ELEKTROBUDOWA SA
CAPITAL GROUP

Interim Consolidated Financial Statements

For the six months covering the period from 1 January to 30 June 2012

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

Index to the financial statements

all amounts in PLN thousands unless otherwise stated)

Statement of Financial Position

	Note	30 June 2012	31 December 2011	30 June 2011
ASSETS				
Non-current assets		**175 454**	**159 668**	**172 387**
Property, plant and equipment	8	85 997	86 230	85 293
Intangible assets	9	33 697	30 747	26 522
Investments in associates	11	24 514	23 151	21 405
Available-for-sale financial assets	12.1	2 723	7 434	27 845
Non-current receivables	14.1	21 246	6 967	5 896
Deferred income tax assets	24	5 842	3 694	3 917
Non-current prepayments	15	1 435	1 445	1 509
Current asssets		**455 581**	**499 892**	**385 510**
Inventories	16	68 532	57 225	48 915
Trade and other receivables	14.2	207 625	290 317	206 426
Available-for-sale financial assets	12.1	24	24	4 944
Current prepayments	18	6 487	4 267	5 153
Amounts due from construction contract work	30.1	137 418	108 984	97 325
Cash and cash equivalents	17	35 495	38 359	21 320
Fixed assets held for sale	19	0	716	1 427
Total assets		**631 035**	**659 560**	**557 897**
EQUITY AND LIABILITIES				
Equity		**318 455**	**330 022**	**303 689**
Issued share capital	20	26 375	26 375	26 375
Supplementary capital	21.1	303 628	282 520	282 520
Capital from valuation of available-for-sale investment	21.2	1 488	1 317	4 377
Currency translation differences		(2 694)	275	(7)
Capital from currency translation differences		1 321	2 064	297
Retained earnings		(12 127)	16 939	(10 049)
Total equity attributable to shareholders of the Company		**317 991**	**329 490**	**303 513**
Minority interest in equity		**464**	**532**	**176**
Liabilities				
Non-current liabilities		**12 785**	**10 896**	**8 830**
Employee benefit obligations	25	3 473	3 603	2 754
Other liabilities	22.1	9 312	7 293	6 076
Current liabilities		**299 795**	**318 642**	**245 378**
Trade and other payables	22.2	244 538	274 702	209 326
Corporate income tax liabilities		483	524	94
Derivative financial instruments	13	815	7 185	49
Loans, borrowings and debt securities	23	1 586	0	0
Provisions	25	742	777	4 879
Accrued expenses	26	14 694	11 844	7 867
Amounts due to customers for construction contract work	30.2	36 937	23 610	23 163
Total liabilities		**312 580**	**329 538**	**254 208**
Total equity and liabilities		**631 035**	**659 560**	**557 897**

all amounts in PLN thousands unless otherwise stated)

Statement of Comprehensive Income

	Note	6 months ended 30 June 2012	2011
Continuing operarations			
Revenue on sales of products, goods and materials	29	450 151	372 499
Cost of products, goods and materials sold	31	(428 549)	(350 289)
Gross profit on sales		**21 602**	**22 210**
Selling costs		(3 678)	(1 407)
General administrative expenses		(7 789)	(6 977)
Other operating expenses	32	(1 913)	(1 330)
Other gains (losses) - net	33	2 161	60
Operating profit		**10 383**	**12 556**
Finance income (costs) - net	34	478	268
Share in net profit of associates measured according to equity method		2 095	(540)
Gross profit before income tax		**12 956**	**12 284**
Income tax expense	35	(1 984)	(1 406)
Net profit from continuing operations for the year		**10 972**	**10 878**
Discontinued operations			
Net profit (loss) from discontinued operations for the period		**0**	**0**
Net profit for the period		**10 972**	**10 878**
of which:			
- attributable to the equity holders of ELEKTROBUDOWA SA		*11 033*	*10 929*
- attributable to minority holders		*(61)*	*(51)*
Other comprehensive income, total			
- valuation of available-for-sale investments		0	1 829
- deferred tax on valuation of available-for-sale investments		0	(348)
- reversal of valuation of available-for-sale investments		209	(936)
- deferred income tax on reversal of valuation of available-for-sale investments		(38)	178
- currency translation differences from revaluation of the financial statements		(2 969)	(7)
- currency translation differences of subsidiaries and associates		(743)	397
- currency translation differences of minority interests		45	(32)
Total other comprehensive income		**(3 496)**	**1 081**
Total comprehensive income		**7 476**	**11 959**
of which:			
- attributable to the equity holders of ELEKTROBUDOWA SA		*7 492*	*12 042*
- attributable to minority holders		*(16)*	*(83)*
Earnings (loss) per share from continuing and discontinued (in PLN per one share)			
- basic	36	2,32	2,30
- diluted	36	2,32	2,30

all amounts in PLN thousands unless otherwise stated)

Statement of Changes in Equity

	Attributable to equity holders of ELEKTROBUDOWA SA								
	Share capital	**Supplementary capital from share premium**	**Other supplementary capital**	**Capital from valuation of available-for-sale investment**	**Currency translation differences from revaluation of the financial statements**	**Retained earnings**	**Capital from revaluation of subsidiaries and associates**	**Attributable to minority holders**	**Total equity**
note	**20**	**21.1**	**21.1**	**21.2**					
1 January 2012	**26 375**	**100 676**	**181 844**	**1 317**	**275**	**16 939**	**2 064**	**532**	**330 022**
currency translation differences					*(2 969)*		*(743)*	*45*	*(3 667)*
net profit						*11 033*		*(61)*	*10 972*
reversal of valuation of available-for-sale investments				*209*					*209*
deferred tax on reversal of valuation of available-for-sale investments				*(38)*					*(38)*
total comprehensive income				**171**	**(2 969)**	**11 033**	**(743)**	**(16)**	**7 476**
distribution of profit			22 103			(22 103)		248	248
dividend payment						(18 991)			(18 991)
other changes			(995)			995		(300)	(300)
30 June 2012	**26 375**	**100 676**	**202 952**	**1 488**	**(2 694)**	**(12 127)**	**1 321**	**464**	**318 455**

all amounts in PLN thousands unless otherwise stated)

	Attributable to equity holders of ELEKTROBUDOWA SA								
	Share capital	Supplementary capital from share premium	Other supplementary capital	Capital from valuation of available-for-sale investment	Currency translation differences from revaluation of the financial statements	Retained earnings	Capital from revaluation of subsidiaries and associates	Attributable to minority holders	Total equity
note	**20**	**21.1**	**21.1**	**21.2**					
1 January 2011	**26 375**	**100 676**	**160 685**	**3 654**	**0**	**28 666**	**(100)**	**245**	**320 201**
currency translation differences					*275*		*2 164*	*52*	*2 491*
net profit						*37 918*		*218*	*38 136*
valuation of available-for-sale-investments				*1 617*					*1 617*
deferred tax on valuation of available-for-sale investments				*(308)*					*(308)*
reversal of valuation of available-for-sale investments				*(4 502)*					*(4 502)*
deferred tax on reversal of valuation of available-for-sale investments				*856*					*856*
total comprehensive income				**(2 337)**	**275**	**37 918**	**2 164**	**270**	**38 290**
distribution of profit			21 159			(21 159)		30	30
dividend payment						(28 486)			(28 486)
other changes								(13)	(13)
31 December 2011	**26 375**	**100 676**	**181 844**	**1 317**	**275**	**16 939**	**2 064**	**532**	**330 022**

all amounts in PLN thousands unless otherwise stated)

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

all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements

Statement of Cash Flow

	Note	period ended 30 June 2012	2011
Cash flows from operating activities			
Gross profit before taxes		12 956	12 284
Share of net profit of associates measured according to equity method		(2 095)	540
Depreciation and amortisation		6 107	6 270
Gains/losses from currency translation differences		(243)	(290)
Interest and share in profit (dividends)		(478)	(268)
Profit from/loss on sale of property, plant and equipment (PPE)	38	(3)	196
Change in inventories		(11 307)	(23 136)
Change in available-for-sale financial assets	38	(738)	(1 197)
Change in trade and other receivables	38	68 252	34 893
Change in liabilities, except loans and borrowings	38	(48 736)	(14 667)
Income tax paid	38	(2 268)	(8 042)
Change in current prepayments and accrued expenses		630	(4 536)
Change in non-current prepayments and accrued expenses	38	10	(179)
Change in settlements of construction contracts		(15 107)	(25 830)
Other adjustments	38	(9 360)	(169)
Net cash generated from operating activities		**(2 380)**	**(24 131)**
Cash flows from investing activities			
Sale of intangible assets and PPE		190	377
Disposal of interest in other entities		0	161
Disposal of other available-for-sale financial assets		5 658	9 808
Dividend and share in profits	38	497	963
Other proceeds		0	0
Purchase of intangible assets and PPE		(8 622)	(8 718)
Purchase of available-for-sale financial assets		0	(4 920)
Net cash used in investing activities		**(2 277)**	**(2 329)**
Cash flows from financial activities			
Loans and borrowings		1 586	0
Payment of finance lease obligations		(17)	(26)
Interest		(19)	(3)
Net cash generated from / used in financial activities		**1 550**	**(29)**
Net decrease in cash and bank ovedrafts		(3 107)	(26 489)
Balance sheet change in cash and bank overdrafts		(2 864)	(26 199)
Change in cash due to currency translation differences		243	290
Cash and bank ovedrafts at beginning of period		38 359	47 519
Cash and bank ovedrafts at end of period		**35 495**	**21 320**

Notes to the consolidated financial statements

Additional information

1. General information

1.1 Composition of the group and its principal business

As at the balance sheet date the group was composed of ELEKTROBUDOWA SA as a parent, two subsidiaries and three associates.

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

The financial year is identical with the calendar year for the parent and for other entities in the group.

The Parent - ELEKTROBUDOWA SA with its registered office in Katowice, 12, Porcelanowa Str., 40-246 Katowice.

ELEKTROBUDOWA SA is a joint stock company, established and operating according to the Polish law. The company was created through transformation of the state-owned company named Przedsiębiorstwo Montażu Elektrycznego “ELEKTROBUDOWA”, based in Katowice.

The transformation act was made on 9 January 1992 in the form of a notary deed (Repertory No. 225/92) by the Notary Office no.18 in Warsaw run by the notary public Paweł Błaszczak.

The company was entered in Division B under number 7682 to the Commercial Register of the District Court, 10th Register Department Katowice, on the basis of a legally binding decision issued by the said Court on 3 February 1992 (File no. RHB 7682 VII of the Central Commercial Register 48/92).
At present the company is entered in the National Court Register (KRS) at the District Court Katowice-Wschód in Katowice, 8th Business Department under KRS reference number: 0000074725.
The parent has the Tax Identification Number /NIP/ 634-01-35-506 and the National Business Registry Number REGON 271173609.

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

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

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

The business activity of ELEKTROBUDOWA SA includes:

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

Notes to the consolidated financial statements (continued)

A subsidiary KONIP Sp. z o.o. (Ltd) with its registered office at 12, Porcelanowa Str., 40 -246 Katowice.

ELEKTROBUDOWA SA holds a 100% stake in KONIP Sp. z o.o.
KONIP Sp. z o.o. administers the real property owned by or in perpetual usufruct of ELEKTROBUDOWA SA. The scope of their business particularly includes maintenance and administration of building and structures, renting the useful areas, fire protection services, cleaning the rooms and area, as well as maintenance of fixed tangible assets, execution of investment and repairs plans, property protection, managing the traditional and mobile telephone communications, maintaining the parent's archives and the reception service.

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

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

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

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

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

The objects of ELEKTROBUDOWA UKRAINE Ltd. comprise selling of high, medium and low voltage electrical systems, including switchgear panels and distribution substations, in the Ukrainian market, assembly of electrical equipment, switching and control devices, maintenance and repairs of electrical distribution and control devices.

An associate - KRUELTA Ltd. with its registered office at 17A, Magnitogorska Street, St Petersburg, the Russian Federation.

As at 30 June 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 Power Equipment Production Plant VECTOR Ltd. with registered office in Votkinsk, at 2, Pobiedy Str., Autonomic Republic of Udmurtia of the Russian Federation.

As at 30 June 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 facilities, including communication devices.

Notes to the consolidated financial statements (continued)

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

As at 30 June 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 Partners.
Business scope of SAUDI ELEKTROBUDOWA comprises selling low, medium and high voltage electrical systems, including switchgear panels, distribution boards and electrical substations, as well as installation, repair and maintenance services for energy control and distribution systems.

1.2 Changes in the composition of the group and their consequences

As at 30 June 2012, as compared with 31 December 2011 and 30 June 2011 there were no changes in the composition of the ELEKTROBUDOWA SA group.

1.3 Going concern concept

On 5 April 2012 the General Meeting of Partners of the limited liability company "KRUELTA" adopted a unanimous resolution to wind up the company KRUELTA Ltd. Mrs Kuprina Yelena Olegovna was appointed a liquidator. The General Meeting authorized the liquidator to take any necessary actions relating to winding up and approved the procedure and date of liquidation in accordance with the applicable laws of the Russian Federation.
Ordinary activities of the limited liability company KRUELTA has been easily transferred to KRUELTA – a branch of the Power Equipment Production Plant VECTOR Ltd. The branch of KRUELTA is registered at 20 A, Repishcheva Street, Sankt Petersburg, the Russian Federation.
In the opinion of the Management of the parent, the decision to liquidate KRUELTA Ltd. does not have impact on the scope of business activity of the group. The KRUELTA branch not only has taken over the market of customers of KRUELTA Ltd. but also purchased its fixed assets and employed its skilled and experienced staff. The operations of any of the group's business segments have neither been discontinued or reduced in consequence of those actions.
In the opinion of the Management Board of ELEKTROBUDOWA SA there are no circumstances indicating that the continuity of business operations by the group is at risk.
The consolidated financial statements have been prepared with the assumption of continuation of business operations by the ELEKTROBUDOWA SA group in the foreseeable future, and also on the assumption that there are no circumstances indicating that the continuity of the group's business operations is at risk in the foreseeable time.
If, after preparation of the annual consolidated financial statements, any of the entities is informed about events which have substantial effect on this report, or which make the assumption of business continuation by the group is unjustified, the Management Board of ELEKTROBUDOWA SA will be entitled to introduce adjustments to the consolidated financial statements up to the moment of their approval. This does not rule out the possibility of introducing retrospective changes to the consolidated financial statements related to adjustment of errors, or changes in accounting policies as per IAS 8 in the later periods.

Notes to the consolidated financial statements (continued)

2. Summary of significant accounting policies

2.1 Compliance with legislation

The interim report of the ELEKTROBUDOWA SA group for the six months of 2012 has been prepared in conformity with the Regulation of the Minister of Finance dated 19 February 2009 on current and interim information provided by issuers of securities and with the conditions of acknowledging the equivalence of information required by laws of a non-member country.

2.2. Basis of preparation

The consolidated financial statements of ELEKTROBUDOWA SA group have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union, according to the same principles both for the current period and comparable periods.

The present consolidated financial statements have been prepared under the historical cost convention (modified by the effects of hyperinflation on equity), with the exception of revaluation of some non-current assets and financial instruments which are shown at fair value.

Key accounting principles applied by the group are described below.

2.3 Consolidation

Subsidiaries

Subsidiaries are all entities controlled by the parent. It is assumed that the parent has control when it has the power to influence the financial and operating policies of a subordinate entity in order to obtain gains from its operations, which is generally accompanied by a shareholding of more than one half of the voting rights in the company governing bodies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the group, they are de-consolidated from the date on which control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries in the isolated parts of operations. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed. Costs directly attributable to combination of business entities are reflected in the financial result when incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the group’s share of the identifiable net assets is recorded as goodwill. If the cost of acquisition is lee than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

There are no entities in the group which would be excluded from consolidation.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.

