o.o.	3.0 million PLN
- Construction works for “Sky Tower” project – electrical installations, for LC Corp Sky Tower Sp. z o.o.	3.0 million PLN

The group's gross profit on sales for the 1st quarter of 2012 was 12 363 thousand PLN, by 55.0% higher than for the same period of 2011.

Higher growth rate of sales revenues (by 27.4%) than that of costs of products, goods and materials sold (by 25.8%) recorded by the group on the level of 1.6 percentage point, resulted in the increase in gross income on sales by 4 389 thousand PLN. Relation between revenue and costs and its influence on the amount of profit describe the return on sales indicators. Return on sales after the first three months of 2012 was 6.7% and rose by 1.2 percentage point as compared with the same period of the previous year. Although the appraisal of general situation of construction business significantly lowered in Q1 2012, condition of the group did not deteriorate as compared with Q1 2011. This is to a large extent owed to a considerable order backlog with which the group entered the year 2012.

Cost of sales for Q1 2012 amounted to 1 390 thousand PLN and were by 876 thousand PLN higher than for Q1 2011. Levels of costs in further reporting periods were correlated with the level of sales revenues. In the comparable periods the share of costs of selling in the sales revenue was 0.8% and 0.4% for Q1 2012 and Q1 2011 respectively.

General administrative expenses in Q1 2012 rose by 10.5% as compared with Q1 2011. The increase was smaller than in the case of sales revenue, which is proved by the share of general administrative expenses in the revenues that was 1.2% and 2.2% respectively for the analysed periods.

Other operating expenses of the reporting period recorded a growth by 73.1% as compared with the 1st quarter of 2011. They included fees and charges relating to bank and insurance guarantees (818 thousand PLN) and legal fees and penalties (139 thousand PLN).

Other gains / losses – net recognized for the three months of 2012 totalled 2 969 thousand PLN, while as at the end of Q1 2011 other net gains of 531 thousand PLN were recognized. Other net gains for the first quarter of 2012 are the outcome of other income that amounted to 6 498 thousand PLN less other expenses in the amount of 3 529 thousand PLN.

Notes to the consolidated financial statements (continued)

Major items of other income are:

- positive valuation of forward contracts	5 350	thousand PLN
- interests received, mainly on cash in bank	701	thousand PLN
- reversal of provision for impairment of receivables	57	thousand PLN
- discount of non-current receivables	6	thousand PLN

Major items of other expenses are:

- negative currency translation differences	2 555	thousand PLN
- donations	48	thousand PLN
- impairment of receivables	15	thousand PLN

In the three months of 2012 the group earned profit on operating activity of 9 509 thousand PLN, which is by 5 218 thousand PLN (by 121.6%) higher than for the same period of the previous year.

Return on operations for Q1 2012 reached the level of 5.1% and rose as compared with Q1 2011 by 2.1 percentage point.

The share in net profit of associates measured according to the equity method for the reporting three months of 2012 amounted to 697 thousand PLN and accounted for 8.6% of the group's net profit earned in the period.

The gross profit before taxes earned by the group for the period from 1 January 2012 to 31 March 2012 was 10 206 thousand PLN, whereas the group's net profit for the same period amounted to 8 084 thousand PLN. Both gross profit and net profit rose on the comparable period of 2011, by 165.3% and 136.0% respectively. The net profit earned by the group in the three months of 2012 in the amount of 8 065 thousand PLN is attributable to the equity holders of ELEKTROBUDOWA SA, whereas the amount of 19 thousand PLN to minority shareholders.

Return on sales on the level of the net profit for Q1 2012 was 4.4%, which was by 2.0 percentage point higher than for the comparable period of the previous year.

Favourable changes in the volume of generated revenues and financial performance in Q1 2012 were possible to achieve owing to:

- building up competencies in General Realization of Projects;
- diversification of orders;
- consequently built territorial network of customer service;
- systematically increasing share of exports.

The management of the parent attaches great significance to increasing competitiveness of the ELEKTROBUDOWA SA group in the foreign markets and to increasing exports.

The group is actively seeking new markets for its products and services and increases turnover in its traditional markets. The parent operates three foreign permanent establishments, through which contract works are continued in Finland, Luxembourg and Estonia, and enters the German market with a recently registered establishment.

