

**ELEKTROBUDOWA SA**

**Interim Condensed Financial Statements**

**covering the period from 01 January 2012 to 30 June a 2012**

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**ELEKTROBUDOWA SA GROUP**

Condensed Separate Financial Statements for the six months from 1 January to 30 June 2012

*all amounts in PLN thousands unless otherwise stated)***Statement of Financial Position**

	30 June 2012	as at 31 December 2011	30 June 2011
<b>ASSETS</b>			
<b>Non-current assets</b>	<b>195 489</b>	<b>176 609</b>	<b>196 715</b>
Property, plant and equipment	83 001	83 095	82 925
Intangible assets	11 117	8 129	3 858
Investments in associates	22 613	23 184	23 184
Interest in subsidiaries	47 901	47 901	47 899
Available-for-sale financial assets	2 470	2 470	27 589
Non-current receivables	21 232	6 947	5 845
Deferred income tax assets	5 748	3 472	3 906
Non-current prepayments	1 407	1 411	1 509
<b>Current assets</b>	<b>435 945</b>	<b>480 298</b>	<b>360 311</b>
Inventories	66 440	55 916	47 689
Trade and other receivables	204 124	277 216	201 575
Available-for-sale financial assets	24	24	24
Current prepayments	6 156	3 698	4 505
Amounts due from construction contract work	134 792	106 643	90 814
Cash and cash equivalents	24 409	36 085	14 988
Non-current assets held for sale	0	716	716
<b>Total assets</b>	<b>631 434</b>	<b>656 907</b>	<b>557 026</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>323 524</b>	<b>332 449</b>	<b>306 578</b>
Share capital (after restatement)	26 375	26 375	26 375
Supplementary capital	303 510	281 812	281 812
Capital from valuation of available-for-sale investment	1 289	1 289	4 177
Currency translation differences	(2 694)	275	(7)
Retained earnings	(4 956)	22 698	(5 779)
<b>Liabilities</b>			
<b>Non-current liabilities</b>	<b>12 642</b>	<b>10 739</b>	<b>8 677</b>
Employee benefit obligations	3 337	3 467	2 630
Other liabilities	9 305	7 272	6 047
<b>Current liabilities</b>	<b>295 268</b>	<b>313 719</b>	<b>241 771</b>
Trade and other payables	243 000	272 758	208 124
Corporate income tax liabilities	244	236	92
Derivative financial instruments	815	7 185	49
Loans and borrowings	1 586	0	0
Provisions	501	536	4 864
Accrued expenses	12 992	9 894	6 697
Amounts due to customers for construction contract work	36 130	23 110	21 945
<b>Total liabilities</b>	<b>307 910</b>	<b>324 458</b>	<b>250 448</b>
<b>Total equity and liabilities</b>	<b>631 434</b>	<b>656 907</b>	<b>557 026</b>

The notes presented on pages 7 - 18 are an integral part of these Condensed financial statements.

## Statement of Comprehensive Income

	6 months ended	
	30 June 2012	30 June 2011
<b><u>Continuing operations</u></b>		
Revenue on sales of products, goods and materials	431 275	354 528
Cost of products, goods and materials sold	(412 732)	(335 507)
<b>Gross profit on sales</b>	<b>18 543</b>	<b>19 021</b>
Selling costs	(3 366)	(1 291)
General administration expenses	(5 152)	(4 909)
Other operating expenses	(1 780)	(1 187)
Other gains (losses) - net	1 325	12
<b>Operating profit</b>	<b>9 570</b>	<b>11 646</b>
Finance income (costs) - net	4 970	2 051
<b>Gross profit before income tax</b>	<b>14 540</b>	<b>13 697</b>
Income tax expense	(1 505)	(1 486)
<b>Net profit from continuing operations for the period</b>	<b>13 035</b>	<b>12 211</b>
<b><u>Discontinued operations</u></b>		
<b>Net profit (loss) from discontinued operations for the period</b>	<b>0</b>	<b>0</b>
<b>Net profit for the period</b>	<b>13 035</b>	<b>12 211</b>
<b>Other comprehensive income, total</b>		
- valuation of available-for-sale investments	0	1 829
- deferred tax relating to available-for-sale investments	0	(348)
- reversal of valuation of available-for-sale investments	0	(936)
- deferred tax on reversal of valuation of available-for-sale investments	0	178
- currency translation differences of the valuation	(2 969)	(7)
<b>Total other comprehensive income</b>	<b>(2 969)</b>	<b>716</b>
<b>Total comprehensive income</b>	<b>10 066</b>	<b>12 927</b>
<b>Earnings (loss) per share from continuing and discontinued operations</b>		
<b>(in PLN per share)</b>		
- basic	2,75	2,57
- diluted	2,75	2,57