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

Notes to the consolidated financial statements (continued)

Associates

Associates are all entities over which the parent has significant influence, participating in formulating their financial and operational policies, but has no control over them.
In the consolidated financial statements the associates are accounted for using the equity method.
Profits or losses, assets and liabilities of associates are recognised in the consolidated financial statements using the equity method. According to this method, investments in an associate are recognised in the consolidated statement of financial position under historical cost convention, with necessary adjustment reflecting the changes of the group's share of net assets of an associate happened after the acquisition date, less impairment of investments.
The group's share of its associates' profits is recognised in the statement of comprehensive income. Unrealised gains or losses on transactions between the group and its associates are eliminated to the extent of the group's interest in associates. The amount of dividend due to the group from the associates is also eliminated.

2.4 Foreign currency translation

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

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

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

Gains and losses from settlement of the above transactions and balance sheet valuation of monetary assets and liabilities expressed in foreign currencies are recognised in the statement of comprehensive income, unless they are deferred in the equity when they are qualified as hedges for cash flows and hedges of shares in net assets.

Notes to the consolidated financial statements (continued)

Translation of items of the statement of financial position and the statement of comprehensive income

The statements of financial position and the statements of comprehensive income of the group's entities of which none conducts business in the hyper-inflationary conditions and whose functional currencies are different from the presentation currency, are translated into the presentation currency as follows:

- assets and liabilities in each of the presented statement of financial position are translated according to the average closing rate valid at the balance sheet date, announced by the NBP;
- income and costs in each statement of comprehensive income are translated at average exchange rate for each currency, which is the arithmetic mean of average rates on the last day of each month of the reporting period, unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions;
- all resulting exchange differences are recognized as a separate component of equity.

2.5 Property, plant and equipment

Property, plant and equipment comprise fixed tangible assets and costs of the assets under construction, which the entity is going to use in its operations and for administrative purposes within the period longer than one year, and which will gain future economic benefits for the entity.

The borrowing costs which can be directly associated with purchase, construction or manufacture of the asset that takes a substantial period of time to get ready for its intended use or sale are capitalised until they are released for use. The borrowing costs are capitalised according to IAS 23.

The fixed tangible assets and assets under construction are initially recognized in their purchase costs or manufacture cost.

Depreciation of fixed tangible assets is calculated according to rates which reflect their estimated useful life. The estimated useful lives are reviewed annually. For the purpose of depreciation the straight-line method is applied.

Economic useful lives of groups of the assets are as follows:

Buildings and civil structures	25-40 years
Plant and machinery	3-15 years
Vehicles	5-7 years
Other	4-10 years

Land owned by the company is not depreciated. Costs of purchase of rights of perpetual usufruct of land on the secondary market (from other entities) are recognized as long-term accruals and impaired for the permanent loss of value within the period of their use.

Tangible fixed assets and assets under construction are tested for impairment if there are reasons indicating their loss of value; in the case of tangible fixed assets under construction their possible impairment is measured at each balance sheet date.

As at the date of the statement of financial position, tangible fixed assets other than land or tangible fixed assets under construction are calculated according to cost less recognized depreciation write-downs and impairment write-offs, if any. Tangible fixed assets under construction are shown in the statement of financial position at manufacture cost less impairment losses.

Notes to the consolidated financial statements (continued)

2.6 Intangible assets

The intangibles of the company include those assets of the company which are not physical in nature but are identifiable as separate items, can be reliably measured and which will gain future economic benefits for the company. The intangible assets are recognized initially at purchase cost or cost of their production.

- Costs incurred on development projects relate to the design and testing of new or improved products, when it is probable that the project will be a success, considering the commercial and technological feasibility and costs can be measured reliably. Development costs that have a final useful life are amortised on a straight-line basis over the period of 3 to 5 years.
- Acquired computer software licences are capitalised on the basis of costs incurred to acquire and bring to use.
  Costs are amortised on a straight-line basis over 2 years. The costs associated with maintaining computer software programmes are recognized as an expense as incurred.
- Other property rights are recognized at costs of acquiring and amortised on a straight-line method over the estimated useful life (up to 5 years).

Intangibles are tested annually for impairment if there are reasons indicating the possibility of loss in value; in the case of intangible assets in the period of their realization their possible impairment is measured at each balance sheet date.

As at the date of the statement of financial position, the intangible assets are calculated according to cost less recognized impairment loss and possible amortization write-off.

2.7 Impairment of property, plant and equipment and of the intangible assets except goodwill

As at each balance sheet day the group reviews the carrying amounts of its fixed assets and intangible assets in order to decide whether the reasons for their impairment exist. If their existence has been confirmed, the recoverable amount of an asset item is measured in order to establish an amount of potential write-off. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. If an asset's recoverable amount is smaller than its carrying amount, the carrying amount of the asset is written down to its recoverable amount.
For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

2.8 Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the group's share of the net identifiable assets of the acquired stake in subsidiary at the date of acquisition. Goodwill on acquisition of subsidiaries is included in 'intangible assets'. Goodwill is tested annually for impairment and carried at initial cost less accumulated impairment losses. Impairment losses on goodwill are not reversed in the next period. The carrying amount of goodwill relating to the disposable entity is recognized in the profit or loss on the disposal of the subsidiary.

Notes to the consolidated financial statements (continued)

2.9 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value as at each balance sheet date. Changes in the fair value of any these derivative instruments are recognized in the statement of comprehensive income within “Other gains/losses – net”. The group does not designate any derivatives as hedges and treats all derivative instruments as financial assets recognized at fair value through profit and loss.

2.10 Financial assets

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

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

2.10.1 Financial assets at fair value through profit and loss

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

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

2.10.2 Loans and receivables

Trade receivables for supplies and services, loans and other receivables with fixed or determinable payments, which are not quoted in an active market, are classified as loans and receivables. They are measured at amortised cost, using the effective interest rate method, with consideration to their impairment. Loans and receivables are included in current assets, except those items which maturities are greater than 12 months after the balance sheet date. Loans and receivables with maturities greater than 12 months after the balance sheet date are classified as non-current assets.

Notes to the consolidated financial statements (continued)

2.10.3 Held-to-maturity financial assets

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

Financial assets which are held to maturity are included in non-current assets, except for those with maturities less than 12 months from the balance sheet date, which are classified as current assets.

2.10.4 Available-for-sale financial assets

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

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

2.10.5 Impairment of financial assets

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

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

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

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

Notes to the consolidated financial statements (continued)

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

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

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

2.10.6 Initial recognition and later derecognition of financial assets

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

2.11 Leases

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

2.12 Inventories

Inventories of materials and goods are stated at the lower of cost and net realisable value using the first-in, first-out (FIFO) method.
Finished goods are measured at cost not higher than net realizable value.
Work in progress is measured at direct cost of raw materials and labour as well as justified portion of related production overheads, established basing on normal operating capacity.
The above cost does not comprise borrowing costs.
Write-down amount of inventories, based on the prudence principle, and the write-down of dead stock, as well as their reversal, are charged into other gains (losses) -net.

Notes to the consolidated financial statements (continued)

2.13 Construction contracts

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

2.14 Trade receivables

Trade receivables are recognised initially at fair value (current realisable value) and then they are measured at adjusted purchase price (amortised cost) using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the contracts. The amount of the provision is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognized in the statement of comprehensive income.
Non-current receivables comprise receivables from contract bonds and receivables from the disposal of property, plant and equipment with deferred payment term. The deferred receivable is not considered by the company as trade receivable generated in the operating cycle.
Current value of non-current receivables as at balance sheet date is established by revaluation of discount amount due to passage of time, using the effective interest rate method.
If, based on the documentation and after all measures to assert its rights have been exhausted, the company ascertains that a receivable is not recoverable, it is written off through the consolidated statement of comprehensive income and derecognised from the books.

2.15 Cash and cash equivalents

Cash and cash equivalents include cash in hand and at bank, deposits in banks, other short-term investments, highly liquid investments with original maturities of three months or less since they were deposited, received, acquired or issued. Bank overdrafts are shown within “Loans, borrowings and debt securities” of the consolidated statement of financial position.

Notes to the consolidated financial statements (continued)

2.16 Non-current assets held for sale and discontinued operations

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

2.17 Share capital and supplementary capital

Share capital is recognised in the consolidated statement of financial position at the value specified in the Articles and entered in the court register, with consideration to effects of capital restatement due to hyperinflation as per provisions of IAS 29.
In case of buy back the payment for shares charges the equity and is recognized in the consolidated statement of financial position in the item “treasury shares”.
Additional costs directly attributable to the issue of new shares or options are shown in equity as a deduction from proceeds, net of tax.
Supplementary capital is established as provided by the Articles of entities in the group from retained earnings and through transfer from other reserves. Furthermore, differences between fair value of payment received and the nominal value of shares are recognized in the share premium reserve capital, with consideration to the effect of capital restatement due to hyperinflation as per provisions of IAS 29.

Where any entity in the group purchases the company’s equity share capital (its own shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the entity’s equity holders until the shares are cancelled, reissued or disposed of.
Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company’s equity holders.

2.18 Loans and borrowings

Bank loans and borrowings are recognised initially at fair value, net of transaction costs incurred. Later the borrowings are stated at adjusted purchase price (amortised cost) and any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the loan agreement using the effective interest method.
Loans and borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Notes to the consolidated financial statements (continued)

2.19 Income taxes

Income tax for the financial year consists of a current portion and a deferred portion. Income tax is recognized in the consolidated statement of comprehensive income, except for amounts related to items shown directly in the equity, in which case the income tax is also recognized directly in equity.
Current tax charge is measured basing on the tax result (tax base) for the relevant financial year. A tax profit (loss) is different from the accounting gain (loss) because of exclusion of tax-free revenue and expenses not deductible for tax purposes and also those expense and income items which will never be subject to tax. Tax charges are recognized using the tax rates valid in the respective financial year.
A deferred tax is measured using the balance sheet approach as the tax to be paid or recovered in future basing on the difference between the carrying amounts of assets and liabilities and their corresponding tax amounts used for measurement of the tax base.
A provision for deferred income tax is created on all taxable temporary differences, while the deferred tax asset is recognized to the amount for which it is probable that future tax gains can be reduced by recognized negative temporary differences and tax losses or tax relief that the group is allowed to use. An asset or a provision for deferred tax is not accounted for if the temporary difference arises from initial recognition of goodwill or from initial recognition of another asset or liability in a transaction that affects neither accounting profit nor taxable profit.
The deferred tax is measured at the tax rates that are expected to apply to the period when the asset is realised or the liability becomes mature.
Deferred tax assets and deferred tax provision should be offset only if the group has the enforceable right to offset its current income tax receivables and liabilities, and if the deferred income tax assets and provisions refer to the income tax imposed by the same tax authority.

2.20 Employee benefits

Pension and retirement obligations
The group operates a pension and retirement benefits scheme. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.
The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality State Treasury bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension or retirement benefit liability.
Actuarial gains and losses are recognized in whole amount in the consolidated statement of comprehensive income.

Termination benefits
Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The group recognizes termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the date of the statement of financial position are discounted to their present value.

Notes to the consolidated financial statements (continued)

Bonus plans

The group recognises a liability and an expense for bonuses defined in the scorecards which are annexed to employment contracts. Provision for bonuses is established (expense recognized on a time-proportion basis) and recognised in accrued expenses.

2.21 Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events and it is likely that an outflow of resources that reflect economic gains will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses.
The amount of recognized provision reflects the most exact assessment as possible of the amount required to settle the current obligation at the balance sheet date, with consideration to risk and uncertainty specific to the obligation.

2.22 Trade and other payables

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

2.23 Revenue recognition

Sales revenues cover fair value of the revenues from received or due payment for goods and services sold, less value-added tax, rebates and discounts and after eliminating internal sales:

a) Revenue from sales of products and goods is recognised when significant part of risks and rewards from ownership of products and goods have been passed on the customer.
b) Revenues from construction contracts are recognised according to the procedure presented in item 2.13.
c) Sales of services are recognised in the accounting period in which the services are rendered, when:
   - the amount of revenue can be reliably estimated,
   - the entity is likely to gain financial profit from the transaction,
   - stage of completion of the transaction on the balance sheet date can be reliably determined.
d) Interest income is recognised on a time-proportion basis using the effective interest method.
e) Dividend income is recognized when the right to receive payment is established.

Notes to the consolidated financial statements (continued)

2.24 Government grants

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

3. Critical accounting estimates and judgments

Preparing the consolidated financial statements the group makes estimates and assumptions concerning the future.
Judgments by management were applied in estimating the amount of provision for warranty repair works (details in Note 25), and in estimating receivables and payables related to the long-term construction contracts (details in Note 30).
Goodwill of the parent is annually tested for impairment (information included in Note 9).
Assumptions of impairment of shares in KRUELTA Ltd. are presented in Note 11.
Details on measurement of fair value of shares in PI Biprohut sp. z o.o. and of ELEKTROBUDOWA's influence on its operating and financial policy are disclosed in Note 12.

The group's entities verify annually the useful lives of their plant and equipment. They are reviewed in order to ascertain the correctness of the assumed periods of useful lives, and the following is assessed:
- normal wear and tear
- functional depreciation
- intensity of past use
- intensity of present and estimated use
- estimated useful life,
- availability of replacement parts and consumables.

Furthermore, consultations are carried out with persons responsible for the use of fixed assets, with the users and industrial experts. In result of the carried out review it has been decided that the useful lives of 4 items of non-current assets should be changed. Changes of depreciation factors concern fixed assets in the group 4, 5, 8 of the Polish Fixed Assets Classification KŚT and involve reduction of monthly depreciation charges. Financial result of the changes will involve decrease of annual depreciation expense by 9.7 thousand PLN.

Notes to the consolidated financial statements (continued)

4. Financial risk management

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

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

4.1 Foreign exchange risk

The group is exposed to foreign exchange risk arising from buying and selling transactions carried in various currencies. In the case of exports in EUR carried out by the group there is a natural hedging, as most of imports are also carried out in EUR.
An essential element of the group's operations exposed to foreign exchange risk is export in US$ and those contracts carried out in Poland which are concluded in EUR but settled in PLN.

The analysis of present currency structure of sales revenues shows that the foreign currency translation risk is not particularly significant. The revenue earned in foreign currencies constitutes 31.7% of total revenues gained by the group in the six months of 2012; 21.0% comes from sales in EUR (mainly in Finland), whereas 10.5% falls to revenue earned in US dollars (mostly to Eastern-European markets).

As at 30 June 2012 the accounts receivable expressed in foreign currency accounted for 27.0% of total receivables, of which 22.2% in EUR and 4.8% in USD.

Trade payables expressed in foreign currency accounted for 10.9% of total liabilities, most of them payables in EUR, which constituted 10.7% of total trade liabilities.

Foreign currencies constitute 35.7% of total cash, of which 30.2% falls to cash expressed in EUR while 2.7% to cash expressed in USD.

Notes to the consolidated financial statements (continued)

Measurement:

	year ended 30 June 2012		year ended 31 December 2011		year ended 30 June 2011	
	currency		currency		currency	
	USD	EUR	USD	EUR	USD	EUR
- amount in foreign currency (receivables and cash less payables) (USD'000 / EUR'000)	3 707	10 416	2 825	13 041	2 606	9 234
- exchange rates	3.3885	4.2613	3.4174	4.4168	2.7517	3.9866
- receivables, payables and cash (in PLN'000)	12 561	44 386	9 654	57 599	7 171	36 812
- **exchange rate accounting for 10% change**	**3.7274**	**4.6874**	**3.7591**	**4.8585**	**3.0269**	**4.3853**
- receivables, payables and cash with exchange rates change considered	13 817	48 824	10 619	63 360	7 888	40 494
- change in profit before taxes (in PLN'000)	1 256	4 438	965	5 761	717	3 682
- change in net profit (in PLN'000)	1 017	3 595	782	4 666	581	2 982
- **exchange rate accounting for 25%change of USD and 15% change of EUR**	**4.2356**	**4.9005**	**4.2718**	**5.0793**	**3.4396**	**4.5846**
- receivables, payables and cash with exchange rates change considered	15 701	51 044	12 068	66 239	8 964	42 334
- change in profit before taxes (in PLN'000)	3 140	6 658	2 414	8 640	1 793	5 522
- change in net profit (in PLN'000)	2 543	5 393	1 955	6 998	1 452	4 473

From the analysis of the impact of movement in currency/PLN exchange rates against the rates announced by the National Bank of Poland as at 30 June 2012 it may be expected that:

– if the USD exchange rate had strengthened or weakened by 10%, the net profit would have been by 1 017 thousand PLN higher or lower, as a result of positive or negative differences on translation of receivables, payables and cash, whereas the 25% rise or fall of the exchange rate would result in 2 543 thousand PLN increase or decrease in the net profit.