The performance of the group was undoubtedly attributed to the following factors:

- market situation in the power sector, chemicals, metallurgy and mining;
- prices for electrical materials, electric power equipment and metallurgical products;
- high labour and administration costs;
- strongly competitive environment;
- a slowdown in debt payment and accruing payment gridlocks.

It is the priority for the entities of the group in further months of the year 2012 to improve the performance and operating effectiveness. Except the improvement of effectiveness, the group will focus on the improvement of project management process and also on optimization of purchasing processes and financial liquidity. The management of the parent is particularly concerned about increasing the competitive advantage of the group in foreign markets and about growth of exports.

Notes to the consolidated financial statements (continued)

18. Significant events after the balance sheet date

No significant events occurred which should be disclosed in the consolidated financial statements for the 1st quarter of 2012.

19. Representation of the Management Board of ELEKTROBUDOWA SA on realization of forecast announced earlier

Having considered the performance of the first quarters of the year, the Management Board is of the opinion that realization of the announced Budget is not at risk.

In the consolidated annual budget for the ELEKTROBUDOWA SA group, announced on 28 March 2012, it is assumed that in 2012 the group would generate 1 009 583 thousand PLN of total sales revenues, whereas their net profit should amount to 38 543 thousand PLN (of which 38 281 thousand PLN profit attributable for the Company's shareholders). The consolidated financial performance of the group after the three months of 2012 shows that the sales revenues amount to 184 843 thousand PLN and the net profit is 8 084 thousand PLN, of which 8 065 thousand PLN is attributable for the company's equity holders; for the same period of the previous year the net profit attributable to Company shareholders amounted to 3 452 thousand PLN (135% growth), while generated sales revenues amounted to 145 077 thousand PLN (27% growth).

It results from the above data that after the 1st quarter the budgeted sales revenues were realized in 18% whereas net profit in 21%.

20. Information about issuance of debt securities

The group did not issue any debt securities in the first quarter of 2012.

21. Additional information of the parent

Pursuant to the Regulation of the Minister of Finance dated 19 February 2009 on current and interim information provided by the issuers of securities and on the conditions of acknowledging the equivalence of information required by laws of a non-member country, we inform:

On 13 February 2012 the company informed about the changes to the contract of 21 December 2009 between ALPINE Construction Polska Sp. z o.o. and Hydrobudowa Polska SA as one side, and the Consortium of: ELEKTROBUDOWA SA - the Consortium Leader, QUMAK-SEKOM S.A. – the Consortium Partner and PRZEDSIĘBIORSTWO „AGAT” S.A. - the Consortium Partner as the other side. The scope of change concerned separation of part of work from the main contract and extension of the additional contract by including additional works provided at the site of the National Stadium in Warsaw for total price of 18 503 976.36 PLN net. The additional works increase the total net contract price for the Consortium to the amount 138 478 191.55 PLN.

On 28 March 2012 the company disclosed a declaration of the Management of ELEKTROBUDOWA SA to pay the dividend of 4.00 PLN per share.

On 28 March 2012 the company presented selected items of the Company's and the group's 2012 Budget approved by the Supervisory Board.

Notes to the consolidated financial statements (continued)

On 29 March 2012 the company informed that its Annual General Meeting was convened for 26 April 2012. The announcement of AGM convocation and the agenda with draft resolutions were also disclosed.

Events after closing the 1st quarter of 2012 and before submitting this quarterly report:

On 5 April 2012 ELEKTROBUDOWA SA informed about a change to the AGM agenda made on request of a shareholder.

On 20 April 2012 the company informed that a contract had been signed with Polskie Sieci Elektroenergetyczne Operator SA for the project "Construction of a 400kV electrical station Łomża". Net contract price is 48 100 000.00 PLN.

On 20 April 2012 the company disclosed receiving an Amendment 1 to the Contract of 22 September 2011 made with Emerson Process Management, Power and Water Solutions Sp. z o.o, which introduced changes to the contractual scope of supply, involving the increase of total contract price by 10 200 000.00 PLN net, up to the amount of 68 943 820.00 PLN.

On 26 April 2012 the company disclosed resolutions adopted by the Annual General Meeting of ELEKTROBUDOWA SA concerning the following issues:

- approval of the Directors' Report on company's activities and the company's financial statements for the financial year 2011,
- approval of the Directors' Report on the group's activities and the group's consolidated financial statements for the financial year 2011,
- discharging the members of the company's Management Board from liability for performance of their duties in the financial year 2011,
- discharging the members of the company's Supervisory Board from liability for performance of their duties in the financial year 2011,
- distribution of the 2011 profit and on dividend to be paid in 4.00PLN per share,
- fixing the record day (25 July 2012) and dividend payment day (9 August 2012),
- establishing remuneration for the Supervisory Board's Audit Committee.