**ELEKTROBUDOWA SA GROUP**  
**Condensed Separate Financial Statements for the six months from 1 January to 30 June 2012**

*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
<b>1 January 2012</b>	<b>26 375</b>	<b>100 676</b>	<b>181 136</b>	<b>1 289</b>	<b>275</b>	<b>22 698</b>	<b>332 449</b>
<i>net profit</i>						13 035	13 035
<i>currency translation differences</i>					(2 969)		(2 969)
<b>total comprehensive income</b>				<b>0</b>	<b>(2 969)</b>	<b>13 035</b>	<b>10 066</b>
<i>distribution of profit</i>			21 698			(21 698)	0
<i>dividend payment</i>						(18 991)	(18 991)
<b>30 June 2012</b>	<b>26 375</b>	<b>100 676</b>	<b>202 834</b>	<b>1 289</b>	<b>(2 694)</b>	<b>(4 956)</b>	<b>323 524</b>
	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
<b>1 January 2011</b>	<b>26 375</b>	<b>100 676</b>	<b>160 026</b>	<b>3 454</b>	<b>0</b>	<b>31 605</b>	<b>322 136</b>
<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
<b>total comprehensive income</b>				<b>(2 165)</b>	<b>275</b>	<b>40 689</b>	<b>38 799</b>
<i>distribution of profit</i>			21 110			(21 110)	0
<i>dividend payment</i>						(28 486)	(28 486)
<b>31 December 2011</b>	<b>26 375</b>	<b>100 676</b>	<b>181 136</b>	<b>1 289</b>	<b>275</b>	<b>22 698</b>	<b>332 449</b>

**ELEKTROBUDOWA SA GROUP**  
**Condensed Separate Financial Statements for the six months from 1 January to 30 June 2012**

*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
<b>1 January 2011</b>	<b>26 375</b>	<b>100 676</b>	<b>160 026</b>	<b>3 454</b>	<b>0</b>	<b>31 605</b>	<b>322 136</b>
<i>net profit</i>						12 211	12 211
<i>currency translation differences</i>					(7)		(7)
<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>				(936)			(936)
<i>deferred tax relating to reversal of available-for-sale investments valuation</i>				178			178
<b>total comprehensive income</b>				<b>723</b>	<b>(7)</b>	<b>12 211</b>	<b>12 927</b>
<i>distribution of profit</i>			21 110			(21 110)	0
<i>dividend payment</i>						(28 485)	(28 485)
<b>30 June 2011</b>	<b>26 375</b>	<b>100 676</b>	<b>181 136</b>	<b>4 177</b>	<b>(7)</b>	<b>(5 779)</b>	<b>306 578</b>