Notes to the consolidated financial statements (continued)

- if the EUR exchange rate had strengthened or weakened by 10%, the net profit would have been by 3 595 thousand PLN higher or lower, as a result of positive or negative differences on translation of receivables, payables and cash, whereas the 15% rise or fall of the exchange rate would result in 5 393 thousand PLN increase or decrease in the net profit.

The group companies' exposure to foreign exchange risk in the current period rose with respect to transactions denominated in USD and EUR, with the bigger rise in transactions expressed in USD. This is bound with the growth in balance of cash in foreign currencies on bank accounts and the growth of trade receivables. Such situation is strictly connected with the growth of export sales by 111.7% as compared to the comparable six months of the previous year and with the dynamic growth of exchange rates. On 30 June 2012 as compared to 30 June 2011 average exchange rate of US dollar rose by 23%, while the rate of EUR by 7%. Consequently, transactions made in foreign currencies as translated to PLN recorded a growth by 75.2% in USD-denominated transactions and by 20.6% in transactions in EUR.

Present situation in the eurozone and consequent high uncertainty and variability of currency market make any exchange rates forecasts more risky than ever.

4.2 Interest rate risk

Owing to the level and fluctuations of interest rates and also due to the fact that the group did not have long-term borrowings it was not necessary to hedge the interest rate risk.

In June 2012 ELEKTROBUDOWA SA released a current account credit, using its existing multipurpose credit limit of in Bank PEKAO S.A. granted to the amount of 60 million PLN including 10 million overdraft. The bank charges interest on the used amount of credit according to the floating interest rate calculated on the basis of daily benchmark rate WIBOR 1M and the bank commission of 0.9 p.p. The amount of debit was 1 586 thousand PLN as of 30 June 2012. Until the reporting day 9.8 thousand PLN interest was calculated on the utilized amount.

Changes of interest rates due to the released current account credit did not have significant influence on the net profit of the group.

4.3 Credit risk

4.3.1 Credit risk relating to cash and bank deposits

The entities with whom the group enters into deposit transactions operate in the financial sector. These are only banks registered in the countries of registration of the entities or branches of foreign banks operating in those countries. All those institutions have suitable equity and strong, stable market position.
As at 30 June 2012 maximum share of one bank with respect to resources deposited by the group was 28.9%.
Taking into account the above and the short term nature of investment it is considered that the cash and bank deposits credit risk is low.

all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

Cash in bank and on hand:

	30 June 2012	31 December 2011	30 June 2011
- PKO BP S.A.	10 243	2 830	1 006
- ING BANK ŚLASKI S.A.	9 752	5 102	682
- GETIN NOBLE BANK SA	6 541	0	3 037
- BNP PARIBAS BANK POLSKA S.A.	2 688	487	2 157
- BRE BANK S.A.	1 858	1 331	1 329
- BANK HANDLOWY w Warszawie S.A.	1 685	14 718	285
- ING LUKSEMBOURG S.A.	987	553	171
- PRIWATBANK SF KB	994	941	0
- Bank PEKAO S.A.	541	10 694	5 500
- RAIFFEISEN BANK POLSKA S.A.	156	155	154
- NORDEA BANK FINLAND PLC	15	1 522	6 639
- UKROSOTSBANK UniCredit Group	0	0	348
- CASH	35	26	12
TOTAL	**35 495**	**38 359**	**21 320**

4.3.2 Credit risk arising from derivative financial instruments

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

In the first half of 2012 the parent entered into forward rate transactions as foreign exchange risk hedging. As at 31 December 2011, ELEKTROBUDOWA SA had two unmatured forward transactions for the total amount of 17 520 thousand EUR.
In the first half of 2012 the following transactions were settled:
- on 30 March 2012 – the transaction for the amount of 3 220 thousand EUR equivalent to 13 128 thousand PLN, which generated a 262 thousand PLN loss for the group;
- on 19 June 2012 there was a closing sale of the forward transaction of 10 000 thousand EUR, equivalent to 42 935 thousand PLN; a loss of 2 210 thousand PLN was generated.

In H1 2012 the parent used forward transactions as foreign exchange risk hedges.
As at 30 June 2012 ELEKTROBUDOWA SA had two forward foreign exchange transactions opened for total value of 17 520 thousand EUR. Until the reporting date, closing transactions to the forward transaction were concluded for the total amount of 211.5 thousand EUR at the rate of 4.0725; transaction value 861.3 thousand PLN. The currency exchange transaction will be settled on 30 March 2012 in the amount of 3 220 thousand EUR and on 29 June 2012 in the amount of 14 088.5 thousand EUR

all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

The above foreign exchange rate forward transactions were concluded in March and July 2011 when the EUR rates did not exceed 4.00 PLN. In the second half of 2011 there was rapid growth of EUR rate, up to 4.4168 PLN on 30 December 2011. Although the growing trend stopped in the first half of 2012, transactions were closed at rates higher than established at the date of concluding the transactions, what generated losses on the exchange difference. In order to reduce cash flows and curb the credit risk to the level of positive balance of transaction pricing, agreements were concluded on net settlement of transactions at the moment of closing.
As at 30 June 2012 a forward contract for 4 089 thousand EUR and forward rate 4.1090 PLN was left to be settled. The settlement of the currency exchange transaction will take place on 28 September 2012.

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

4.3.3 Credit risk arising from trade and other receivables

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

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

	30.06.2012	**31.12.2011**	**30.06.2011**
Poland	74.0%	79.8%	81.2%
Finland	16.8%	9.0%	9.1%
Russia	4.0%	1.7%	1.0%
Germany	2.4%	0.5%	0.9%
Estonia	1.2%	2.0%	0.0%
Saudi Arabia	0.7%	0.5%	2.3%
Luxemburg	0.4%	0.0%	0.0%
Switzerland	0.0%	0.9%	0.1%
Turkey	0.0%	0.0%	1.0%
Ukraine	0.0%	0.6%	0.0%
Other countries	0.5%	5.0%	4.4%

all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

The group sells its products partially against down payments. Credit quality of counterparties is also regularly monitored on the basis of the condition of receivables. The policy of current monitoring of customers consisting in assessment of their ability to settle financial obligations allows verifying the related credit exposure, both at the stage of quotations and at the stage of project realization.

The group hedges some of its receivables with promissory notes, contract bonds and advance payments, which cover approximately 4.5% of current trade receivables.

Provision for impairment of trade receivables is made when there is objective evidence that the group will not be able to collect all due amounts according to the original terms of the receivables. The amount of a provision is the difference between the carrying amount and the present value of estimated future cash flows.

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

Current trade receivables	**30.06.2012**	**31.12.2011**	**30.06.2011**
1. current	180 985	262 570	187 810
2. overdue:	21 071	23 290	13 769
a) up to 1 month	10 759	16 229	8 465
b) over 1 month up to 3 months	6 356	5 423	3 281
c) over 3 months up to 6 months	3 404	1 407	1 848
d) over 6 months up to 1 year	552	231	175
TOTAL	**202 056**	**285 860**	**201 579**

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

- as of 30 June 2012 13 826 thousand PLN
- as of 31 December 2011 11 824 thousand PLN
- as of 30 June 2011 11 391 thousand PLN

In H1 2012 a provision for impairment of trade receivables was created in the amount of 2 380 thousand PLN, in 2011 of 2 229 thousand PLN, while H1 2011 of 1 459 thousand PLN. As at the balance sheet date the group impaired 6.4% of its receivables.
In the opinion of the group, there is no risk that the impaired trade receivables could become uncollectible, taking into account current financial position of the customers and past experience of the group. Steady growing trend of overdue debts and growing value of impairment of trade receivables are the signs of deteriorating financial conditions of contractors. The biggest volume of balance of overdue debt from one contractor as at 30 June 2012 was 4 899 thousand PLN, which was 23.2% of total overdue debt. The second biggest overdue debt amounted to 3 907 thousand PLN, i.e. 18.5% of total. Together overdue receivables due from two biggest debtors of the group as at 30 June 2012 amounted to 8 806 thousand PLN and constituted 41.7% of their total value.

Notes to the consolidated financial statements (continued)

The parent ELEKTROBUDOWA SA estimates that maximum exposure of the group to credit risk as at the balance sheet date reaches the full amount of balance of trade receivables, without fair value of established securities. Credit risk relating to trade receivables must be adjusted by such debt amounts which, pursuant to consortium contracts or subcontracts, when received will be used for settling the liabilities resulting from those contracts. The risk that the group would not receive cash flows is estimated as low. However, actions taken by the Management of the parent in order to enforce receiving the due amounts show that the debt has long-lasting character.

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

As at 31 December 2011 the group held 73 608.618 units in the open-ended investment fund which carrying amount, recognized in non-current assets, was 4 711 thousand PLN.
Fair value of the units as at 31 December 2011 was measured basing on the current quotation in the regulated market.

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

In H1 2012 the group sold all held units. Profit gained by the group on the selling transaction amounted to 738 thousand PLN. The group did not purchase and units in the investment funds during the first half of 2012.

4.4 Financial liquidity risk

The group is exposed to liquidity risk understood as the lack of possibility to settle their financial liabilities in due time.
Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities and guarantee lines.
These are manifested by:
– diversification of sources of funding – cooperation with seven banks,
– various methods of funding – bank overdrafts,
– use of various bank products, like balancing of accounts on a day-to-day basis, overnight deposits, certificates of deposits, derivative instrument transactions, negotiated exchange rates,
– versatile cooperation with banks insurance companies in the scope of contract bonds.

Essential from the point of view of liquidity is also the use of trade credit allowed by suppliers, with extended payment terms.
Investing the free resources depends on contractual maturity dates for payables, in order to mitigate the liquidity risk as much as possible.

all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

The table shows the breakdown of undiscounted financial liabilities of the group into relevant maturity groupings based on the remaining period from the balance sheet to the contractual maturity date:

Undiscounted trade and other receivables as at:	**1 month or less**	**1 -3 months**	**3-6 months**	**6-12 months**	**over 1 year**	**Total**
30 June 2012	186 772	48 508	9 258	0	10 900	**255 438**
31 December 2011	205 273	62 115	7 311	3	8 557	**283 259**
30 June 2011	160 220	37 830	11 223	53	7 004	**216 330**

As at 30 June 2012 the following group's entities had credit lines on current accounts available up to 27 000 thousand PLN altogether:

- ELEKTROBUDOWA SA up to 26 000 thousand PLN,
- ENERGOTEST sp. z o.o. up to 1 000 thousand PLN.

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

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

The amounts available were not utilized (note 23).

In previous reporting periods, owing to good financial liquidity, the group's borrowings were limited to trade credit.
In the first half of 2012, because of increasing payment gridlocks, the group supported financing current operating activities by funds from the released overdraft on current account. As at reporting date the overdraft limit was utilized in the amount of 1 586 thousand PLN.

If the market conditions deteriorated and the necessity of additional financing of operations or refinancing of debt through borrowings appeared, payment risk might increase.

4.5 Price risk

The group is exposed to price risk which arises from current economic situation in the power industry, chemical, building and metallurgy sectors, mainly from prices of electrical materials and equipment and steel products.
Adequate policy, organisational structure and procedures as well as actions related to risk management support the process of negotiating and establishing prices at optimum level.
Period of executing a trade contract, from order acceptance to contract completion, is not long (1 year at average), so adequate selling prices formation is possible.

The group is exposed to price risk, particularly the one caused by extending time of performance of contractual works for the reasons beyond the group's control. The extended period of a contract performance generates additional fixed costs which can be predicted at the moment of quotation.

Notes to the consolidated financial statements (continued)

The group is also exposed to price risk relating to the performance of a project jointly executed in the consortium with QUMAK – SEKOM S.A. and Przedsiębiorstwo „AGAT" S.A., where ELEKTROBUDOWA SA is a leader, called: "The supply of overall electrical, small current, automation and BMS installations for Stage 2 Construction of the National Stadium, Warsaw". The Purchaser is HYDROBUDOWA POLSKA S.A., ALPINE Construction Polska Sp. z o.o. The initial term of completion was established as 4 May 2011. Until the reporting day the purchaser did not carry out final acceptance of the completed works. Costs incurred due to extension of contract performance amount to 14 million PLN, of which 5 million concerns ELEKTROBUDOWA SA. The group estimates the price risk of the contract as high.

4.6 Fair value change risk

The group is exposed to the risk of change in fair value of its available-for-sale financial assets.
The risk is not significant, as the total amount of the above mentioned financial assets is 2 747 thousand PLN, which is 0.4% of the company's total assets.
The risk is connected with their valuation which is subject to change, as:

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

Structure of available-for-sale financial assets:

1. Carrying amount of shares in PI Biprohut Sp. z o.o. based in Gliwice was 2 470 thousand PLN at 30 June 2012 and had not changed as compared with the value recognised in books as at 31 December 2011 and 30 June 2011. The fair value of shares was established on the basis of measurement by an independent expert using the discounted cash flows method.

2. The carrying amount of shares in Energotest Diagnostyka Sp. z o.o. based in Brzezie k.Opola owned by the group was 253 thousand PLN as at 30 June 2012 and 31 December 2011 while 256 thousand PLN as at 30 June 2011. The group held 17 shares of nominal value 8.5 thousand PLN. The assets were measured at fair value.

3. Ordinary shares in Famak SA based in Kluczbork in the quantity of 5 450 (nominal value of 1 share = 10 PLN) were received in result of conversion of debt after arrangement with creditors. The shares of Famak are not listed on the stock exchange. As at 30 June 2012 it was established that their fair value did not change and amounted to 24 thousand PLN. ELEKTROBUDOWA SA is recognizing the market in order to find a buyer for the shares of Famak.

4. As at 31 December 2011 the group held 73 608.618 units in the Franklin Templeton Investment Funds, which carrying amount was 4 711 thousand PLN. In the first half of 2012 all units were sold at the purchase price of 4 920 thousand PLN. The group earned a profit of 738 thousand PLN from this sale.

all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

4.7 Capital risk management

The group's objective when managing the capital is to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.
Consistently with others in the industry, the group monitors capital on the basis of the gearing ratio. The ratio is calculated as net debt divided by total capital. Net debt is calculated as total trade liabilities and bank borrowings less cash and cash equivalents. Total capital is calculated as equity plus net debt. The group's strategy was to maintain the gearing ratio on the level not exceeding 30%.
Growth of the gearing ratio in H1 2012 by 2 percentage points on the comparable H1 2011 and exceeding its preferred level by 11 percentage points were principally the consequence of involvement of borrowing capital in financing current operations. The growth rate of net borrowing capital exceeded the growth of total capital by 6 percentage points. Significant growth in order backlog as at 30 June 2012 as compared with 30 June 2011 involves increased requirement for working assets required for execution of the orders. The investment involved in the current reporting period shall allow the entities of the group to generate additional cash flows from operating activity after the production cycle is closed.

The gearing ratios in the reportable periods were as follows:

	H1 2012	2011	H1 2011
trade and other payables	253 850	281 995	215 402
corporate income tax liability	483	524	94
bank borrowings	1 586	0	0
cash and cash equivalents	(35 495)	(38 359)	(21 320)
net financial debt	220 424	244 160	194 176
equity	318 455	330 022	303 689
total capital	538 879	574 182	497 865
gearing ratio (effective debt ratio)	41%	43%	39%

5. New accounting standards and IFRIC interpretations

Standards and Interpretations applied for the first time in 2012

The following amendments to the existing standards issued by the International Accounting Standards Board and adopted by the EU came into force in 2012:

- **Amendments to IFRS 7 "Financial Instruments: Disclosures" - transfers of financial assets** - adopted by the EU on 22 November 2011(effective for annual periods beginning on or after 1 July 2011).