On 26 April 2012 the company informed that the Annual General Meeting of ELEKTROBUDOWA SA adopted a resolution on distribution of 2011 profit and on dividend payment. The dividend will be paid in the amount of 18 990 432.00 PLN. i.e. 4.00 PLN per share. The dividend record date is 25 July 2012, the date of dividend payment is 9 August 2012.

On 26 April 2012 the company informed that its Supervisory Board adopted a resolution on appointing the Management board for the next term of office. The Supervisory Board appointed Mr Jacek Faltynowicz President of the Management Board. On his motion, the Supervisory Board appointed Mr Ariusz Bober, Mr Tomasz Jaźwiński, Mr Janusz Juszczyk, Mr Arkadiusz Klimowicz and Mr Jarosław Tomaszewski members of the Management Board.

On 26 April 2012 the company informed that the Supervisory Board selected Deloitte Audyt Sp. z o.o. based in Warsaw (00-854), Al. Jana Pawła II 19 to review the H1 2012 financial statements and audit the 2012 annual financial statements of ELEKTROBUDOWA SA and the ELEKTROBUDOWA SA group.

On 27 April 2012 the company published a list of shareholders holding at least 5% of votes in the Annual General Meeting of ELEKTROBUDOWA SA on 26 April 2012.

Notes to the consolidated financial statements (continued)

Shareholders as at 31 December 2011:

	Numbers of shares = number of votes	% of votes and % equity
Aviva OFE Aviva BZ WBK SA	721 094	15.19
ING OFE (Open-end Pension Fund)	472 405	9.95
Generali OFE	466 433	9.82
Otwarty Fundusz Emerytalny PZU „Złota Jesień”	401 733	8.46
AXA OFE	395 723	8.34
Amplico OFE	268 343	5.65
Free float	2 021 877	42.59
Total	4 747 608	100.00

Shareholders as at 15 May 2012:

	Numbers of shares = number of votes	% of votes and % equity
Aviva OFE Aviva BZ WBK SA	721 094	15.19
Generali OFE	466 433	9.82
ING OFE (Open-end Pension Fund)	450 000	9.48
Otwarty Fundusz Emerytalny PZU „Złota Jesień”	400 000	8.43
AXA OFE	395 723	8.34
Amplico OFE	250 000	5.27
Free float	2 064 358	43.47
Total	4 747 608	100.00

As on 15 May 2012 the managing persons do not hold shares in ELEKTROBUDOWA SA.

As on 15 May 2012 the supervising persons do not hold shares in ELEKTROBUDOWA SA.

ELEKTROBUDOWA SA

Condensed Financial Statements

for the 1st quarter of 2012

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(all amounts in PLN thousands unless otherwise stated)

Statement of Financial Position

	as at 31.03.2012 end of Q1 2012	as at 31.12.2011 end of prior year/2011	as at 31.03.2011 end of Q1 2011
ASSETS			
Non-current assets	188 899	176 609	206 052
Property, plant and equipment	82 126	83 095	82 867
Intangible assets	9 548	8 129	3 052
Investments in associates	23 184	23 184	23 184
Interest in subsidiaries	47 901	47 901	47 899
Available-for-sale financial assets	2 470	2 470	36 385
Non-current receivables	20 891	6 947	6 710
Deferred income tax assets	1 380	3 472	4 609
Non-current prepayments	1 399	1 411	1 346
Current assets	388 438	480 298	289 542
Inventories	73 198	55 916	40 675
Trade and other receivables	184 360	277 216	146 901
Available-for-sale financial assets	24	24	184
Current prepayments	6 807	3 698	3 990
Amounts due from construction contract work	100 588	106 643	80 122
Cash and cash equivalents	22 745	36 085	16 755
Non-current assets held for sale	716	716	915
Total assets	577 337	656 907	495 594
EQUITY AND LIABILITIES			
Equity	339 780	332 449	328 454
Share capital (after restatement)	26 375	26 375	26 375
Supplementary capital	281 812	281 812	260 702
Capital from valuation of available-for-sale investment	1 289	1 289	4 325
Currency translation differences	(441)	275	0
Retained earnings	30 745	22 698	37 052
Liabilities			
Non-current liabilities	11 877	10 739	8 789
Employee benefit obligations	3 428	3 467	2 732
Other liabilities	8 449	7 272	6 057
Current liabilities	225 680	313 719	158 351
Trade and other payables	194 312	272 758	119 940
Corporate income tax liabilities	161	236	0
Derivative financial instruments	1 876	7 185	0
Provisions	472	536	4 919
Accrued expenses	8 212	9 894	7 750
Amounts due to customers for construction contract work	20 647	23 110	25 742
Total liabilities	237 557	324 458	167 140
Total equity and liabilities	577 337	656 907	495 594