## Notes to the consolidated financial statements

### Statement of Cash Flow

	6 months ended	
	30 June 2012	30 June 2011
<b>Cash flows from operating activities</b>		
Gross profit before taxes	14 540	13 697
Depreciation and amortisation	5 555	5 734
Gains/losses on currency translation differences	(244)	(290)
Interest and share in profit (dividends)	(4 970)	(2 051)
Profit from/loss on sale of property, plant and equipment (PPE)	(2)	(180)
Change in inventories	(10 524)	(23 455)
Change in available-for-sale financial assets	0	(1 197)
Change in trade and other receivables	63 646	30 116
Change in liabilities, except loans and borrowings	(48 332)	(11 634)
Income tax paid	(1 830)	(8 008)
Change in current prepayments and accrued expenses	640	(4 919)
Change in non-current prepayments and accrued expenses	4	(179)
Change in settlements of construction contracts	(15 129)	(22 277)
Other adjustments	(9 344)	(134)
<b>Net cash used in operating activities</b>	<b>(5 990)</b>	<b>(24 777)</b>
<b>Cash flows from investing activities</b>		
Sale of intangible assets and PPE	168	376
Disposal of shares in other entities	0	161
Disposal of other available-for-sale financial assets	0	9 808
Dividend received and share in profits	551	1 047
Purchases of intangible assets and PPE	(8 225)	(8 323)
<b>Net cash used in investing activities</b>	<b>(7 506)</b>	<b>3 069</b>
<b>Cash flows from financial activities</b>		
Loans and borrowings	1 586	0
Interest	(10)	0
<b>Net cash used in financial activities</b>	<b>1 576</b>	<b>0</b>
<b>Net decrease in cash, cash equivalents and bank overdrafts</b>		
	(11 920)	(21 708)
<b>Balance sheet change in cash and bank overdrafts</b>	<b>(11 676)</b>	<b>(21 418)</b>
Change in cash due to currency translation differences	244	290
Cash, cash equivalents and bank overdrafts at beginning of period	36 085	36 406
<b>Cash, cash equivalents and bank overdrafts at end of period</b>	<b>24 409</b>	<b>14 988</b>

## Notes to the consolidated financial statements

### 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 2011.

The presented condensed financial statements for H1 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 30 June 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 H1 2012.

In the first half of 2012 Poland's building and construction output was by 8.0% higher than a year before. In the same period of the previous year the growth amounted to 20.8% while in the first quarter of this year it was 14.9%. Constantly slowing down rate of growth is a sign of deterioration of performance results in the second half of the year. In June 2012 the building and construction output per year dropped for the first time since May 2010 (by 5.1% as compared with 6.2% growth in the preceding month). Downturn in the building industry is partially the result of payment gridlocks. High indebtedness of building companies, low profit margins on the executed projects and also maintaining intense competition that will result in low profitability of new projects as well, are principal factors responsible for deterioration of building industry output. Building companies have rationalised their forecasts about further growth and a decline in Polish building industry output is expected.

The volume of orders received in 1H of 2012 amounted to PLN 494.7 million. As compared with H1 of 2011 when the value of orders signed by the company was PLN 550.0 million, total value of contracts and orders received dropped by 10.1%. Order backlog as of 30 June 2012, which includes contracts being performed and pending performance reached the level of PLN 931.0 million. As compared with the 836.8 million PLN order backlog at 30 June 2011, there was a 11.3% increase. Forecasts about the level of orders in the coming period are unfavourable, both with respect to domestic orders and exports

Revenues from the sales of products, goods and materials generated by the company in the 1st half of 2012 amounted to 431.1 million PLN, which accounts for 44.8% of the 2012 total budgeted revenues. As compared with the 1st half of 2011 the H1 2012 sales revenue rose by 21.6%. Dynamic growth in revenues in H1 2012 concerned mainly the sales of finished products, both to domestic and foreign markets. Significant growth in sales revenues was recorded also in the building and construction services provided by the company through its establishment registered in Finland, Luxembourg, Estonia and Germany. After a tough beginning of the year, difficult for all building companies, further months of 2012 were marked by a constant growing trend. 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. The H1 2012 forecast of sales revenues was performed in 103.2%.