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

Notes to the consolidated financial statements (continued)

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

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

- **Amendments to IAS 1 „Presentation of Financial Statements" -** presentation of items of other comprehensive income (effective for annual periods beginning on or after 1 July 2012).
- **Amendments to IAS 19 „Employee Benefits" –** improvements to the accounting of post-employment employee benefits (effective for annual periods beginning on or after 1 January 2013).

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

The IFRSs as approved by the EU do not substantially differ from regulations adopted by the International Accounting Standards Board (IASB), except for the standards, amendments to standards and interpretations presented below, which, as at 31 August 2012, had not yet been adopted:

- **IFRS 9 "Financial Instruments"** (effective for annual periods beginning on or after 1 January 2015).
- **IFRS 10 „Consolidated Financial Statements"** (effective for annual periods beginning on or after 1 January 2013).
- **IFRS 11 „Joint Arrangements"** (effective for annual periods beginning on or after 1 January 2013).
- **IFRS 12 „Disclosure of Interests in Other Entities"** (effective for annual periods beginning on or after 1 January 2013).
- **IFRS 13 „Fair Value Measurement"** (effective for annual periods beginning on or after 1 January 2013).
- **IAS 27 „Separate Financial Statements" (as amended in 2011)** (effective for annual periods beginning on or after 1 January 2013).
- **IAS 28 „Investments in Associates and Joint Ventures" (as amended in 2011)** (effective for annual periods beginning on or after 1 January 2013).
- **Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards" –** Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (effective for annual periods beginning on or after 1 July 2011).
- **Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards" –** Government Loans (effective for annual periods beginning on or after 1 January 2013).
- **Amendments to IFRS 7 "Financial Instruments: Disclosures" -** Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2013).

Notes to the consolidated financial statements (continued)

- **Amendments to IFRS 9 "Financial Instruments" and to IFRS 7 "Financial Instruments: Disclosures" -** mandatory effective date and modified transition disclosures.

- **Amendments to IAS 12 "Income Tax" - Deferred Tax: Recovery of Underlying Assets** (effective for annual periods beginning on or after 1 January 2012).

- **Amendments to IAS 32 "Financial Instruments: Presentation" -** Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2014).

- **A collection of amendments "Improvements to IFRS (2012)"** – following the procedure of annual improvements to IFRS, published on 17 May 2012 (IFRS 1, IAS 1, IAS 16, IAS 32, and IAS 34) aimed at changes of wording to clarify the meaning and remove unintended inconsistencies (effective for annual periods beginning on or after 1 January 2013).

- **IFRIC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine** (effective for annual periods beginning on or after 1 January 2013).

The parent anticipates that the adoption of these standards, revisions and interpretations would have no material impact on the consolidated financial statements, if they were applied by the group as at the balance sheet date.
At the same time, hedge accounting regarding the portfolio of financial assets and liabilities, whose principles have not been adopted by the EU, is still unregulated.
According to the parent's estimates, application of hedge accounting for the portfolio of financial assets or liabilities pursuant to **IAS 39: "Financial Instruments: Recognition and Measurement"**, would not significantly impact the consolidated financial statements, if applied as at the balance sheet date.

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

The resolution adopted on 5 April 2012 by the General Meeting of Partners of the limited liability company "KRUELTA" wind up the company does not have impact on the activities of the group. Ordinary activities of the limited liability company KRUELTA has been easily transferred to KRUELTA – a branch of the Power Equipment Production Plant VECTOR Ltd. The KRUELTA branch has taken over the trade area of KRUELTA Ltd. and also purchased its fixed assets and employed its skilled and experienced staff in order to provide resources and ensure continuation of business under conditions not worse than before.

No operations were discontinued by the group in H1 2012 and no such discontinuation is planned in the following period.

Notes to the consolidated financial statements (continued)

7. Segmental information

Primary reporting format – business segments

Business activity of the group is primarily categorised by industries.
Operations of business segments consist in providing construction and installation services, realization of electric power facilities and automation systems and also manufacturing of electrical and automation equipment.
The group's reporting segments are its strategic divisions, identified in respect of organisational structure and strategy, offering different products and services. They are separately managed, as the operations of each require different production technology and different marketing strategy. The group is organized into five reportable segments:

- The segment: Power Generation Division provides services for power and heat generating plants, heavy industry, particularly metallurgy and mining together with processing facilities. The services include electrical installation and erection, commissioning and start up of electrical plant and equipment, and also manufacture and installation of high-current busducts.

- The segment: Industry Division renders services for broadly understood public sector, trade (retail centres) and industry, including petrochemical, paper & pulp, road building, etc. The services include electrical installation, commissioning and start-up and general realization of investments.

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

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

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

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

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

all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

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

Business segment results for H1 2012

	Power Generation Division	Industry Division	Power Distribution Division	Automation Division	All other segments	Group total
Continuing operations						
Sales revenue	189 704	123 170	152 871	22 568	5 203	**493 516**
of which:						
Revenue on external customers	188 371	122 650	118 818	19 146	1 166	**450 151**
Inter-segment sales	1 333	520	34 053	3 422	4 037	**43 365**
Operating profit	**8 134**	**(7 517)**	**8 631**	**835**	**300**	**10 383**
Financial activities result	0	0	(9)	0	487	**478**
Share of net profit of associates measured according to equity method	0	0	2 095	0	0	**2 095**
Profit before income tax	**8 134**	**(7 517)**	**10 717**	**835**	**787**	**12 956**
Income tax expense	(630)	956	(2 066)	(142)	(102)	**(1 984)**
Net profit from continuing operations for the period	**7 504**	**(6 561)**	**8 651**	**693**	**685**	**10 972**
Discontinued operations						
Net profit (loss) from discontinued operations for the period	**0**	**0**	**0**	**0**	**0**	**0**
Net profit for the period	**7 504**	**(6 561)**	**8 651**	**693**	**685**	**10 972**
of which:						
net profit of equity holders of ELEKTROBUDOWA SA	*7 504*	*(6 561)*	*8 712*	*693*	*685*	***11 033***
- net profit of minority shareholders	*0*	*0*	(61)	*0*	*0*	***(61)***

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. The parent, 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.

Notes to the consolidated financial statements (continued)

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. 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 the parent 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.
The parent, ELEKTROBUDOWA SA as a consortium leader has started the proceeidings to secure overdue payments for works performed against the main contract and two additional contracts. In effect, on 29 June 2012 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 the parent, 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 parent 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 group 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 (continued)

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

	Power Generation Division	Industry Division	Power Distribution Division	Automation Division	All other segments	Group total
depreciation	1 976	750	890	304	1 284	**5 204**
amortisation	123	103	460	188	29	**903**

Business segment results for H1 2011

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

all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

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

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

Assets and liabilities of business segments as at 30 June 2012

	Power Generation Division	Industry Division	Power Distribution Division	Automation Division	All other segments	Group total
Assets	219 470	145 155	129 432	48 948	88 030	**631 035**
Liabilities	107 506	96 632	84 492	8 513	15 437	**312 580**
Capital expenditure	596	375	3 674	324	3 163	**8 132**

Assets and liabilities of business segments as at 31 December 2011

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

Assets and liabilities of business segments as at 30 June 2011

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

all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

Impairment of receivables by business segments

	Power Generation Division	Industry Division	Power Distribution Division	Automation Division	All other segments	Group total
as at 30 June 2012	2 103	5 700	3 669	193	3 760	**15 425**
as at 31 December 2011	2 104	2 799	3 160	193	3 760	**12 016**
as at 30 June 2011	1 907	2 688	2 992	80	3 768	**11 435**

Provisions for impairment of receivables by business segments

	Power Generation Division	Industry Division	Power Distribution Division	Automation Division	All other segments	Group total
in H1/ 2012	217	3 187	571	0	0	**3 975**
in 2011	454	1 605	199	113	2	**2 373**
in H1/ 2011	131	1 298	30	0	0	**1 459**

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

	Power Generation Division	Industry Division	Power Distribution Division	Automation Division	All other segments	Group total
in H1/ 2012	218	286	62	0	0	**566**
in 2011	246	563	1 034	23	215	**2 081**
in H1/ 2011	120	367	1 033	23	205	**1 748**

all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

Secondary reporting format – geographical segments

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

	6 months ended	
	30 June 2012	**30 June 2011**
Revenue on sales of products, goods and materials		
- domestic market	332 437	316 907
- East-European market	64 249	9 838
- Skandinavian market	42 533	34 870
- Western Europe	6 935	1 045
- South-West Asia	3 413	5 250
- North America	250	11
- Central Asia	130	1 919
- Central America	124	87
- Turkish market	0	2 275
- Central Europe	0	231
- Australian market	0	0
- other markets	80	66
	450 151	**372 499**

In H1 2012 the group operated principally in the domestic market (74% of the sales revenues), East-European markets (14%), the Scandinavian market (9%), and Western Europe (2%).

Information about key customers

The revenue on the direct sales generated by the Power Generation Division in the amount of 188.4 million PLN (145.1 million PLN in H1 2011) includes the 35.9 million PLN revenue on the contract with the group's biggest customer (in H1 2011 it was 34.8 million PLN). In H1 2012 the revenue accounted for 8.0% while in H1 2011 for 9.3% of total revenues generated by the group.

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 revenue of 24.2 million PLN on the contract with the group's second biggest customer (in H1 2011 it was 42.8 million PLN). In H1 2012 the revenue accounted for 5.4% while in H1 2011 for 11.5% of total revenues generated by the group.

The H1 2012 revenue from the two biggest customers accounted for 13.4% of total group's revenues, against 20.8% in the first half of 2011.

all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

8. Property, plant and equipment

	as at		
	30 June 2012	**31 December 2011**	**30 June 2011**
Property, plant and equipment			
- land	2 949	2 949	2 949
- buildings, civil engineering facilities	50 675	51 180	50 261
- machinery and technical equipment	16 655	16 371	17 143
- vehicles	7 274	8 515	9 196
- other fixed assets	4 357	4 839	4 888
- construction-in-progress	4 085	2 283	856
- downpayments for construction-in-progress	2	93	0
	85 997	**86 230**	**85 293**

all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

	land	buildings, civil engineering facilities	machinery and technical equipment	vehicles	other fixed assets	construction-in-progress	downpayments for fixed tangible assets	Property, Plant & Equipment
Gross value of fixed tangible assets at 1 January 2012	2 949	60 625	44 508	23 535	14 541	2 283	93	148 534
Additions (of which):	0	5	1 891	389	283	1 802	(91)	4 279
- purchase	0	5	1 184	296	283	2 216	2	3 986
- internally manufactured	0	0	0	0	0	293	0	293
- takeover from investment	0	0	707	0	0	(707)	0	0
- other	0	0	0	93	0	0	(93)	0
Reductions (of which):	0	0	(653)	(84)	(28)	0	0	(765)
- selling	0	0	(51)	(84)	0	0	0	(135)
- liquidation	0	0	(602)	0	(28)	0	0	(630)
Other changes	0	1 099	215	(1)	0	0	0	1 313
Gross value of fixed tangible assets at 30 June 2012	2 949	61 729	45 961	23 839	14 796	4 085	2	153 361
Accumulated depreciation at 1 January 2012	0	(9 445)	(28 137)	(15 020)	(9 702)	0	0	(62 304)
Current depreciation charge for the period	0	(1 190)	(1 638)	(1 612)	(764)	0	0	(5 204)
Reduction due to selling, liquidation	0	0	651	68	27	0	0	746
Other changes	0	(419)	(182)	(1)	0	0	0	(602)
Accumulated depreciation at 30 June 2012	0	(11 054)	(29 306)	(16 565)	(10 439)	0	0	(67 364)
Net tangible fixed assets at 30 June 2012	**2 949**	**50 675**	**16 655**	**7 274**	**4 357**	**4 085**	**2**	**85 997**

The group does not have any property plant and equipment with restricted right of use.
As at 30 June 2012 the group uses fixed assets of initial value 115 thousand PLN against a lease agreement. Depreciation of leased fixed assets was 27 thousand PLN as of the balance sheet date.
As at 30 June 2012 bank borrowings and guarantees were secured on property, plant and equipment for the value 143 380 thousand PLN and a pledge by registration was made for the value 2 441 thousand PLN.
As at 30 June 2012, 31 December 2011 and 31 December 2011, except the above situation, there were no provisions for impairment of fixed assets.

all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

	land	buildings, civil engineering facilities	machinery and technical equipment	vehicles	other fixed assets	construction-in-progress	downpayments for fixed tangible assets	Property, Plant & Equipment
Gross value of fixed tangible assets at 1 January 2011	2 946	37 684	36 227	21 747	12 808	27 267	1 459	140 138
Additions (of which):	3	23 506	9 652	2 442	1 952	(24 984)	(1 366)	11 205
- purchase	0	838	8 969	2 326	1 639	(1 762)	(1 366)	10 644
- internally manufactured	0	70	56	0	236	83	0	445
- takeover from investment	3	22 598	627	0	77	(23 305)	0	0
- other	0	0	0	116	0	0	0	116
Reductions (of which):	0	(46)	(1 385)	(654)	(227)	0	0	(2 312)
- selling	0	(46)	(477)	(238)	0	0	0	(761)
- liquidation	0	0	(908)	(416)	(227)	0	0	(1 551)
Other changes	0	(519)	14	0	8	0	0	(497)
Gross value of fixed tangible assets at 31 December 2011	2 949	60 625	44 508	23 535	14 541	2 283	93	148 534
Accumulated depreciation at 1 January 2011	0	(7 797)	(26 217)	(12 246)	(8 372)	0	0	(54 632)
Current depreciation charge for the period	0	(2 082)	(3 335)	(3 366)	(1 542)	0	0	(10 325)
Reduction due to selling, liquidation	0	20	1 379	593	218	0	0	2 210
Other changes	0	414	36	(1)	(6)	0	0	443
Accumulated depreciation at 31 December 2011	0	(9 445)	(28 137)	(15 020)	(9 702)	0	0	(62 304)
Net tangible fixed assets at 31 December 2011	**2 949**	**51 180**	**16 371**	**8 515**	**4 839**	**2 283**	**93**	**86 230**

all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

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

all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

	as at		
	30 June 2012	**31 December 2011**	**30 June 2011**
Depreciation of property, plant and equipment is charged to the consolidated statement of comprehensive income in:			
- cost of products, goods and material sold	4 801	9 736	4 877
- costs to sell	14	0	0
- general administrative expenses	293	589	281
- other losses net	96	0	0
	5 204	**10 325**	**5 158**

	as at		
	30 June 2012	**31 December 2011**	**30 June 2011**
Fixed tangible assets by ownership			
- owned	84 529	84 653	83 629
- financial lease	88	101	91
- investment in third party assets	1 380	1 476	1 573
	85 997	**86 230**	**85 293**

9. Intangible assets

	as at		
	30 June 2012	**31 December 2011**	**30 June 2011**
Intangible assets			
- cost of finished development works	614	1 095	1 048
- acquired concessions, patents, licences and similar	1 254	1 248	1 200
- cost of unfinished development works	9 482	6 073	2 001
- goodwill	22 164	22 164	22 164
- intangible assets not handed over to use	179	167	109
- downpayments for intangible assets	4	0	0
	33 697	**30 747**	**26 522**

According to IAS 36, the parent should perform an impairment test for goodwill annually whether or not there is any indication that it may be impaired. Goodwill of the entity is not quoted at any moment on the active market, so its recoverable amount has been measured basing on the procedure for calculation of value in use, under the assumption that ENERGOTEST sp. z o.o. is the cash generating unit. The test was performed as at 30 November 2011 by a property valuer against an order from ELEKTROBUDOWA SA.