(all amounts in PLN thousands unless otherwise stated)

Statement of Comprehensive Income

	Q1 /2012 period from 01.01.2012 to 31.03.2012	Q1 /2011 period from 01.01.2011 to 31.03.2011
Continuing operations		
Revenue on sales of products, goods and materials	177 817	137 616
Cost of products, goods and materials sold	(166 276)	(130 589)
Gross profit on sales	11 541	7 027
Selling costs	(1 300)	(494)
General administration expenses	(2 261)	(2 180)
Other operating expenses	(851)	(520)
Other gains (losses) - net	2 880	476
Operating profit	10 009	4 309
Finance income (costs) - net	54	1 793
Gross profit before income tax	10 063	6 102
Income tax expense	(2 016)	(655)
Net profit from continuing operations for the period	8 047	5 447
Discontinued operations		
Net profit (loss) from discontinued operations for the period	0	0
Net profit for the period	8 047	5 447
Other comprehensive income, total		
valuation of available-for-sale investments	0	1 075
deferred tax relating to available-for-sale investments	0	(204)
currency translation differences of the valuation	(716)	0
Total other comprehensive income	(716)	871
Total comprehensive income	7 331	6 318
Earnings (loss) per share from continuing and discontinued operations (in PLN per share)		
- basic	1,70	1,15
- diluted	1,70	1,15

(all amounts in PLN thousands unless otherwise stated)

Statement of Changes in Equity

	Share capital after restatement	Supplementary capital from share premium	Other supplementary capital	Capital from valuation of available-for-sale investment	Currency translation differences of valuation	Retained earnings	Total equity
1 January 2012	26 375	100 676	181 136	1 289	275	22 698	332 449
<i>net profit</i>						8 047	8 047
<i>currency translation differences</i>					(716)		(716)
total comprehensive income				0	(716)	8 047	7 331
31 March 2012	26 375	100 676	181 136	1 289	(441)	30 745	339 780
	Share capital after restatement	Supplementary capital from share premium	Other supplementary capital	Capital from valuation of available-for-sale investment	Currency translation differences of valuation	Retained earnings	Total equity
1 January 2011	26 375	100 676	160 026	3 454	0	31 605	322 136
<i>net profit</i>						40 689	40 689
<i>currency translation differences</i>					275		275
<i>valuation of available-for-sale-investments</i>				1 829			1 829
<i>deferred tax on valuation of available-for-sale investments</i>				(348)			(348)
<i>reversal of available-for-sale investments valuation</i>				(4 502)			(4 502)
<i>deferred tax relating to reversal of available-for-sale investments valuation</i>				856			856
total comprehensive income				(2 165)	275	40 689	38 799
<i>distribution of profit</i>			21 110			(21 110)	0
<i>dividend payment</i>						(28 486)	(28 486)
31 December 2011	26 375	100 676	181 136	1 289	275	22 698	332 449

ELEKTROBUDOWA SA
Q1 2012 Condensed Financial Statements

(all amounts in PLN thousands unless otherwise stated)

	Share capital after restatement	Supplementary capital from share premium	Other supplementary capital	Capital from valuation of available-for-sale investment	Currency translation differences of valuation	Retained earnings	Total equity
1 January 2011	26 375	100 676	160 026	3 454	0	31 605	322 136
<i>net profit</i>						5 447	5 447
<i>valuation of available-for-sale-investments</i>				1 075			1 075
<i>deferred tax on valuation of available-for-sale investments</i>				(204)			(204)
total comprehensive income				871	0	5 447	6 318
31 March 2011	26 375	100 676	160 026	4 325	0	37 052	328 454