Growth in revenue is correlated with the growth rate of costs of sales. Prime costs in H1 2012 amounted to 421.2 million PLN and accounted for 45.9% of the costs assumed in the 2012 budget. Costs of sales were in the first half of 2012 by 23.3% higher than in the comparable period of 2011. Rate of growth of costs of sales was by 1.7 percentage point higher than the rate of growth of sales revenues, what involves a drop in profits on sales in the reporting period.



## Notes to the consolidated financial statements

Profit on sales earned by the company in the six months of the financial year amounted to 10.0 million PLN, by 2.8 million PLN less than in H1 2011. Together with the result on other operating and financing activities the gross profit for the reporting period reached the amount of 14.5 million PLN which accounted for 33.0% of gross profit assumed in the budget for 2012. The net profit generated in the period from January to June 2012 was 13.0 million PLN and rose by 6.6% as compared with the first half of 2011. The net profit for H1 2012 realised the amount budgeted for 2012 on the level of 36.8%.

## 2. Segment Reporting

### Primary reporting format – business segments

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

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

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

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

- The segment: Power Generation Division provides services for power and heat generating plants, heavy industry, particularly metallurgy and mining together with processing facilities. The services rendered by the division include electrical installation and erection, commissioning and start up of electrical plant and equipment, and also manufacture of high-current busducts.
- The segment: Industry Division renders services for broadly understood public sector, trade (retail centres) and industry, including petrochemical, paper & pulp, road building, etc. The services include electrical installation works, commissioning and start-up as well as general realization of investments.
- The segment: Power Distribution Division provides overall services for the power distribution sector and supplies of products manufactured by the division. The core business of the segment is the production and selling of low and medium voltage equipment, particularly low and medium voltage switchgear systems and mobile substations, manufacture and sale of metal cable trays and supporting structures, development and selling of control and signalling equipment, the supply of complete distribution substations and turnkey contracts for power transmission and distribution projects.
- Other items include other material and not material services provided for external customers.

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

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

## Notes to the consolidated financial statements

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

### Business segment results for H1 2012

	Power Generation Division	Industry Division	Power Distribution Division	Other segments	Total
<b><u>Continuing operations</u></b>					
Sales revenue	189 704	123 170	147 253	4 919	<b>465 046</b>
of which:					
Revenue on external customers	189 480	122 659	117 942	1 194	<b>431 275</b>
Inter-segment sales	224	511	29 311	3 725	<b>33 771</b>
<b>Operating profit</b>	<b>8 134</b>	<b>(7 517)</b>	<b>8 716</b>	<b>237</b>	<b>9 570</b>
Financial activities result	0	0	(571)	5 541	<b>4 970</b>
<b>Profit before income tax</b>	<b>8 134</b>	<b>(7 517)</b>	<b>8 145</b>	<b>5 778</b>	<b>14 540</b>
Income tax expense	(630)	956	(1 741)	(90)	<b>(1 505)</b>
<b>Net profit from continuing operations for the period</b>	<b>7 504</b>	<b>(6 561)</b>	<b>6 404</b>	<b>5 688</b>	<b>13 035</b>
<b><u>Discontinued operations</u></b>					
<b>Net profit (loss) from discontinued operations for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net profit for the period</b>	<b>7 504</b>	<b>(6 561)</b>	<b>6 404</b>	<b>5 688</b>	<b>13 035</b>

A negative result of the Industry Division segment was generated principally due to execution of the project "The supply of overall electrical, small current, automation and BMS installations for Stage 2 of Construction of the National Stadium, Warsaw" for the consortium of HYDROBUDOWA POLSKA S.A., ALPINE Construction Polska Sp. z o.o. The contract was concluded on 21 December 2009, its initial price was 91 000 thousand PLN. ELEKTROBUDOWA SA executed the contract works in the consortium with QUMAK – SEKOM S.A. and Przedsiębiorstwo "AGAT" S.A. ELEKTROBUDOWA SA as the consortium leader in the remuneration had a 37 221 thousand PLN share in the contract price. The completion of project was scheduled at 4 May 2011. During the execution of project, because of ordered additional works agreed in the form of addenda to the contract, the price was increased up to 138 478 thousand PLN (with 66 318 thousand share of ELEKTROBUDOWA SA) and the final completion date was prolonged to 30 April 2012.