Notes to the consolidated financial statements (continued)

Its results confirmed that the fair value as of 31 December 2011 was not impaired. As the financial results that describe the company's business activity in H1 2012 were better than assumed for the budget, it must be assumed that the fair value of the company's goodwill was not impaired as at the reporting date.
The net profit of ENERGOTEST sp. z o.o. was budgeted at the level of 28 thousand PLN, while 666 thousand PLN earnings were generated on 22 568 thousand PLN revenue on sales of products, goods and materials (against budgeted 21 185 thousand PLN). Value of orders received in H1 2012 amounted to 34 129 thousand PLN, while the budget predicted 26 800 thousand PLN. An increase of cash flows can be recorded comparing the results of H1 2011 and H1 2012. ENERGOTEST sp. z o.o. recorded a growth in order volume and sales revenues, while net profit recorded a slight decrease.
Below are the key financial figures relating to ENERGOTEST sp. z o.o. for the six months of 2011 and 2012:

	H1 2011	**H1 2010**
Orders in PLN'000	23 018	34 129
Revenue on sale of products, goods and materials in PLN'000	21 154	22 568
Profit / loss - net in PLN'000	778	666

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

all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

	Cost of finished development works	Concessions, patents, licenses and software	Cost of unfinished development works	Goodwill	Intangible assets not put to use	Downpayments for intangible assets	Other intangible assets	Intangible assets total
Gross value of intangible assets at 1 January 2012	9 540	9 307	6 073	22 164	167	0	1 734	48 985
Additions, of which:	0	428	3 409	0	12	4	0	3 853
- purchase	0	428	0	0	12	4	0	444
- internally generated	0	0	3 409	0	0			3 409
Gross value of intangible assets at 30 June 2012	9 540	9 735	9 482	22 164	179	4	1 734	52 838
Accumulated amortisation at 1 January 2012	(8 445)	(8 059)	0	0	0	0	(1 734)	(18 238)
Current amortisation charge	(481)	(422)	0	0	0	0	0	(903)
Accumulated amortisation at 30 June 2012	(8 926)	(8 481)	0	0	0	0	(1 734)	(19 141)
Net intangible assets at 30 June 2012	**614**	**1 254**	**9 482**	**22 164**	**179**	**4**	**0**	**33 697**

The group does not have any intangible assets with restricted right of use.
The group does not have bank loans or any other liabilities secured against intangible assets.
As at 30 June 2012, 31 December 2011 as well as 30 June 2011 there were no provisions for impairment of intangible assets within the group.

all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

	Cost of finished development works	Concessions, patents, licenses and software	Cost of unfinished development works	Goodwill	Intangible assets not put to use	Downpayments for intangible assets	Other intangible assets	Intangible assets total
Gross value of intangible assets at 1 January 2011	8 912	8 557	1 303	22 164	42	0	1 734	42 712
Additions, of which:	628	748	5 148	0	125	0	0	6 649
- purchase	0	748	634	0	125	0	0	1 507
- internally generated	0	0	5 142	0	0	0	0	5 142
- charged to the cost of unfinished development works	628	0	(628)	0	0	0	0	0
Reductions (of which)	0	0	(378)	0	0	0	0	(378)
- write-off due to unequivocal impairment	0	0	(378)	0	0	0	0	(378)
Other changes	0	2	0	0	0	0	0	2
Gross value of intangible assets at 31 December 2011	9 540	9 307	6 073	22 164	167	0	1 734	48 985
Accumulated amortisation at 1 January 2011	(7 332)	(7 180)	0	0	0	0	(1 734)	(16 246)
Current amortisation charge	(1 113)	(878)	0	0	0	0	0	(1 991)
Other changes	0	(1)	0	0	0	0	0	(1)
Accumulated amortisation at 31 December 2011	(8 445)	(8 059)	0	0	0	0	(1 734)	(18 238)
Net intangible assets at 31 December 2011	**1 095**	**1 248**	**6 073**	**22 164**	**167**	**0**	**0**	**30 747**

all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

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

all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

	as at		
	30 June 2012	**31 December 2011**	**30 June 2011**
Amortisation of intangible assets is recognised in the statement of comprehensive income in items:			
- cost of sold products, goods and materials	816	1 820	1 046
- administrative expenses	87	171	66
	903	**1 991**	**1 112**

10. Capital expenditure

	as at		
	30 June 2012	**31 December 2011**	**30 June 2011**
Commenced investments at beginning of period	8 616	30 071	30 071
Expenditure during the reporting period	8 132	17 738	7 130
of which:			
- costs of internal manufacture	3 702	5 587	1 311
- third party costs	3 076	4 461	907
- cost of purchased machines, equipment and services	1 348	7 597	4 877
- advance payments for fixed assets in progress	2	93	35
- advance payments for intangible assets	4	0	0
Investments transferred to fixed tangible assets and intangible assets	(2 996)	(38 815)	(33 857)
Impairment write-off	0	(378)	(378)
Commenced investments at end of period	**13 752**	**8 616**	**2 966**
of which:			
- commenced investments relating to fixed tangible assets	4 085	2 283	856
- commenced investments relating to intangible assets	9 661	6 240	2 110
- advance payments for commenced investments relating to fixed tangible assets	2	93	0
- advance payments for commenced investments relating to intangible assets	4	0	0

all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

11. Investment in associates

	The Power Equipment Production Plant VECTOR Ltd. Votkinsk Russia	**KRUELTA Ltd. Sankt Petersburg Russia**	**SAUDI ELEKTROBUDOWA LLC Riyadh the Kingdom of Saudi Arabia**
- % interest held as at 30 June 2012*	49%	49%	33%
- purchase price	13 805	1 571	97
- share capital increase in 2009	7 711	-	-
- measurement as at 30 June 2012	1 951	(17)	(33)
- impairment as at 30 June 2012	0	(571)	0
- investment in associates as at 30 June 2012	23 467	983	64
- assets	86 551	2 007	681
- liabilities	38 659	1	488
- revenues on sale of products, goods and materials	69 679	0	583
- profit / loss - net	4 178	(2)	132

* The parent's share in the share capital of the associates as at 30 June 2012 did not change as compared with 31 December 2011 and 30 June 2011.

The Annual General Meeting of KRUELTA Ltd. held on 5 April 2012 a unanimous resolution was adopted to wind up the company and established the method and date of liquidation, pursuant to the requirements of law applicable in the Russian Federation. Following the resolution, the company ceased its core operations and started the liquidation procedure.
Consequently, the parent, ELEKTROBUDOWA SA impaired the value of its shares in KRUELTA Ltd. as at 30 June 2012 due to their sustainable loss in value.
The impairment provision was measured on the basis of reporting data from KRUELTA Ltd. as of 31 March 2012:

- equity		2 040 thousand PLN
- share of the group in the company's equity	2 040 thous. PLN x 49% =	1 000 thous. PLN
- value of shares held in KRUELTA Ltd.		1 571 thous. PLN
- impairment	1 571 - 1 000 thous. PLN =	571 thous. PLN

Considering the financial figures as at 31 March 2012 and 30 June 2012 presented by KRUELTA Ltd., the parent of the group estimates that in the liquidation period there will be no significant loss in value of the shares.

all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

12. Financial assets

12.1 Available-for-sale financial assets

	as at		
	30 June 2012	**31 December 2011**	**30 June 2011**
Available-for-sale financial assets			
- non-current	2 723	7 434	27 845
- current	24	24	4 944
	2 747	**7 458**	**32 789**

Non-current financial assets available for sale include shareholding in PI Biprohut Sp. z o.o. based in Gliwice and Energotest – Diagnostyka Sp. z o.o. based in Brzezie k.Opola, and also units in the open-end investment fund, Templeton Global Total Return Fund.

PI Biprohut Sp. z o.o. is not listed in the stock exchange so valuation of fair value of shares held by ELEKTROBUDOWA SA was based on the measurement made by an independent valuer as at 31 December 2010. Basic performance figures of PI Biprohut Sp. z o.o. for the first half of 2012 did not significantly change as compared to performance in 2010 and 2011 and indicate sound financial standing of the company. Basing on the analysis of reporting data for H1 2012 and the presented 2012 budget it is estimated that there are no circumstances of impairment of shares held by ELEKTROBUDOWA SA in the share capital of PI Biprohut Sp. z o.o.
As of 30 June 2012 the parent had 23.02% interest in equity of PI Biprohut Sp. z o.o. equal to 22.58% share in total voting rights in the General Meeting. The shareholding structure of PI Biprohut Sp. z o.o. did not change as compared with 31 December 2011 and 30 June 2011.
As of 30 June 2012 the strategic investor of Biprohut held 62.16% stake which entitled him to 51.46% of votes in the general meeting of shareholders; the remaining shares were held by individual shareholders.
With the stake held ELEKTROBUDOWA SA does not have any real control over the company, which must rely on decisions made by its majority shareholder. Considering the investor relations of Biprohut, the parent ELEKTROBUDOWA SA does not have significant influence on operating or financial policy of Biprohut and does not control the entity. Following the above and basing on the assumptions of IAS 28 the management of ELEKTROBUDOWA SA does not classify this entity as an associate which should be consolidated by equity method.

The non-current assets include also 17 shares representing 17% of capital of Energotest – Diagnostyka Sp. z o.o. and the same share in the total voting rights in the General Meeting of Shareholders. As the group has no influence on managing the operating and financial policies of Energotest - Diagnostyka, the Management of the parent did not classify the company as an associate.

Beside shares in the above companies, as at 30 June 2012 the non-current financial assets available for sale included units in the sub-fund of the Luxembourg-based SICAV Templeton Global Total Return Fund, managed by Franklin Templeton Investments. The fair value of units in the investment funds was established basing on their current quotation on the regulated market. In the first half of 2012 the group sold all of its units in the Templeton Global Total Return Fund.

all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

As of 30 June 2012 the carrying amounts of non-current assets available for sale were as follows:

	Biprohut Sp. z o.o. Gliwice	**Energotest - Diagnostyka Sp. z o.o. Brzezie k.Opola**	**Units in Open-end Investment Funds**	**Total**
Available-for-sale financial assets at 1 January 2012	2 470	253	4 711	7 434
Reversal of valuation recognized in equity	0	0	209	209
Disposal of available-for-sale financial assets	0	0	(4920)	(4 920)
Available-for-sale financial assets at 30 June 2012	**2 470**	**253**	**0**	**2 723**

Current financial assets available for sale include shares in FAMAK S.A. based in Kluczbork. Shares of Famak S.A. are not quoted in the stock exchange so their fair value was measured basing on the offered purchase price.

As of 30 June 2012 the carrying amount of current financial assets available for sale was 24 thousand PLN and did not change as compared with 31 December 2011 and 30 June 2011.

all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

12.2 Classification of assets by groups of financial instruments

Type of financial instrument	method of measurement as at 30 June 2012	at 30 June 2012	at 31 December 2011	at 30 June 2011	amount charged to revaluation capital in H1 2012
1. Extended loans and own receivables		**228 066**	**294 936**	**211 789**	**0**
a) long-term receivables from sale of fixed assets	amortized cost	1 217	1 389	1 574	0
b) long-term receivables from contract bonds	amortized cost	20 029	5 578	4 322	0
c) short-term trade receivables	amortized cost	202 056	285 860	201 579	0
d) other short-term receivables	amortized cost	4 764	2 109	4 314	0
2. Available-for-sale financial assets		**2 747**	**7 458**	**32 789**	**209**
a) interest in PI Biprohut Sp. z o.o.	fair value	2 470	2 470	2 470	0
b) interest in Energotest - Diagnostyka Sp. z o.o.	fair value	253	253	256	0
c) units in the Open-end Investment Funds	fair value	0	4 711	30 039	209
d) interest in Mostostal Zabrze S.A.	fair value	0	0	0	0
e) interest in Famak S.A.	fair value	24	24	24	0
f) interest in Energoaparatura S.A.	fair value	0	0	0	0
Total financial assets		**230 813**	**302 394**	**244 578**	**209**

all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

13. Derivative financial instruments

	as at		
	30 June 2012	**31 December 2011**	**30 June 2011**
Forward contracts in foreign currencies - negative valuation of fair value	815	7 185	49

The parent, ELEKTROBUDOWA SA valued their forward currency transactions as at 30 June 2012 in the total amount of 4 089 thousand EUR. The transactions will be closed at forward rate in the third quarter of 2012.
Derivative financial instruments as of 30 June 2012 were presented in the group's short-term liabilities.

14. Trade and other receivables

14.1 Receivables recognised in non-current assets

	as at		
	30 June 2012	**31 December 2011**	**30 June 2011**
Long-term receivables			
of which from:			
- disposal of property, plant and equipment	1 217	1 389	1 574
- contract bonds	20 029	5 578	4 322
Long-term receivables - net	**21 246**	**6 967**	**5 896**
Discount of receivables	633	600	595
Long-term receivables - gross	**21 879**	**7 567**	**6 491**

The disclosed contract bonds cover the contract performance bonds and warranty bonds.
As at the balance sheet date the current value of long-term receivables is measured by revaluation of discount amount due to passage of time.

Notes to the consolidated financial statements (continued)

	30 June 2012	31 December 2011	30 June 2011
Non-current receivables - by currency, without discount			
- in Polish zloty	8 147	7 063	4 907
- in foreign currencies (by currencies and translated to PLN) of which:	13 732	504	1 584
a) in EUR'000	3 222	114	397
as translated to PLN'000	13 732	504	1 584
	21 879	**7 567**	**6 491**

Long-term receivables recognised in non-current assets will be paid within 7 years.

14.2 Receivables recognised in current assets

	30 June 2012	31 December 2011	30 June 2011
Current trade and other receivables			
of which:			
- for supplies and services	202 056	285 860	201 579
- other	5 569	4 457	4 847
Total trade and other receivables, net	**207 625**	**290 317**	**206 426**
Receivables impairment charge	15 425	12 016	11 435
Total trade and other receivables, gross	**223 050**	**302 333**	**217 861**

The balance of receivables for the supply of products and services includes past due receivables amounting to 34 897 thousand PLN (35 114 thousand PLN at the end of 2011 and 25 160 thousand PLN at the end of H1 2011), impaired by the amount of 12 826 thousand PLN (11 824 thousand PLN in 2011 and 11 391 thousand PLN in H1 2011). The impairment amount of doubtful receivables includes the receivables due from customers declared bankrupt where the group is in the possession of final judgment, also the debt under enforcement proceedings and the receivables past due whose recovery is at risk.
The entities created impairment provisions for the whole amount of receivables past due longer than 180 days.
The carrying amounts of current receivables reflect their fair values.