(all amounts in PLN thousands unless otherwise stated)

Notes to the condensed financial statements (continued)

Statement of Cash Flow

	Q1 /2012 period from 01.01.2012 to 31.03.2012	Q1 /2011 period from 01.01.2011 to 31.03.2011
Cash flows from operating activities		
Gross profit before taxes	10 063	6 102
Depreciation and amortisation	2 875	2 726
Gains/losses on currency translation differences	(351)	(241)
Interest and share in profit (dividends)	(54)	(1 793)
Profit from/loss on sale of property, plant and equipment (PPE)	5	(119)
Change in inventories	(17 282)	(16 441)
Change in trade and other receivables	79 272	84 451
Change in liabilities, except loans and borrowings	(76 371)	(72 533)
Income tax paid	(307)	(6 393)
Change in current prepayments and accrued expenses	(4 791)	(3 351)
Change in non-current prepayments and accrued expenses	12	(16)
Change in settlements of construction contracts	3 592	(7 788)
Other adjustments	(6 029)	(235)
Net cash used in operating activities	(9 366)	(15 631)
Cash flows from investing activities		
Sale of intangible assets and PPE	2	151
Dividend received and share in profits	0	426
Purchases of intangible assets and PPE	(4 327)	(4 838)
Net cash used in investing activities	(4 325)	(4 261)
Cash flows from financial activities		
Net cash generated from/ used in financial activities	0	0
Net decrease in cash, cash equivalents and bank overdrafts	(13 691)	(19 892)
Balance sheet change in cash and bank overdrafts	(13 340)	(19 651)
Change in cash due to currency translation differences	351	241
Cash, cash equivalents and bank overdrafts at beginning of period	36 085	36 406
Cash, cash equivalents and bank overdrafts at end of period	22 745	16 755

Notes to the condensed financial statements (continued)

1. Selected explanatory information

ELEKTROBUDOWA SA has implemented and applied the accounting standards based on the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), applying the same principles for the current period and comparable periods since 1 January 2005.

The present condensed financial statements have been prepared in compliance with IAS 34 (Interim Financial Reporting).

The same accounting principles (policies) and calculation methods have been followed in the interim financial statements as in the last annual financial statements prepared as at 31 December 2012.

The presented condensed financial statements for Q1 2012 have been prepared pursuant to the Regulation of the Minister of Finance dated 19 February 2009 on current and interim information provided by the issuers of securities and on the conditions of acknowledging the equivalence of information required by laws of a non-member country

ELEKTROBUDOWA SA, as the parent in the group, has also prepared the condensed consolidated financial statements as at 31 March 2012 in conformance with the International Financial Reporting Standards adopted by the EU, to which the same principles for the current period and comparable periods were applied. The condensed separate report of ELEKTROBUDOWA SA is attached to the condensed consolidated financial statements for Q1 2012.

Since August 2011 the economic conditions in the construction industry have been deteriorating. The general business climate factor remained unfavourable due to negative evaluation of order backlog, building and construction output and financial situation of companies. Despite deteriorating business conditions, the forecasts allow to expect a period of optimism to come. In short-term outlook companies from the power sector and transport have the best opportunities to earn profit. Polish entrepreneurs regard road and railroad infrastructure and power industry as important sources of future income.

In the 1st quarter of 2012 volume of orders received by the company amounted to 237.7 million PLN. As compared with the 1st quarter of 2011, when orders received amounted to 313.5 million PLN, there was a 24.2% drop in the value of concluded contracts and received orders. The backlog of orders as of 31 March 2012, which includes contracts being performed and pending performance, reached the level of 908.6 million PLN. As compared with the 802.7 million PLN order backlog at 31 March 2011, there was a 13.2% increase. Forecasts for the level of orders in the coming period are optimistic, both in respect of domestic orders and exports.

Revenues from the sales of products, goods and materials generated by the company in the 1st quarter of 2012 amounted to 177.8 million PLN, which accounts for 18.5% of the 2012 budgeted revenues. As compared with the 1st quarter of 2011 the sales revenue rose by 29.2%. Dynamic growth in revenues in Q1 2012 concerned mainly the sales of finished products, both to domestic and foreign markets. After a hard beginning of the year for the building companies, further months of the 1st quarter 2012 were marked by constantly growing trend. In February 2012 the sales revenues were by 15.9% higher than in January 2012, in March 2012 they increased by 19.2% as compared with February. The Q1 2012 budget of sales revenues was performed in 87.6%. Lower share of Q1 2012 revenue in relation to the annual forecast indicates the occurrence of seasonality effect, characteristic for the building and construction trade in which the company operates. The impact of seasonality on execution of construction and erection services was accounted for at the stage of preparation of the 2012 company budget, based on the schedule of contractual works. Rescheduling of completion of stages of performance of contractual works involved shifting of progress-based payment dates to next reporting periods.