Extension of the contract realization period generated extra fixed costs both for ELEKTROBUDOWA SA as for other consortium partners. Covering of costs of contract extension was guaranteed by the Investor in an Addendum No. 3 signed on 28 June 2011. In March 2012 the Consortium submitted the purchaser a claim for payment of costs incurred due to contract extension, which included detailed itemization of those costs for total amount of 13.2 million PLN, in which ELEKTROBUDOWA SA has a 4.4 million PLN share.

## **Notes to the consolidated financial statements**

Furthermore, another claim was made in that time concerning:

- impedimentation of execution of works caused by design changes in the amount of 3.7 million PLN;
- necessity to carry out operation and maintenance of installations and equipment including warranty overhauls in the amount of approx. 3.9 million PLN;
- financial claims of supplies and subcontractors relating to overdue payments and costs of crediting the activity in the amount of 2.0 million PLN;
- reimbursement of costs of remedying the effects of theft and damages in the amount of 1.3 million PLN.

Total amount of the consortium's claim based on the above titles is approx. 10.9 million PLN, in which ELEKTROBUDOWA SA has 1/3 share. The claim does not arise directly from the signed contracts and contract amendments, therefore they are subject to significant correction.

Because of conclusion of a contract for participation in stage 2 of the construction of the Warsaw National Stadium the consortium and consequently ELEKTROBUDOWA SA, is exposed to price risk and credit risk. The Management of ELEKTROBUDOWA SA will take every possible step to recover the due payments, but the process may take a few years. Maximum total amount of the above claims is 24.1 million PLN, of which about 8.0 million PLN falls to ELEKTROBUDOWA SA.

The above claims have been duly documented and delivered. As the purchaser had withdrawn from negotiations carried in order to reach an agreement to satisfy the above claims, in July 2012 the consortium decided to file a relevant lawsuit against the purchaser. Currently the evidence is being collected to substantiate the claim. Recovery of sums due to the consortium and ELEKTROBUDOWA SA, will enable closing the contract with the planned margin, and additional income would cover the loss incurred by the Industry Division segment in the first half of 2012.

Furthermore, ELEKTROBUDOWA SA as a consortium leader has started the proceedings to secure overdue payments for works performed against the main contract and two additional contracts. In effect, an Agreement was signed with Narodowe Centrum Sportu Sp. z o.o. (Investor) representing the State Treasury. The Agreement defines the procedure which should lead to final acceptance of all works completed by the consortium, which has not taken place for the reasons beyond the control of ELEKTROBUDOWA SA as a leader. Total value of works pending acceptance (signing the acceptance certificate) amounted to 17.9 million PLN, of which 7.0 million PLN for ELEKTROBUDOWA SA.

As at 30 June 2012 payments not received for the completed works amounted to 7.5 million PLN, including the amount of 2.6 million PLN owed to ELEKTROBUDOWA SA. Until the date of preparing the financial statements all the debt became overdue.

On 23 April 2012 ELEKTROBUDOWA SA filed a claim to the court for payment of receivables in the amount of 1.2 million PLN of which 0.6 million PLN is the debt owed to ELEKTROBUDOWA SA. In consequence of Agreement on 27 June 2012 a request for voluntary arrangement was made with respect to overdue debt in the amount of 7.5 million PLN which should result in payment of the amount according to the terms of the Agreement. The Agreement defines the procedures enabling settlement and payment of further due amounts which will become mature. ELEKTROBUDOWA SA as the consortium leader has no influence on the date of the court proceedings. The company will consequently strive at fulfilling all provisions of the Agreement by Narodowe Centrum Sportu Sp. z o.o. In the opinion of the Management of the parent a risk of nonpayment by Narodowe Centrum Sportu Sp. z o.o. is small, therefore the company did not impair the amount of pursued claim as at 30 June 2012.