Notes to the consolidated financial statements (continued)

	as at		
	30 June 2012	**31 December 2011**	**30 June 2011**
Current trade and other receivables - by currency			
- in Polish currency	170 725	233 842	177 441
- in foreign currencies (by currencies and translated to PLN) of which:	52 325	68 491	40 420
a) in thousands of EUR	9 547	13 211	8 023
as translated into thousands of PLN	40 683	58 347	31 983
b) in thousands of USD	3 424	2 654	2 550
as translated into thousands of PLN	11 601	9 071	7 016
c) in thousands of UAH	98	2 522	50
as translated into thousands of PLN	41	1 073	16
d) in thousands of CHF	0	0	48
as translated into thousands of PLN	0	0	160
d) in thousands of RUB	0	0	12 617
as translated into thousands of PLN	0	0	1 245
	223 050	**302 333**	**217 861**

	period ended		
	30.06.2012	**31.12.2011**	**30.06.2011**
Provision for impairment of trade and other receivables			
Provision for impairment of receivables at beginning of period	12 016	11 724	11 724
Creating the provision	3 975	2 373	1 459
Reversal	(566)	(2 081)	(1 748)
of which:			
- paid receivables and interests	(103)	(599)	(276)
- reversal of provision for written off receivables	0	(22)	(22)
- use of impairment provision for receivables	(93)	(1 082)	(1 072)
- reversal of provision for impairment of interest	(370)	(378)	(378)
Provision for impairment of receivables at end of period	**15 425**	**12 016**	**11 435**
of which:			
- trade receivables	13 826	11 824	11 391
- other receivables	1 599	192	44

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

all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

15. Non-current prepayments

	as at		
	30 June 2012	**31 December 2011**	**30 June 2011**
Non-current prepayments			
- carrying amount of the right to perpetual usufruct of land	1 135	1 149	1 123
- other	300	296	386
	1 435	**1 445**	**1 509**

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

16. Inventories

	as at		
	30 June 2012	**31 December 2011**	**30 June 2011**
Inventories			
- materials	33 977	30 316	27 755
- semi-finished products and work in progress	32 148	25 337	19 718
- finished products	2 407	1 572	1 442
	68 532	**57 225**	**48 915**

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

	period ended		
	30.06.2012	**31.12.2011**	**30.06.2011**
Inventory write-down			
Write-down at the beginning of period	347	211	211
Created	121	140	0
Used	(4)	(4)	(2)
Inventory write-down at the end of period	**464**	**347**	**209**

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

Notes to the consolidated financial statements (continued)

17. Cash and cash equivalents

	as at		
	30 June 2012	**31 December 2011**	**30 June 2011**
Cash at bank and on hand			
- cash at bank	35 296	37 725	21 239
- cash on hand	35	26	12
- other cash	164	608	69
	35 495	**38 359**	**21 320**

As at 30 June 2012 cash in the amount of 164 thousand PLN was held in the form of certificates of deposit to secure the return of a contract retention money on 24 February 2013 and tender guarantees.

	as at		
	30 June 2012	**31 December 2011**	**30 June 2011**
Cash and cash equivalents - by currency			
- in Polish currency	22 830	28 073	13 560
- in foreign currencies (by currencies and translated to PLN) of which	12 665	10 286	7 760
a) in thousands / EUR	2 513	1 904	1 818
as translated into thousands of PLN	10 707	8 410	7 248
b) in thousands / USD	285	274	59
as translated into thousands of PLN	964	935	164
c) in thousands / UAH	2 355	2 211	1 010
as translated into thousands of PLN	994	941	348
	35 495	**38 359**	**21 320**

Average effective interest rate for bank deposits was 3.3% in H1 2012, 2.6% in 2011 and 3% in H1 2011. Components of cash and cash equivalents are identical in the statement of cash flow and in the statement of financial position.

18. Current prepayments

	as at		
	30 June 2012	**31 December 2011**	**30 June 2011**
Current prepayments			
- future periods expenses (subscriptions, fees, insurance)	2 235	1 817	2 471
- prepayments for supplies	3 083	2 450	1 542
- contribution to Company Social Contribution Fund	1 169	0	1 140
	6 487	**4 267**	**5 153**

all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

19. Non-current assets held for sale

	as at		
	30 June 2012	**31 December 2011**	**30 June 2011**
Fixed assets held for sale			
a) right of perpetual usufruct of land	0	0	58
b) fixed assets, of which:	0	716	1 369
- buildings, civil engineering facilities	0	680	1 255
- technical equipment and machines	0	36	114
	0	**716**	**1 427**

In prior reporting periods, following the decision to dispose of some items of tangible assets, the group companies identified them and presented in the consolidated statement of financial situation in the item “Non-current assets held for sale”.
Fixed assets which have not been sold during a year and it is hardly probable that they will be sold in a short time, are transferred to operating activity.

As at 31 December 2011 “Non-current assets held for sale” included:

- 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 Wright to perpetual usufruct of land. The contract was signed for an unspecified term.
Following the change in allocation of the tangible fixe 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.

all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

20. Share capital

Share capital (structure) of the parent as at 30 June 2012 has not changed as compared with 31 December 2011 and 30 June 2011

Series / issue	Type of shares	Type of preference	Type of shares restrictions	Number of shares	Value of series/ issue at par on shares	Type of contribution	Date of registration	Right to dividend (since)
A	bearer ordinary	unpreferred	none	3 248 750	6 497	cash	1995-06-07	1995-01-01
B	bearer ordinary	unpreferred	none	722 250	1 953	cash	1995-12-11	1995-01-01
C	bearer ordinary	unpreferred	none	249 096	499	cash	2006-12-06	2006-01-01
D	bearer ordinary	unpreferred	none	527 512	1 055	cash	2008-01-23	2008-01-01
Total number of shares				**4 747 608**				

Par value of 1 share (PLN)	2,00
Issued share capital	10 004
Revaluation of capital due to hyperinflation	16 371
	26 375

all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

As required by IAS 29, ELEKTROBUDOWA SA restated its share capital and supplementary capital in their share premium portion, as this capital was gained in the conditions of hyper-inflationary economy.

The capital was restated as follows:

Ratios applied:

Period	Ratio
Feb-Dec 1992	34.30%
1993	37.60%
1994	29.50%
1995	21.60%
1996	18.50%

The effect of restatement:

	Before restatement	After restatement
Share capital	8 450	24 821
Supplementary capital from series B share premium	8 750	10 369

The ordinary shares, all of which are fully paid, with a par value of 2.00 zł per share, have one vote at the Annual General Meeting of shareholders attached to each of them and have the right to dividend. All shares were acquired for cash consideration.

Shareholders of ELEKTROBUDOWA SA as at 30 June 2012:	**Numbers of shares = number of votes**	**% of votes and % equity**
1. AVIVA OFE AVIVA BZ WBK SA	721 094	15.19
4. Generali OFE	466 433	9.82
2. ING OFE (Open-ended Pension Fund)	450 000	9.48
3. Otwarty Fundusz Emerytalny PZU „Złota Jesień”	400 000	8.43
5. AXA OFE	395 723	8.34
6. Amplico OFE	250 000	5.27
7. Free float	2 064 358	43.47
Total number of shares in the share capital	**4 747 608**	**100.00**

all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

21. Other capital

21.1 Supplementary capital

	as at		
	30 June 2012	**31 December 2011**	**30 June 2011**
Supplementary capital:			
- share premium	100 676	100 676	100 676
- created as required by law	3 334	3 334	3 334
- created acc. to the Articles of Association, over (minimum) value required by law	192 319	170 621	170 621
- other (by type)	7 299	7 889	7 889
a) transferred from reserve capital	5 562	5 562	5 562
b) from distribution of profit of subsidiary undertakings	1 113	708	708
c) restatement due to hyperinflation	1 619	1 619	1 619
d) allocated for dividend	(995)	0	0
	303 628	**282 520**	**282 520**

According to the Polish commercial companies code “the use of the supplementary capital shall be determined by the general assembly; however, the part of the supplementary capital equal to 1/3 of the share capital may only be used to finance loss shown in the financial statements”.
In the case of those subsidiaries that are limited liability companies resolutions on allocation of the supplementary capital are adopted by the Meeting of Shareholders. The group may decide about allocation of the supplementary capital, as provided in the articles of association. The funds gathered in the supplementary capital may be used particularly for dividend payment; however the dividend may only be paid from the earned profits.

21.2 Capital from valuation of available-for-sale investments

	as at		
	30 June 2012	**31 December 2011**	**30 June 2011**
Capital from valuation of available-for-sale investments			
- valuation of available-for-sale investments	1 835	1 626	5 404
- deferred tax related to investment valuation	(347)	(309)	(1 027)
	1 488	**1 317**	**4 377**

The capital from valuation of investments has been created by restatement of available-for-sale financial assets. When a restated item of the financial assets is revalued, the effectively realized part of the capital associated with this item is recognized in the consolidated statement of comprehensive income for the period.

Notes to the consolidated financial statements (continued)

22. Trade and other payables

22.1 Non-current payables

	as at		
	30 June 2012	**31 December 2011**	**30 June 2011**
Long-term liabilities			
- employee benefits	3 473	3 603	2 754
- other	9 312	7 293	6 076
Long-term liabilities, net	**12 785**	**10 896**	**8 830**
Discount of liabilities	1 588	1 264	928
Long-term liabilities, gross	**14 373**	**12 160**	**9 758**

	as at		
	30 June 2012	**31 December 2011**	**30 June 2011**
Non-current other liabilities by titles			
- retentions from subcontracts	9 312	7 293	6 076

Present value of non-current payables as at the balance sheet date is measured through revaluation of discount due to passage of time.

	as at		
	30 June 2012	**31 December 2011**	**30 June 2011**
Non-current other payables - by currency, without discount			
- in Polish currency	10 824	8 502	6 949
- in foreign currencies (by currencies and translated to PLN)	76	55	55
of which:			
a) in thousands of EUR	10	1	0
as translated into thousands of PLN	43	4	0
b) in thousands of UAH	77	119	160
as translated into thousands of PLN	33	51	55
	10 900	**8 557**	**7 004**

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

Notes to the consolidated financial statements (continued)

22.2 Current trade and other payables

	as at		
	30 June 2012	**31 December 2011**	**30 June 2011**
Short-term trade and other payables			
- for supplies and services	182 598	225 827	142 314
- prepayments for supplies	9 259	7 395	11 368
- taxes, duties, insurance and other contributions	22 025	29 065	16 966
- remunerations	8 980	9 025	8 066
- other (by titles)	21 676	3 390	30 612
of which:			
a) acquisition of fixed assets	1 564	2 334	757
b) payables to employees	45	43	49
c) dividend	18 991	0	28 485
d) deductions from payroll	512	490	375
e) other	564	523	946
	244 538	**274 702**	**209 326**

Trade payables are realized within 60 days at average.

	as at		
	30 June 2012	**31 December 2011**	**30 June 2011**
Current trade and other payables - by currency			
- in Polish currency	161 640	214 029	138 230
- in foreign currencies (by currencies and translated to PLN)	20 958	11 798	4 084
of which:			
a) in thousands of EUR	4 856	2 187	1 004
as translated into thousands of PLN	20 693	9 658	4 003
b) in thousands of USD	2	103	3
as translated into thousands of PLN	4	352	9
c) in thousands of GBP	3	0	0
as translated into thousands of PLN	177	0	0
d) in thousands of SEK	0	13	92
as translated into thousands of PLN	0	6	40
e) in thousands of DKK	145	1 589	11
as translated into thousands of PLN	83	944	6
f) in thousands of UAH	5	1 969	75
as translated into thousands of PLN	1	838	26
	182 598	**225 827**	**142 314**

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

all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

	as at		
	30 June 2012	**31 December 2011**	**30 June 2011**
Liabilities due to taxes, duties, social insurance and other contributions			
- personal income tax	3 000	3 232	2 671
- calculated corporate income tax	2 689	752	7 983
- VAT	7 586	16 276	6 135
- social insurance	8 738	8 646	164
- National Fund for the Rehabilitation of the Disabled PFRON	12	159	13
	22 025	**29 065**	**16 966**

Liabilities due to personal income tax, corporate income tax, VAT and social insurance constitute debt to public authorities, both Polish and of other countries.

Notes to the consolidated financial statements (continued)

23. Loans, borrowings and debt securities

Current borrowings and debt securities as at 30 June 2012

Lender	Registered office	Overdraft limit as per contract		Amount used to date		Contract validity*	Security
		PLN'000	currency	PLN'000	currency		
BRE BANK SA overdraft	Warszawa	10 000	PLN	0	PLN	until 28.09.2012	1 blank promissory note, assignment of accounts receivable, enforcement title up to 120 000 thousand PLN
ING BANK ŚLĄSKI S.A. overdraft	Katowice	1 000	PLN	0	PLN	until 22.03.2013	enforcement title up to 21 450 thousand PLN, collateral mortgage KW 56388 (Mikołów,Kolejowa Str.) up to 1000 thousand PLN incl. assignment of rights in a policy, collateral mortgage KW 18183 (Dabrowa Górnicza, Laski Str.) up to 3 000 thousand PLN incl. assignment of rights in a policy, registered pledge - line in Konin 2 440.6 thousand PLN, a blank promissory note, assignment of receivables
BANK PEKAO S.A. overdraft	Kraków	10 000	PLN	1 586	PLN	until 30.04.2014	assignment of accounts receivable, collateral mortgage - KW 13390 up to 11,504.88 thousand PLN (Konin Gosławice, 156 Przemysłowa Str.), 1 blank promissory note, enforcement title up to 120,000 thousand PLN
PKO BP SA overdraft	Warszawa	5 000	PLN	0	PLN	until 20.02.2015	2 blank promissory notes, assignment of accountes receivable, collateral mortgage KW 43349 up to 123 500 thousand PLN inl. assignment of rights to a policy, enforcement title up to 142 500 thousand PLN
BNP PARIBAS BANK POLSKA S.A. overdraft	Warszawa	1 000	PLN	0	PLN	until 06.07.2012	a blank promissory note, general assignment of existing and future receivables, statement of submitting to enforcement
		27 000		**1 586**			

Notes to the consolidated financial statements (continued)

Current borrowings and debt securities as at 31 December 2011

Lender	Registered office	Overdraft limit as per contract		Amount used to date		Contract validity*	Security
		PLN'000	currency	PLN'000	currency		
ING BANK ŚLĄSKI S.A. overdraft	Katowice	1 000	PLN	0	PLN	unitl 24 March 2012	enforcement title up to 21 450 thousand PLN, collateral mortgage KW 56388 (Mikołów,Kolejowa Str.) up to 1000 thousand PLN incl. assignment of rights in a policy, collateral mortgage KW 18183 (Dabrowa Górnicza, Laski Str.) up to 3 000 thousand PLN incl. assignment of rights in a policy, registered pledge - line in Konin 2 440.6 thousand PLN, a blank promissory note, assignment of receivables
BANK PEKAO S.A. overdraft	Kraków	10 000	PLN	0	PLN	until 30 April 2012	assignment of accounts receivable, collateral mortgage - KW 13390 up to 11,504.88 thousand PLN (Konin Gosławice, 156 Przemysłowa Str.), 7 blank promissory notes, enforcement title up to 90,000 thousand PLN
PKO BP SA overdraft	Warszawa	5 000	PLN	0	PLN	until 23 February 2012	enforcement title up to 10,000 thousand PLN, 1 blank promissory note up to 5,000 thousand PLN, debt assignment - at least 3000 thousand PLN
BNP PARIBAS BANK POLSKA S.A. overdraft	Warszawa	1 000	PLN	0	PLN	until 6 July 2012	a blank promissory note, general assignment of existing and future receivables, statement of submitting to enforcement
		17 000		**0**			

Notes to the consolidated financial statements (continued)

Current borrowings and debt securities as at 30 June 2011

Lender	Registered office	Overdraft limit as per contract		Amount used to date		Contract validity*	Security
		PLN'000	currency	PLN'000	currency		
ING BANK ŚLĄSKI S.A. overdraft	Katowice	1 000	PLN	0	PLN	27.03.2012	enforcement title up to 21 450 thousand PLN, collateral mortgage KW 56388 (Mikołów,Kolejowa Str.) up to 1000 thousand PLN incl. assignment of rights in a policy, collateral mortgage KW 18183 (Dabrowa Górnicza, Laski Str.) up to 3 000 thousand PLN incl. assignment of rights in a policy, registered pledge - line in Konin 2 440.6 thousand PLN, a blank promissory note, assignment of receivables - 150% of committment
BANK PEKAO S.A. overdraft	Kraków	10 000	PLN	0	PLN	30.04.2012	assignment of accounts receivable, collateral mortgage - KW 13390 up to 11,504.88 thousand PLN (Konin Gosławice, 156 Przemysłowa Str.), 1 blank promissory note, enforcement title up to 90,000 thousand PLN
PKO BP SA overdraft	Warszawa	5 000	PLN	0	PLN	23.02.2012	enforcement title up to 10,000 thousand PLN, 1 blank promissory note up to 5,000 thousand PLN, debt assignment - at least 3000 thousand PLN
BNP PARIBAS BANK POLSKA S.A. overdraft	Warszawa	1 000	PLN	0	PLN	06.07.2012	a blank promissory note, general assignment of existing and future receivables, statement of submitting to enforcement
		17 000		**0**			

** Short-term loans without fixed maturity date; the dates quoted above are the dates of contracts validity.*

all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

24. Deferred income tax

	as at		
	30 June 2012	**31 December 2011**	**30 June 2011**
Deferred income tax assets	**35 469**	**27 200**	**21 375**
- to be recovered after more than 12 months	1 270	1 259	1 009
- to be recovered within 12 months	34 199	25 941	20 366
Deferred income tax liabilities	**(29 627)**	**(23 506)**	**(17 458)**
- to be recovered after more than 12 months	(704)	(710)	(595)
- to be recovered within 12 months	(28 923)	(22 796)	(16 863)
	5 842	**3 694**	**3 917**