Notes to the condensed financial statements (continued)

The growth rate of revenues is correlated with the growth rate of cost price of products, goods and materials sold; share of the latter after the 1st quarter in the value budgeted for 2012 was 18.5%. Cost of products, goods and materials sold in the three months of this year was by 12.9% lower than planned. After the three months of the reporting year the company generated profits on sales at the level of budget values which assumed the amount of 8.0 million PLN. After having accounted for the gains from other operating and financial activities, in the reporting period profit before taxes amounted to 10.1 million PLN, which is by 2.1 million PLN more than assumed in the Q1 2012 budget. The net profit earned in the period from January to March 2012 was 8.0 million PLN, which is by 1.7 million PLN, i.e. by 26.3% more than budgeted after the 1st quarter 2012. The Q1 net profit accounted for 22.8% of the 2012 annual budget.

2. Segment Reporting

Primary reporting format – business segments

The IFRS 8 requires that operating segments are defined in line with internal reports on components of the company subject to periodic review by a person in charge of operating decisions for the purpose of resource allocation and performance evaluation.

The Company's business activity is primarily categorised by industries.

The operations of business segments consist in providing construction and installation services and manufacturing of electrical equipment.

The company's reporting segments are its strategic divisions, identified in the company's organizational structure and offering different products and services. They are separately managed, as the operations of each require different production technology and different marketing strategy. The company is organized into four reportable segments:

- The segment: Power Generation Division provides services for power and heat generating plants, heavy industry, particularly metallurgy and mining together with processing facilities. The services rendered by the division include electrical installation and erection, commissioning and start up of electrical plant and equipment, and also manufacture 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 works, commissioning and start-up as well as realization of investments on turnkey basis.
- The segment: Power Distribution Division provides overall services for the power distribution sector and supplies of products manufactured by the division. The core business of the segment is the production and selling of low and medium voltage equipment, particularly low and medium voltage switchgear systems and mobile substations, manufacture and sale of metal cable trays and supporting structures, development and selling of control and signalling equipment, the supply of complete distribution substations and turnkey contracts for power transmission and distribution projects.
- Other items include other material and not material services provided for external customers.

(all amounts in PLN thousands unless otherwise stated)

Notes to the condensed financial statements (continued)

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

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

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

Business segment results for the 1st quarter of 2012

	Power Generation Division	Industry Division	Power Distribution Division	Other segments	Total
<u>Continuing operations</u>					
Sales revenue	66 301	52 026	69 640	2 657	190 624
of which:					
Revenue on external customers	66 275	51 808	59 047	687	177 817
Inter-segment sales	26	218	10 593	1 970	12 807
Operating profit	2 373	2 650	4 999	(13)	10 009
Financial activities result	0	0	0	54	54
Profit before income tax	2 373	2 650	4 999	41	10 063
Income tax expense	(569)	(1 138)	(244)	(65)	(2 016)
Net profit from continuing operations for the period	1 804	1 512	4 755	(24)	8 047
<u>Discontinued operations</u>					
Net profit (loss) from discontinued operations for the period	0	0	0	0	0
Net profit for the period	1 804	1 512	4 755	(24)	8 047

Other items of business segments recognized in the statement of comprehensive income for the 1st quarter of 2012

	Power Generation Division	Industry Division	Power Distribution Division	Other segments	Total
depreciation	996	382	433	586	2 397
amortisation	61	53	350	14	478

(all amounts in PLN thousands unless otherwise stated)

Notes to the condensed financial statements (continued)