*all amounts in PLN thousands unless otherwise stated)*

## Notes to the consolidated financial statements

### Other business segment items recognized in the statement of comprehensive income for H1 2012

	Power Generation Division	Industry Division	Power Distribution Division	Other segments	Total
depreciation	1 976	750	842	1 275	4 843
amortisation	123	103	457	29	712

### Business segment results for H1 2011

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

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

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

*all amounts in PLN thousands unless otherwise stated)*

## Notes to the consolidated financial statements

### Assets and liabilities of business segments as at 30 June 2012

	Power Generation Division	Industry Division	Power Distribution Division	Other segments	Total
Assets	219 826	145 155	126 752	139 701	<b>631 434</b>
Liabilities	109 237	97 295	85 963	15 415	<b>307 910</b>
Expenditure on investments	596	375	3 601	3 161	<b>7 733</b>

### Assets and liabilities of business segments as at 31 December 2011

	Power Generation Division	Industry Division	Power Distribution Division	Other segments	Total
Assets	186 676	191 128	137 483	141 620	<b>656 907</b>
Liabilities	96 601	122 229	104 021	1 607	<b>324 458</b>
Expenditure on investments	4 123	1 487	7 611	3 540	<b>16 761</b>

### Assets and liabilities of business segments as at 30 June 2011

	Power Generation Division	Industry Division	Power Distribution Division	Other segments	Total
Assets	164 696	148 662	105 083	138 585	<b>557 026</b>
Liabilities	74 545	83 782	64 657	27 464	<b>250 448</b>
Expenditure on investments	3 166	733	1 859	975	<b>6 733</b>

### Impairment of receivables by business segments

	Power Generation Division	Industry Division	Power Distribution Division	Other segments	Total
as at 30 June 2012	2 103	5 700	3 669	3 760	<b>15 232</b>
as at 31 December 2011	2 104	2 799	3 160	3 760	<b>11 823</b>
as at 30 June 2011	1 907	2 688	2 992	3 768	<b>11 355</b>

## Notes to the consolidated financial statements

### Provisions for impairment of receivables by business segments

	Power Generation Division	Industry Division	Power Distribution Division	Other segments	Total
in H1/ 2012	217	3 187	571	0	<b>3 975</b>
in 2011	454	1 605	199	2	<b>2 260</b>
in H1/ 2011	131	1 298	30	0	<b>1 459</b>

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

	Power Generation Division	Industry Division	Power Distribution Division	Other segments	Total
in H1/ 2012	218	286	62	0	<b>566</b>
in 2011	246	563	1 034	215	<b>2 058</b>
in H1/ 2011	120	367	1 033	205	<b>1 725</b>

### Secondary reporting format – geographical segments

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

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

	6 months ended	
	30 June 2012	30 June 2011
<b>Revenue on sales of products, goods and materials</b>		
- domestic market	314 443	299 276
- East-European market	63 373	9 564
- Skandinavian market	42 533	34 870
- Western Europe	6 935	1 045
- South-West Asia	3 413	5 250
- North America	244	11
- Central Asia	130	1 919
- Central America	124	87
- Turkish market	0	2 275
- Central Europe	0	231
- other markets	80	0
	<b>431 275</b>	<b>354 528</b>

In the first half of 2012 the company operated principally in the domestic market (73% of the sales revenues), the East-European market (15%), the Scandinavian market (10%) and the market of Western Europe (2%).

## Notes to the consolidated financial statements

### Information about key customers

The revenue on the direct sales generated by the Power Generation Division that amounted to 189.5 million PLN (145.8 million PLN in H1 2011) includes the 35.9 million PLN revenue on the contract with the company's biggest customer (in H1 2011 it was 34.8 million PLN). In H1 2012 the revenue accounted for 8.3% while in H1 2011 for 9.8% of total revenues generated by the company.