Structure of the deferred income tax:

period ended 30 June 2012		Construction contracts	Provisions and accrued expenses	Fixed tangible assets	Revaluation of assets	Other	Total
Assets	**beginning of period**	**4 543**	**3 371**	**371**	**2 086**	**16 829**	**27 200**
	-changes credited/charged to financial result	2 703	860	30	(1 029)	5 743	**8 307**
	-changes credited/charged to equity		0	0	(38)	0	**(38)**
	end of period	**7 246**	**4 231**	**401**	**1 019**	**22 572**	**35 469**
Liabilities	**beginning of period**	**(22 111)**	**0**	**(524)**	**(233)**	**(638)**	**(23 506)**
	-changes credited/charged to financial result	(5 702)	0	(33)	(255)	(131)	**(6 121)**
	- changes credited/charged to equity	0	0	0	0	0	**0**
	end of period	**(27 813)**	**0**	**(557)**	**(488)**	**(769)**	**(29 627)**
End of period, total		**(20 567)**	**4 231**	**(156)**	**531**	**21 803**	**5 842**

all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

period ended 31 December 2011		Construction contracts	Provisions and accrued expenses	Fixed tangible assets	Revaluation of assets	Other	Total
Assets	beginning of period	5 712	4 174	328	378	10 929	21 521
	-changes credited/charged to financial result	(1 169)	(803)	43	1 668	5 900	5 639
	-changes credited/charged to equity	0	0	0	40	0	40
	end of period	4 543	3 371	371	2 086	16 829	27 200
Liabilities	beginning of period	(14 895)	0	(481)	(742)	(313)	(16 431)
	-changes credited/charged to financial result	(7 216)	0	(43)	1	(325)	(7 583)
	- changes credited/charged to equity	0	0	0	508	0	508
	end of period	(22 111)	0	(524)	(233)	(638)	(23 506)
End of period, total		(17 568)	3 371	(153)	1 853	16 191	3 694

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

all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

25. Provisions for liabilities and other charges

	period ended		
	30.06.2012	**31.12.2011**	**30.06.2011**
Change in non-current provision for employee benefits			
At beginning of period	3 603	2 904	2 904
Additions (of which)	0	1 029	0
- creating a provision (actuarial valuation)	0	1 029	0
Used (for)	(130)	(330)	(150)
- payment of pension benefits	(130)	(330)	(150)
At end of period	**3 473**	**3 603**	**2 754**

	period ended		
	30.06.2012	**31.12.2011**	**30.06.2011**
Movement in current provisions			
At beginning of period	777	4 952	4 952
Additions (of which)	71	461	0
- creating a provision for employee benefits	0	236	0
- creating a provision for warranty repairs	71	225	0
Used (for)	(106)	(4 636)	(73)
- payment of employee benefits	(106)	(94)	(31)
- incurred cost of warranty repairs	0	(42)	(42)
- release of other provisions	0	(4 500)	0
At end of period	**742**	**777**	**4 879**
of which:			
- current provisions for employee benefits	102	208	35
- current provisions for warranty repairs	640	569	344
- other non-current provisions	0	0	4 500

The group's entities create provisions for future payables whose maturities or amounts are not certain. Particularly, a provision is recognised for corrective works and warranty repairs, as the contracts for the supply of electrical installation services and equipment require trade guarantees provided for the customers. Generally, a provision of up to 0.20% of contract price is made for warranty repairs.

Provisions for retirement benefits are estimated with the use of an actuarial method.

all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

Main actuarial assumptions adopted for establishing pension benefits are following:

	as at		
	30 June 2012	**31 December 2011**	**30 June 2011**
discount rate	5,7%	5,7%	5,6% to 5,9%
expected inflation rate	2,5%	2,5%	0% to 2,5%
expected salary increases	3,5%	3,5%	0% to 3,5%
mobility rate	7,7% to 10%	7,7% to 10%	10% to 10,9%

	period ended		
	30.06.2012	**31.12.2011**	**30.06.2011**
Long-term and short-term employee benefit obligations at beginning of period	**3 811**	**2 970**	**2 970**
- interest cost	0	175	0
- current employment cost	0	354	0
- benefits paid	(236)	(424)	(181)
- actuarial gains/losses on the liability	0	736	0
Long-term and short-term employee benefit obligations at end of period	**3 575**	**3 811**	**2 789**

The provision for employee benefits is charged to operating expenses.

26. Accrued expenses

	as at		
	30 June 2012	**31 December 2011**	**30 June 2011**
Accrued expenses due to:			
- unused holidays	5 128	3 428	4 046
- annual bonuses	5 807	4 939	3 190
- provision for future salaries in Finland	2 000	2 000	0
- services	250	185	55
- auditing the financial statements	40	120	55
- received grant	1 469	1 172	521
	14 694	**11 844**	**7 867**

all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

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 with applicable interests. 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. The Management of the parent are of the opinion that the company has strong arguments to dismiss a substantial part of claim. ELEKTROBUDOWA SA presented substantive explanations and opinions of the international private law expert, questioning capacity of the Finnish Electrical Workers' Trade Union to raise claims based on assignment, as was the case. The applicable claims, in the preliminary opinion of the parent's management at the initial stage of the dispute seem ungrounded, at least in their major amount. Because of its complexity the case and the fact that the claim concerns 185 employees and requires detailed documentation and presentation of judicial opinions, therefore it is hardly probable that the proceedings in court would be finished by the end of 2012. The Management of ELEKTROBUDOWA SA estimated the risk connected with the pending lawsuit and decided to create in 2011 books a provision for future liabilities relating to the company's operating activities in the amount of 2 million PLN.
As of the reporting day the circumstances and prospects as well as risks did not change in relation to those which were presented in the financial statements prepared as at 31 December 2011.

27. Classification of financial instruments recognized as liabilities

Type of financial instrument	method of measurement as at 30 June 2012	as at 30 June 2012	31 December 2011	30 June 2011
1. Financial liabilities held for trading		**815**	**7 185**	**49**
a) forward contracts in foreign currencies	fair value	815	7 185	49
2. Other financial liabilities		**228 280**	**248 354**	**186 869**
a) long-term contract retentions from subcontracts	amortised cost	9 312	7 293	6 076
b) short-term payables for supplies and services	amortised cost	182 598	225 827	142 314
c) other short-term payables	amortised cost	21 676	3 390	30 612
d) accrued expenses	amortised cost	14 694	11 844	7 867
Financial instruments recognised in liabilities - total		**229 095**	**255 539**	**186 918**

all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

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

	period ended		
	30.06.2012	31.12.2011	30.06.2011
Net gains or losses on financial assets, of which relating to:	4 636	(2 321)	1 148
a) derivative financial instruments (forward)	3 898	(7 185)	(49)
b) available-for-sale financial assets	738	4 864	1 197
Net gains or losses on trade receivables and payables	(3 735)	4 303	(1 010)
Gains / losses on cash	450	682	557
Total net gains or losses on the financial instruments	**1 351**	**2 664**	**695**

\

29. Sales revenues

	six months ended	
	30.06.2012	30.06.2011
Revenue on sales of products, goods and materials		
- construction & installation services	343 586	320 347
- electrotechnical products	94 594	39 962
- other services	8 589	10 253
- materials	3 382	1 937
of which: export	*1 346*	*703*
	450 151	**372 499**

	six months ended	
	30.06.2012	30.06.2011
Revenue on construction and installation services	343 586	320 347
Change in revenue recognized on an accruals basis	(15 107)	(25 830)
Discount of long-term receivables	22	(298)
Invoiced sales	328 501	294 219
Incurred costs	336 465	301 443
Net amount of gains (losses)	(7 964)	(7 224)

all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

30. Construction contracts

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

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

30.1 Amounts due from customers for contract works

	as at		
	30 June 2012	**31 Dec 2011**	**30 June 2011**
Amounts due from customers for contract work	137 418	108 984	97 325

The group presents as an asset the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognized profits (less recognized losses) exceed progress billings, except retention which is included in non-current assets within the “receivables” item.

30.2 Amounts due to customers for contract works

	as at		
	30 June 2012	**31 Dec 2011**	**30 June 2011**
Amounts due to customers for contract work	36 937	23 610	23 163

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

all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

31. Cost of products, goods and materials sold

	six months ended	
	30.06.2012	30.06.2011
Expenses by nature		
- depreciation and amortisation	6 011	6 270
- materials and energy	204 402	134 381
- third party services	128 773	126 175
- taxes and charges	2 049	2 030
- salaries and wages	77 829	74 472
- social security and benefits	20 136	17 574
- other expenses by nature, of which:	6 143	9 235
a) representation and advertising expenses	1 000	1 033
b) business travels	3 238	6 702
c) property and personal insurance	1 104	1 058
d) other	801	442
Total expenses by nature	**445 343**	**370 137**
Movements in inventories of products and accrued expenses	(4 630)	(11 811)
Cost of products manufactured for own needs (negative value)	(3 702)	(1 311)
Selling costs (negative value)	(3 678)	(1 407)
General administrative expenses (negative value)	(7 789)	(6 977)
Cost of materials sold	3 005	1 658
Manufacture costs of products sold	**428 549**	**350 289**

32. Other operating expenses

	six months ended 30 June	
	2012	2011
Other operating expenses		
- commission and fees	(1 356)	(1 257)
- legal charges and penalties	(557)	(73)
	(1 913)	**(1 330)**

all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

33. Other gains (losses) – net

	six months ended 30 June	
	2012	**2011**
Other gains/(losses) - net		
- income from disposal of non-finance fixed assets	1	162
- income from disposal of financial assets	738	1 197
- donations	(94)	(124)
- impairment	(4 096)	(1 459)
- reversal of impairment of valuation	477	676
- interests	1 072	783
- currency translation differences	(819)	(486)
- forward contract valuation	6 370	(49)
- income from executed forward contracts	(2 472)	0
- other	984	(640)
	2 161	**60**

34. Finance income (costs) – net

	six months ended 30 June	
	2012	**2011**
Net finance gains (costs)		
- dividends and share in profits	497	271
- interests	(19)	(3)
	478	**268**

35. Income tax

	six months ended 30 June	
	2012	**2011**
Income tax recognized in the statement of comprehensive income, of which:		
- current tax of the finacial year	2 227	227
- tax on permanent establishments abroad	1 943	176
- deferred tax	(2 186)	1 003
	1 984	**1 406**

all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

According to Polish regulations tax authorities may inspect the books and tax documents of the company within 5 years after the year in which tax declarations were submitted and charge the company with additional amount of tax including interest and penalties. In the opinion of the Management of the parent there are no circumstances indicating the possibility of any related essential liabilities to arise.

	six months ended 30 June	
	2012	**2011**
Structure of income tax:		
Gross profit before tax	12 956	12 284
Tax calculated at applicable rates	2 929	2 448
Income tax on foreign establishments	1 943	176
Tax calculated on permanent differences in tax basis	(3 273)	1 259
Change in other temporary differences for which no deferred income tax asset was recognized	308	(2 477)
Adjusted income tax due to application of tax rate applicable in the country of location of permanent establishment	77	0
Income tax	**1 984**	**1 406**

36. Earnings per share

Calculation of (diluted) earnings per ordinary share in H1 2012 was based on:

	Earnings	Shares	Earnings per share
Net profit attributable to equity holders of ELEKTROBUDOWA SA for the period (in PLN)	11 032 614		
Weighted average number of shares		4 747 608	
Basic earnings per share (in PLN)			2,32
Diluted earnings per share (in PLN)			2,32

all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

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

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

37. Dividend per share

Following the Resolution adopted by the Annual General Meeting of ELEKTROBUDOWA SA on 26 April 2012 on distribution of 2011 profit, the amount of 40 688 649.30 PLN was distributed as follows:
- amount of 18 990 432.00 PLN to be paid as dividend, i.e. 4.00 PLN per share,
- amount of 21 698 217.30 for supplementary capital.

Dividend record date was established as 25 July 2012, dividend payment date as 9 August 2012.

Following the Resolution adopted by the Annual General Meeting of KONIP Sp. z o.o. on 23 March 2012 on distribution of 2011 profit, the profit in the amount of 103 898.95 PLN was allocated as follows:

- amount of 53 898.95 PLN to be paid as dividend,
- amount of 50 000.00 PLN to supplementary capital.

Following the Resolution adopted by the Annual General Meeting of Shareholders of ENERGOTEST sp. z o.o. on 26 March 2012 on distribution of 2011 profit, the amount of 2 004 213.23 PLN increased by the amount 995 786.77 PLN transferred from the supplementary capital created from profits will cover the 2011 dividend paid to the partner in advance in 2011.

Following the Resolution of the General Meeting of Participants of ELEKTROBUDOWA UKRAINE Ltd. on distribution of 2011 profit adopted on 15 May 2012 the whole amount of 1 540 975.52 hryvnias will be transferred to reserves.

all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

38. Statement of cash flow

Explanation of differences between balance sheet changes in certain items and changes in those items recognized in cash flow statement:

	six months ended 30 June	
	2012	**2011**
Amortisation		
- expenses by nature	6 011	6 270
- other loss, net	96	0
Amortisation in the statement of cash flow	**6 107**	**6 270**

	six months ended 30 June	
	2012	**2011**
Gains / losses from disposal of PPE		
- acc. to the statement of comprehensive income	(1)	(162)
a) costs relating to sales of fixed assets	(2)	(20)
b) write-off charge	0	378
- acc. to the statement of cash flow	**(3)**	**196**

	six months ended 30 June	
	2012	**2011**
Change in available-for-sale financial assets		
- balance sheet change of available-for-sale assets	4 711	2 960
- change in assets recognised in equity	209	893
- purchase of available-for-sale financial assets	0	4 920
- proceeds from sale of available-for-sale financial assets	(5 658)	(9 969)
- other	0	(1)
- acc. to the statement of cash flow	**(738)**	**(1 197)**

all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

	six months ended 30 June 2012	six months ended 30 June 2011
Movement in trade and other receivables		
- balance sheet change of receivables, of which:	68 413	34 078
a) balance sheet change of trade and other receivables recognised in non-current assets	(14 279)	3 559
b) balance sheet change of trade and other receivables recognised in current assets	82 692	30 519
- change in net receivables from sale of non-current assets items	(161)	(188)
- dividend of subsidiaries and associates	0	1 003
Change in trade and other receivables reflected in the statement of cash flow	**68 252**	**34 893**

	six months ended 30 June 2012	six months ended 30 June 2011
Movement in trade and other payables		
- Balance sheet change of payables:	(28 310)	10 858
a) balance sheet change of long-term payables	1 889	246
b) balance sheet change of trade payables and other short-term payables	(30 164)	10 685
c) balance sheet change in provisions	(35)	(73)
- change in net liabilities due to investment expenditure	491	1 590
- income tax of permanent establishments abroad	(18 991)	(28 691)
- lease committments	(1 943)	1 646
Change in liabilities reflected in the statement of cash flow	17	(70)
Zmiana stanu zobowiązań w sprawozdaniu z przepływów pieniężnych	**(48 736)**	**(14 667)**

	six months ended 30 June 2012	six months ended 30 June 2011
Income tax paid		
- current income tax in the statement of comprehensive income	(2 227)	(227)
- change in corporate income tax liabilities	(41)	(6 169)
- income tax paid - foreign branches	0	(1 646)
Income tax paid reflected in the statement of cash flow	**(2 268)**	**(8 042)**

	six months ended 30 June 2012	six months ended 30 June 2011
Other adjustments		
- valuation of forward contract	(6 370)	49
- income tax paid in Finland and not deductible	0	(176)
- settlemnt of fixed assets stocktaking differences	(5)	0
- other	(2 985)	(42)
Other adjustments in the statement of cash flow	**(9 360)**	**(169)**

all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

	six months ended 30 June	
	2012	**2011**
Dividends and share in profits		
- acc. to the statement of comprehensive income	497	271
a) dividend received from associates	0	692
- acc. to the statement of cash flows	**497**	**963**

39. Joint venture disclosures

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

ELEKTROBUDOWA SA was appointed as the Consortium leader who has the right to manage its affairs and represent the Consortium before the Employer and the third parties.
The contractual value of project carried out by the Consortium parties was 138 478 thousand PLN as at 30 June 2012.