Business segment results for the 1st quarter of 2011

	Power Generation Division	Industry Division	Power Distribution Division	Other segments	Total
Continuing operations					
Sales revenue	65 927	50 031	33 908	2 404	152 270
of which:					
Revenue on external customers	65 917	49 476	21 598	625	137 616
Inter-segment sales	10	555	12 310	1 779	14 654
Operating profit	4 967	218	(1 855)	979	4 309
Financial activities result	0	0	1 490	303	1 793
Profit before income tax	4 967	218	(365)	1 282	6 102
Income tax expense	(536)	72	(124)	(67)	(655)
Net profit from continuing operations for the period	4 431	290	(489)	1 215	5 447
Discontinued operations					
Net profit (loss) from discontinued operations for the period	0	0	0	0	0
Net profit for the period	4 431	290	(489)	1 215	5 447

Other items of business segments recognized in the statement of comprehensive income for the 1st quarter of 2011

	Power Generation Division	Industry Division	Power Distribution Division	Other segments	Total
depreciation	945	370	477	496	2 288
amortisation	64	52	315	7	438

(all amounts in PLN thousands unless otherwise stated)

Notes to the condensed financial statements (continued)

Assets and liabilities of business segments at 31 March 2012

	Power Generation Division	Industry Division	Power Distribution Division	Other segments	Total
Assets	162 855	151 631	124 903	137 948	577 337
Liabilities	74 551	79 196	79 508	4 302	237 557
Expenditure on investments	122	139	1 876	1 189	3 326

Assets and liabilities of business segments at 31 March 2011

	Power Generation Division	Industry Division	Power Distribution Division	Other segments	Total
Assets	139 425	115 282	92 795	148 092	495 594
Liabilities	54 758	48 950	56 429	7 003	167 140
Expenditure on investments	2 132	152	415	303	3 002

Impairment of receivables by business segments

	Power Generation Division	Industry Division	Power Distribution Division	Other segments	Total
as at 31 March 2012	1 982	2 792	3 158	3 760	11 692
as at 31 March 2011	1 890	1 757	3 914	3 974	11 535

(all amounts in PLN thousands unless otherwise stated)

Notes to the condensed financial statements (continued)

Secondary reporting format – geographical segments

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

	Q1 /2012 period from 01.01.2012 to 31.03.2012	Q1 /2011 period from 01.01.2011 to 31.03.2011
Revenue on sales of products, goods and materials		
- domestic market	118 392	112 838
- East-European market	30 035	4 253
- Skandinavian market	23 565	18 219
- South-West Asia	3 057	203
- Western Europe	2 666	588
- Central Asia	102	0
- Turkish market	0	1 342
- Central Europe	0	162
- other markets	0	11
	177 817	137 616

The main geographical area of the company's operations in Q1 2012 was the domestic market (67% of sales revenues), East-European markets (17%), the Scandinavian market (13%), and South-West Asia (2%).

Information about key customers

The revenue on direct sales generated by the Power Generation Division amounting to 66.3 million PLN (65.9 million PLN in the comparable Q1 of 2011) includes the 23.6 million PLN revenue earned on the contract with the company's biggest customer (in Q1 2011 it was 18.2 million PLN). This revenue accounted for 13.3% of total revenues generated by the company in Q1 2012, as compared to 13.2% for the comparable period of 2011.

Further, the revenue on the direct sales generated by the Industry Division in the 1st quarter of 2011 in the amount of 51.8 million PLN (49.5 million PLN in the comparable period of 2011) includes the 16.1 million PLN revenue on the contract with the second biggest customer of the company (in Q1 2011 it was 11.6 million PLN). This revenue accounted for 9.1% of total revenues generated by the company in the 1st quarter of 2012, as compared to 8.4% for the comparable period of 2011.

The revenue generated by the company on two key customers during the first quarter of 2012 accounted for 22.4% of its total revenue, while in the first quarter of 2011 it was 21.6%.

Notes to the condensed financial statements (continued)

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

On 28 February 2011 the investment project completed by ELEKTROBUDOWA SA, a new High-Current Busduct Plant in Tychy, was commissioned and handed over for use. The factory in Tychy took over the production of finished goods so far realized in the High-Current Busduct Plant in Mikołów. Items of property, plant and equipment as well as the right of perpetual usufruct of land owned by the Plant in Mikołów whose use was discontinued, are held for sale and available for immediate purchase in their actual state. Non-current assets held for sale were measured at carrying amounts, their value includes:

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

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

	as at 31.03.2012 end of I quarter/2012	as at 31.12.2011 end of prior year/2011	as at 31.03.2011 end of I quarter/2011
Provisions for future liabilities and expenses	3 900	4 003	7 651
of which:			
- for long-term pension benefits	3 428	3 467	2 732
- for short-term pension benefits	113	177	33
- for warranty repair works	359	359	386
- for expected liquidated damages	0	0	4 500
	as at 31.03.2012 end of I quarter/2012	as at 31.12.2011 end of prior year/2011	as at 31.03.2011 end of I quarter/2011
Provisions for impairment of receivables	11 692	11 823	11 535
of which:			
- in bankruptcy proceedings	8 363	8 363	9 226
- receivables vindicated in court	192	221	275
- other overdue debtors	3 137	3 239	2 034

(all amounts in PLN thousands unless otherwise stated)

Notes to the condensed financial statements (continued)

	as at 31.03.2012 end of I quarter/2012	as at 31.12.2011 end of prior year/2011	as at 31.03.2011 end of I quarter/2011
Deferred income tax assets	22 661	26 312	18 934
- to be recovered after more than 12 months	1 158	1 143	986
- to be recovered within 12 months	21 503	25 169	17 948
Deferred income tax liabilities	(21 281)	(22 840)	(14 325)
- to be recovered after more than 12 months	(620)	(605)	(539)
- to be recovered within 12 months	(20 661)	(22 235)	(13 786)
Deferred corporate income tax	1 380	3 472	4 609

5. Changes in contingencies

	as at 31.03.2012 end of I quarter/2012	as at 31.12.2011 end of prior year/2011	as at 31.03.2011 end of I quarter/2011
Contingent liabilities	241 119	255 051	183 832
of which:			
guarantees	225 382	239 877	169 236
promissory notes	15 737	15 174	14 596

6. Earnings per share

Calculation of earnings per share for the 1st quarter of 2012 was based on:

	Earnings	Shares	Earnings per share
Net profit for the period (in PLN)	8 047 338		
Weighted average number of shares		4 747 608	
Basic earnings per share (in PLN)			1,70
Diluted earnings per share (in PLN)			1,70

Calculation of earnings per share for the 1st quarter of 2011 was based on:

	Earnings	Shares	Earnings per share
Net profit for the period (in PLN)	5 446 512		
Weighted average number of shares		4 747 608	
Basic earnings per share (in PLN)			1,15
Diluted earnings per share (in PLN)			1,15

(all amounts in PLN thousands unless otherwise stated)

Notes to the condensed financial statements (continued)

7. Book value per share

	as at 31.03.2012 end of I quarter/2012	as at 31.12.2011 end of prior year/2011	as at 31.03.2011 end of I quarter/2011
shareholders' equity	339 780	332 449	328 454
number of shares (pcs)	4 747 608	4 747 608	4 747 608
book value per share	71,57	70,02	69,18

8. Dividend, paid or declared, per share

Pursuant to Resolution No. 20/2012 of the Annual General Meeting of ELEKTROBUDOWA SA held on 26 April 2012 on distribution of 2011 profit, the amount of 18 990 432.00 PLN was allocated for dividend to be paid in the amount of 4 PLN per share.

The dividend record date is 25 July 2012, the date of dividend payment is 9 August 2012.

9. Changes in presentation of the financial statements

In the statement of financial position prepared as at 31 March 2012 a change was introduced, which concerned a shift of the amount of non-current assets held for sale worth 915 thousand PLN as at 31.03.2011 from Non-current Assets to Current Assets.

10. Significant events after the balance sheet date

No significant events have occurred after the balance sheet date which should be disclosed in the financial statements for the 1st quarter of 2012.

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

Having considered the performance of the first quarters of the year, the Management Board is of the opinion that realization of the announced Budget is not at risk.

In the annual budget for ELEKTROBUDOWA SA announced on 28 March 2012, it is assumed that in 2012 the company would generate 833 914 thousand PLN of total sales revenues, whereas its net profit should amount to 35 301 thousand PLN. After the three months of 2012 the company earned net income amounting to 8 047 thousand PLN (a 48% growth on the same period of the previous year), while the sales revenues reached 177 817 thousand PLN (a 29% growth as compared to sales revenues generated for Q1 2011). The company enters the 2nd quarter of 2012 with a considerable backlog of orders amounting to 908 631 thousand PLN, whereas orders received during the reporting three months total 237 668 thousand PLN. These results ensure that the annual sales will be accomplished as assumed in the budget.

It results from the above data that the budgeted annual sales revenues were realized in 18% whereas net profit in 23%.