The revenue on direct sales generated by the Industry Division in the amount of 122.7 million PLN (139.6 million PLN in H1 2011) includes the 24.2 million PLN revenue on the contract with the company's second biggest customer (in H1 2011 it was 42.8 million PLN). In H1 2012 the revenue accounted for 5.6% while in H1 2011 for 12.1% of total revenues generated by the company.

The H1 2012 revenue from the two biggest customers accounted for 13.9% of total company's revenues, against 21.9% in the first half of 2011.

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

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

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

Until 30 June 2012 there was no buyer for the above fixed assets, however an offer of hiring was received. On 26 June 2012 a hire contract was made which covered buildings, structures and technical facilities, together with the right to perpetual usufruct of land. The contract was signed for an unspecified term.

Following the change in allocation of the tangible fixed assets, in the statement of financial situation prepared as at 30 June 2012 non-current assets in the amount of 716 thousand PLN were transferred from "Non-current assets held for sale" item to "Property, plant and equipment" item.

## Notes to the consolidated financial statements

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

	30 June 2012	as at 31 December 2011	30 June 2011
<b>Provisions for future liabilities and expenses</b>	<b>3 838</b>	<b>4 003</b>	<b>7 494</b>
of which:			
- for long-term pension benefits	3 337	3 467	2 630
- for short-term pension benefits	71	177	20
- for warranty repair works	430	359	344
- for expected liquidated damages	0	0	4 500

	30 June 2012	as at 31 December 2011	30 June 2011
<b>Provisions for impairment of receivables</b>	<b>15 232</b>	<b>11 823</b>	<b>11 355</b>
of which:			
- in bankruptcy proceedings	8 362	8 363	8 361
- receivables vindicated in court	701	221	79
- other overdue debtors	6 169	3 239	2 915

	30 June 2012	as at 31 December 2011	30 June 2011
<b>Deferred income tax assets</b>	<b>34 399</b>	<b>26 312</b>	<b>20 012</b>
- to be recovered after more than 12 months	1 154	1 143	962
- to be recovered within 12 months	33 245	25 169	19 050
<b>Deferred income tax liabilities</b>	<b>(28 651)</b>	<b>(22 840)</b>	<b>(16 106)</b>
- to be recovered after more than 12 months	(657)	(605)	(548)
- to be recovered within 12 months	(27 994)	(22 235)	(15 558)
<b>Deferred corporate income tax</b>	<b>5 748</b>	<b>3 472</b>	<b>3 906</b>

### 5. Changes in contingencies

	30 June 2012	as at 31 December 2011	30 June 2011
<b>Contingent liabilities</b>	<b>254 667</b>	<b>255 051</b>	<b>215 009</b>
of which:			
guarantees	239 098	239 877	199 023
promissory notes	15 569	15 174	15 986



## Notes to the consolidated financial statements

### 6. Earnings per share

Calculation of earnings per share for the first half of 2012 was based on:

	Earnings	Shares	Earnings per share
Net profit for the period (in PLN)	13 034 776		
Weighted average number of shares		4 747 608	
Basic earnings per share (in PLN)			2,75
Diluted earnings per share (in PLN)			2,75

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

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

### 7. Book value per share

	30 June 2012	as at 31 December 2011	30 June 2011
shareholders' equity	323 524	332 449	306 578
number of shares (pcs)	4 747 608	4 747 608	4 747 608
<b>book value per share</b>	<b>68,14</b>	<b>70,02</b>	<b>64,58</b>

### 8. Dividend, paid or declared, per share

Pursuant to the Resolution 20/2012 on distribution of 2011 profit adopted by the General Meeting of ELEKTROBUDOWA SA on 26 April 2012, the amount of 18 990 432.00 PLN was allocated for dividend, that is 4.00 PLN per one share.

Dividend record date is 25 July 2012 and payment date was fixed as 9 August 2012.