The percentage share in the joint venture is as follows:

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

Revenue on the joint venture generated in H12012 by the above companies amounted to 8 116 thousand PLN.
Partners of the consortium have the following share in the sales invoiced until 30 June 2012:

		Period ended	
	30 June 2012	**31 December 2011**	**30 June 2011**
- ELEKTROBUDOWA SA	59 289	56 995	43 570
- QUMAK – SEKOM S.A. and Przedsiębiorstwo "AGAT" S.A.	61 295	55 473	39 450
	120 584	112 468	83 020

The agreement is in force until the completion of the project, including the warranty period, and expires when all claims arising from the contract expire.
As at 30 June 2012 execution of the contract was secured by the performance bond for the sum of 11 997 thousand PLN issued by an insurer, valid through 31 July 2012. Additional works were secured by a bank guarantee up to 1 399 thousand PLN valid through 31 July 2012. Also, performance of additional works was secured by a bank guarantee for the sum of 452 thousand PLN, which as at 1 August 2012 will cover the warranty liability for the sum of 226 thousand with validity period until 31 October 2015.

all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

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

ENERGOINSTAL S.A. was appointed as the Consortium leader who has the right to manage its affairs and represent the Consortium before the Employer and the third parties. On 9 March 2011 the Consortium signed a contract for turnkey supply of a new Combined Cycle Unit in Polkowice for the contract price of 93 800 thousand PLN and in Głogów for the price of 139 600 thousand PLN a for KGHM Polska Miedź S.A.
The percentage share in the joint venture is as follows:

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

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

In the first half of 2012 the parent ELEKTROBUDOWA SA generated revenues in the joint venture in the amount of 1 184 thousand PLN.
The sales invoiced until 30 June 2012 included the following:

		Period ended	
	30 June 2012	**31 December 2011**	**30 June 2011**
Combined Cycle Unit in KGHM S.A. Polkowice	1 068	1 068	0
Combined Cycle Unit in KGHM S.A. Głogów	3 556	2 372	0
	4 624	3 440	0

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

As at 30 June 2012 execution of the contract “Combined Cycle Unit in KGHM S.A. Polkowice” was secured by the bank guarantee for the sum of 3 130 thousand PLN valid through 31 January 2013 and a bank guarantee covering also warranty obligations for the sum of 1 341 thousand PLN valid through 31 January 2018.

Further. performance od contract “Combined Cycle Unit in KGHM S.A. Głogów” was secured by the bank guarantee for the sum of 6 276 thousand PLN valid through 31 January 2013 and a bank guarantee covering also warranty obligations for the sum of 2 690 thousand PLN valid through 31 January 2018.

all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

On 11 April 2011 the parent, ELEKTROBUDOWA SA entered into a consortium agreement with ZUE S.A. for joint bidding in the public procurement tender for “Construction of the Franowo tramway depot in Poznań”. As the bid was successful, the Parties cooperate also in execution of the project.
ZUE S.A. was appointed a consortium leader who is entitled to conduct negotiations and represent the consortium before the Purchaser and before third parties. On 13 July 2011 the Consortium concluded a contract for the supply of civil works and other services necessary for the successful completion of the project – construction of the Franowo tramway depot in Poznań.
The contract price of works provided by the Consortium was 208 806 thousand PLN as at 30 June 2012.

The percentage share in the joint venture is as follows:

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

In H1 2012 the parent, ELEKTROBUDOWA SA generated the 17 633 thousand PLN revenue on the joint venture.

The sales invoiced until 30 June 2012:

	Period ended		
	30 June 2012	**31 Dec 2011**	**30 June 2011**
Construction of the Franowo tram depot in Poznan	32 439	14 806	0

The consortium agreement is in force within completion of the project, including the period of warranty granted to the Purchaser, until all claims under contract expire.
As at 30 June 2012 performance of the contract was secured by a bank guarantee issued for the amount of 12 408 thousand PLN, valid through 26 August 2017.

40. Related party transactions

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

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

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

- sales of goods – the Power Equipment Production Plant 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

all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

Mutual balances between the parent and its associates as at 30 June 2012:

- payables of the Power Equipment Production Plant VECTOR Ltd. to ELEKTROBUDOWA SA 9 661 thous PLN

The unsettled balances of receivables and payables with the associates are not secured and will be settled in cash in the agreed payment dates.

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

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

41. Contingencies and contractual obligations

a) guarantees

As of 30 June 2012, 31 December 2011 and 30 June 2011 the ELEKTROBUDOWA SA group extended contract guarantees, comprising advance payment bonds, tender bonds, performance bonds and warranty bonds, and also guarantees to secure through:

	as at		
	30 June 2012	**31 Dec 2011**	**30 June 2011**
PKO BP S.A.	67 907	63 890	77 911
BRE Bank S.A.	55 049	62 854	56 851
T.U. ALLIANZ POLSKA S.A.	39 732	46 093	32 614
Bank PEKAO S.A.	33 126	31 658	16 251
Bank Handlowy w Warszawie S.A.	22 787	26 720	5 667
ING Bank Śląski S.A.	10 450	8 662	9 551
Towarzystwo Ubezpieczeń Euler Hermes S.A.	7 140	0	0
HDI Asekuracja Towarzystwo Ubezpieczeń S.A	2 907	0	0
HDI Gerling Towarzystwo Ubezpieczeniowe S.A.	2 658	2 859	2 663
BNP PARIBAS BANK POLSKA S.A.	264	458	403
PZU S.A.	25	212	289
Total amount of guarantees	**242 045**	**243 406**	**202 200**

Notes to the consolidated financial statements (continued)

b) Promissory notes

As of 30 June 2012 ELEKTROBUDOWA SA group issued promissory notes as security for performance bonds for the total amount of 16 267 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;
- 10 promissory notes in favour of T.U. Euler Hermes to secure the contract bond agreement;
- 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.

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

- 1 promissory note issued in favour of BRE Bank S.A.o/Katowice as security for guarantee line;
- 10 blank promissory notes as security for claim of T.U. Allianz Polska S.A. from insurance guarantees;
- 1 blank promissory note as security for bank loan and guarantee line in Bank PeKaO S.A.;
- 5 blank promissory notes with ''without protest" restriction in favour of Gerling Polska T.U. S.A. as security for the issued contract bonds;
- 2 blank promissory notes as security for the loan and guarantee line provided by PKO BP S.A.;
- 1 blank promissory note as security for the guarantee line provided by Bank Handlowy w Warszawie SA.;

all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

- 1 blank promissory note as security for the guarantee line provided by ING Bank Śląski SA.;
- 1 blank promissory note in favour of BNP PARIBAS BANK POLSKA S.A. as security for contract bonds;
- 5 blank promissory notes with declaration in favour of Gerling Polska T.U. S.A. as security for contract bonds;
- 5 blank promissory notes with declaration and a certificate of deposit for 150 thousand PLN as security of claim from contract bonds issued by PZU S.A.

c) Sureties

As of 30 June 2012, 31 December 2011 and 30 June 2011 the group did not grant any sureties.

d) Rental, lease and similar commitments

Estimated value of rent for the lease of offices will amount to 2 784 thousand PLN in the coming year, while in the period over 1 year to 5 years it will be 11 340 thousand PLN.

The contractual value of rent from the lease of offices was 1 491 thousand PLN in H1 2012.

The parent keeps the off-balance sheet records of land used under the perpetual usufruct right received free of charge by virtue of law provisions in force.
The group's off-balance sheet commitments resulting from the right of perpetual usufruct of land were estimated on the basis of annual rates, announced in the form of administrative decisions, and the period of use. Average period of use of land which the company has the right to use free of charge and which the company purchased is 77 years. The estimated payments for the right of perpetual usufructary of land in the present year will amount to 86 thousand PLN, while in the period above 1 year up to 5 years 344 thousand PLN and over 5 years: 6 192 thousand PLN.

42. Employment

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

	average number of employees in H1 2012	average number of employees in 2011	average number of employees in H1 2011
Total number of employees	**2 193**	**2 153**	**2 126**
of which:			
Manual jobs	1 212	1 218	1 206
White-collar jobs	980	930	915
Persons on child care leaves or unpaid leaves	1	5	5

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

Notes to the consolidated financial statements (continued)

43. The Management Board and the Supervisory Board

Composition of the Management Boards of the parent and the subsidiaries at 30 June 2012

Management Board
ELEKTROBUDOWA SA

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

Management Board
KONIP Sp. z o.o.

Lamch Tadeusz	-	President

Management Board
ENERGOTEST sp. z o.o.

Klimowicz Arkadiusz	-	President

Executive Body
ELEKTROBUDOWA UKRAINE Ltd.

Karnaushenko Oleksandr	-	Director

Composition of the Supervisory Board of the parent at 30 June 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)

The Parent's Boards' remuneration policy
The parent's Management Board remuneration policy was established by the Supervisory Board. Remuneration of the Board's Members consists of two components:

- monthly paid fixed salary, amount depending on the position,
- a variable part paid on the basis of a resolution passed by the Supervisory Board within 14 days after Supervisory Board's approval of the financial statements, depending on fulfilment of the assumed economic and financial goals for a financial year.

Rules for bonus remuneration of the Members of the Management Board – employees of ELEKTROBUDOWA SA for the year 2012 were established bu the Resolution 20/VIII/2012 of 26 April 2012 of the Supervisory Board. The Resolution was adopted pursuant to paragraphs 2.11 and 2.12, §7 of the Company Articles and the recommendation by the Nomination and Remuneration Committee included in the Minutes No. 6/2012 of 20 April 2012.

According to the non-competition clause in their employment contracts, the members of the Management Board of the parent are entitled to compensation in the amount of 100% base salary for each month of competition prohibition, within 12 months after termination of the employment contract with ELEKTROBUDOWA SA.

The parent's Supervisory Board's remuneration policy has been established by the Annual General Meeting of ELEKTROBUDOWA SA.
Remuneration of the parent's Supervisory Board members is based on the average salary paid in the sector of enterprises for the last month of previous quarter. Pursuant to the resolution of the Annual General Meeting of ELEKTROBUDOWA SA the following remuneration was agreed for the Supervisory Board members:

- ♦ Chairman - the above mentioned salary multiplied by 2
- ♦ Vice Chairman - the above mentioned salary multiplied by 1.8
- ♦ Other members - the above mentioned salary multiplied by 1.5

On 26 April 2012 the Annual General Meeting passed a resolution on additional remuneration for the members of the Supervisory Board who are in the Audit Committee. The remuneration was based on the monthly average salary in the industrial sector (Reference Salary) for the last month of the quarter preceding payment of the remuneration. Additional pay for the Audit Committee was established in the following way:

- ♦ Chairman of the Audit Committee - 0.7 of Reference Salary
- ♦ Members of the Audit Committee - 0.5 of Reference Salary

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

As at 30 June 2012, 31 December 2011 and 30 June 2011 the group's companies did not extend any guarantees, borrowings or warrants to the Members of the Boards of the parent.

all amounts in PLN thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

44. Polish zloty exchange rates

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

In the table “Selected Financial Data” of the consolidated financial statements of ELEKTROBUDOWA SA group, the financial data of the reporting periods specified below have been translated into EUR as follows:

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

- 30 June 2012	4.2613 PLN / EUR
- 30 December 2011	4.4168 PLN / EUR;
- 30 June 2011	3.9866 PLN / EUR;

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

- from 01.01.2012 to 30.06.2012	4.2246 PLN / EUR;
- from 01.01.2011 to 30.06.2011	3.9673 PLN / EUR.

45. Changes in the applied accounting standards

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

46. Changes in presentation of consolidated financial statements

In the consolidated statement of financial situation prepared as at 30 June 2011 a change was made in the presentation of comparable data, consisting in the transfer of interest on leasing in the amount of 3 thousand PLN as from the item “Other gains (losses) – net” to the item “Financial income (costs) – net”.

47. Remuneration for the entity authorized to audit the financial statements

A contract for reviewing the interim financial statements of ELEKTROBUDOWA SA and the ELEKTROBUDOWA SA group for the period 01.01-30.06.2012 and for auditing the 2012 annual Financial Statements of ELEKTROBUDOWA SA and the 2012 annual Consolidated Financial Statements of the ELEKTROBUDOWA SA group was concluded with Deloitte Audyt Sp. z o.o., having their registered office in Warsaw, on 29 June 2012.
Deloitte Audyt Sp. z o.o. will review the interim financial statements and audit the annual fiancial statements of ELEKTROBUDOWA SA and annual financial the consolidated financial statements of the ELEKTROBUDOWA SA group for the fourth time in a row.

Notes to the consolidated financial statements (continued)

The agreed remuneration for the above review and auditing of the above mentioned 2012 financial statements is 130 thousand PLN and includes:

	2012	**2011**
- review of the half-year condensed financial statements of ELEKTROBUDOWA SA and consolidated financial statements of the ELEKTROBUDOWA SA group	40	55
- Audit of the annual financial statements of ELEKTROBUDOWA SA and consolidated financial statements of the ELEKTROBUDOWA SA group	90	90
- Review of the financial statements of the subsidiary ELEKTROBUDOWA Ukraine Ltd.	0	30
Review and auditing of the financial statements	**130**	**175**

The remuneration is net of the goods and services tax.

Under Resolution 1/2012 of 30 May 2012 The Extraordinary General Meeting of KONIP Sp. z o.o. appointed Deloitte Audyt Sp. z o.o.to audit the company's financial statements for 2012.
A relevant agreement is being prepared and the date shall be signed on 6 August 2012. The agreed remuneration for auditing the subsidiary is 10 thousand PLN.

As in 2011 Deloitte Audyt Sp. z o.o. was appointed to review the interim financial statements for the period from 1 January 2012 to 30 June 2012 and to audit the 2012 annual financial statements of ENERGOTEST sp. z o.o. A relevant agreement was signed on 28 May 2012 and the price for auditing the subsidiary includes (in PLN'000):

	2012	**2011**
- review of the half-year financial statements	12	15
- Audit of the annual financial statements	8	10
Review and auditing of the financial statements	**20**	**25**

The remuneration is net of the goods and services tax.

48. Additional information

Comparability of the consolidated financial statements

The comparable data have been presented according to the same accounting principles as were applied for preparation of the consolidated financial statements for 2011.

Notes to the consolidated financial statements (continued)

Legal claims against the parent or subsidiaries

In the opinion of the Management Board of ELEKTROBUDOWA SA there are no circumstances, except described in the financial statements, indicating any substantial obligations to arise due to claims against any of the group's companies.

Amounts due to the Budget or local government for obtaining the right to buildings or structures.

As at 30 June 2012, 31 December 2011 and 30 June 2011 the group did not have any debt towards the Budget or local government due to obtaining the right to buildings or structures.

Significant events from previous years disclosed in the financial statements for the current period

There were no significant events concerning prior years, which should be disclosed in the consolidated financial statements for the six months ended 30 June 2012.

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

As at 30 June 2012, 31 December 2011 and 30 June 2011 the group did not have any contractual commitments due to the acquisition of fixed tangible assets or intangible assets.

Significant events after the balance sheet date

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

Representation by the Management Board

The Management Board of ELEKTROBUDOWA SA state that on 30 August 2012 they authorise for issue the present interim consolidated financial statements of the ELEKTROBUDOWA SA group for H1 2012.

SIGNATURES OF THE MANAGEMENT BOARD MEMBERS

Name and surname	Position / Function	Date	Signature
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 Juszczyk	Board Member	30.08.2012	
Arkadiusz Klimowicz	Board Member	30.08.2012	

SIGNATURE OF THE PERSON IN CHARGE OF ACCOUNTING BOOKS

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