## Notes to the consolidated financial statements

### 9. Related party transactions

Transakcje z podmiotami powiązanymi były zawiązywane na warunkach rynkowych.

W okresie sprawozdawczym ELEKTROBUDOWA SA dokonała następujących transakcji z podmiotami zależnymi i stowarzyszonymi:

#### a) sales:

- sales of goods – the Power Equipment Production Plant VECTOR Ltd.	37 317	thous. PLN
- sales of services – the Power Equipment Production Plant VECTOR Ltd.	92	thous. PLN
- sales of materials - the Power Equipment Production Plant VECTOR Ltd.	1 266	thous. PLN
- sales of services – KONIP Sp. z o.o.	44	thous. PLN
- other sales - KONIP Sp. z o.o.	2	thous. PLN
- sales of services - ENERGOTEST sp. z o.o.	1 118	thous. PLN
- sales of goods – ELEKTROBUDOWA UKRAINE Ltd.	4 742	thous. PLN
- other sales – ELEKTROBUDOWA UKRAINE Ltd.	1	thous. PLN

#### b) purchases:

- purchases of services – KONIP Sp. z o.o.	489	thous. PLN
- purchases of services – ENERGOTEST sp. z o.o.	1 840	thous. PLN
- purchases of materials – ENERGOTEST sp. z o.o.	1 582	thous. PLN

Balances as at 30 June 2012:

- payables of ELEKTROBUDOWA SA to KONIP Sp. z o.o.	81	thous. PLN
- payables of ELEKTROBUDOWA SA to ENERGOTEST sp. z o.o.	4 054	thous. PLN
- payables of ENERGOTEST sp. z o.o. to ELEKTROBUDOWA SA	5 356	thous. PLN
- payables of the Power Equipment Production Plant VECTOR Ltd. to ELEKTROBUDOWA SA	9 661	thous. PLN
- payables of ELEKTROBUDOWA UKRAINE Ltd. to ELEKTROBUDOWA SA	1	thous. PLN

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

ELEKTROBUDOWA SA did not extend any guarantees to related parties securing contract bonds.

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

## Notes to the consolidated financial statements

### 10. Significant events after the balance sheet date

There were no significant events occurred after the balance sheet date which should be disclosed in the Financial statements for the first half of 2012.

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

Having considered the performance of the first half of the year, the Management Board is of the opinion that realization of the published forecast is not at risk.

Announced on 28 March 2012 annual budget for ELEKTROBUDOWA SA assumed that in 2012 total sales revenues will reach 963 508 thousand PLN, whereas net profit 35 301 thousand PLN. After the six months of 2012 the company generated the net profit of 13 035 thousand PLN (a 7% growth on the comparable period of 2011) whereas sales revenues amounted to 431 275 thousand PLN (a 22% growth as compared with the revenues generated in H1 2011). The company enters the second half of 2012 with a strong order backlog of 930 988 thousand PLN and the 494 723 thousand PLN amount of orders received. This ensures generation of annual revenue according to the budget assumptions.

It results from the above data that budget annual sales revenues were realized in 45% whereas net profit in 37%.

**SIGNATURES OF THE MANAGEMENT BOARD MEMBERS**

<b>Name and surname</b>	<b>Position / Function</b>	<b>Date</b>	<b>Signature</b>
Jacek Faltynowicz	President	30.08.2012	
Jarosław Tomaszewski	Board Member	30.08.2012	
Ariusz Bober	Board Member	30.08.2012	
Tomasz Jaźwiński	Board Member	30.08.2012	
Janusz Juszczuk	Board Member	30.08.2012	
Arkadiusz Klimowicz	Board Member	30.08.2012	

**SIGNATURE OF THE PERSON IN CHARGE OF ACCOUNTING BOOKS**

<b>Name and surname</b>	<b>Position / Function</b>	<b>Date</b>	<b>Signature</b>
Sylwia Wojtas	Chief Accountant	30.08.2012	