ELEKTROBUDOWA SA

Financial Statements

for the financial year from 1 January to 31 December 2012

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

Ladies and Gentlemen,

On behalf of the Management of ELEKTROBUDOWA SA I have an honour to submit the annual report which sums up the performance and achievements of ELEKTROBUDOWA SA in 2012.

The past year was another year in succession when we were facing with market changes relating to global economic downturn, recession and decrease in investment in the sectors for which the Company conducts its operations. However, as the company has managed to built up its resistance to hardship in the past years , ELEKTROBUDOWA SA did not feel the negative impact of the market atmosphere on its sales and achievement of targeted results.

We have once again proved that despite unfavourable economic environment we are able to follow the established direction to reach our strategic goals, including:

- customer satisfaction,
- maintaining the position of a leader who sets new quality in conducting business,
- ensuring a decent rate of return from the invested capital for our Shareholders.

Effective management, efficient marketing policy and, above all, product and service quality that exceeds standards, contributed to achievement of expected year-end results. The 2012 net sales revenue reached the value of 985.4 million PLN, while net profit amounted to 36.0 million PLN.

Entering the year 2012 we were convinced that we were on the right way and that the planned operations will lead to strengthening the Company's market position. We attained much more than we expected. New orders were obtained for the amount of 911.2 million PLN placing us in an undisputed leading position in the market. Building up an 803.5 million PLN worth order backlog at the end of 2012 justifies our optimism for the future, as over a half of our next year's revenue will come from the orders received in 2012.

Consequent research on both technologies and the products resulted in development and implementation of double system switchgear with the highest short current characteristics of 72kA. The product was developed not only for the needs of currently performed contract, but also in order to strengthen the position of the Company and to enhance its competitiveness.
As it happened earlier, we were awarded in the 25th International Power Fair ENERGETAB 2012 in Bielsko-Biała with a gold medal for implementation of medium voltage switchgear with double system of busbars, type D-12-2S.

In 2012 the Power Substations and Systems Department, an organizational unit of the Power Distribution Division of ELEKTROBUDOWA sa won orders for modernization and construction of several newly-built high-voltage substations for Polish electricity distributing companies.
A significant contract, which is a landmark for the company, was awarded by PGE Dystrybucja SA Oddział Białystok. Against this contract the company will erect a 110/15kV substation RPZ-11 in which the first SF6 insulated 110kV switchgear manufactured by ELEKTROBUDOWA SA will be installed and commissioned.

Looking for new market opportunities, by development of the Power Substations and Systems Department our company has entered a new business segment and started providing projects for construction and modernization of overhead transmission lines for high and extra high voltages, such as the commissioned 110kV overhead line near Leszno for ENEA Operator or the overhead 110kV lines for PGE Dystrybucja which are at the stage of design. Orders for construction of switching stations and expanding the business area with high voltage overhead lines and extra high voltage station for PSE made us appoint a dedicated design office within the Department, which works, develops and aims to take an important position in the Polish market. In the middle of the year the Management of ELEKTROBUDOWA SA developed the Company strategy adapted to the changing market conditions and to risks coming from the international macro-finance and macroeconomic processes. Reasonable, realistic and implemented in strict discipline, financial policy pursued by the Company became a determinant of the quality of managing the company. We target at sustainable development in order to ensure continual expansion for the Company on one hand and to maintain complete financial security on the other hand.

Corporate social responsibility is a measure of efficient and sound management, therefore constant commitment of ELEKTROBUDOWA SA to environmental, social, ethical and corporate governance issues is reflected in permanent presence of the Company in the Warsaw Stock Exchange RESPECT Index.

Following our dividend policy of the previous years, also this year we plan to pay dividend to our Shareholders from the returns earned in 2012.

I am deeply convinced that the Company is competently overcoming hardships of recession and that the coming years will bring further development and consequently strong market position, growth of financial results of the Company's operations and better security for the electric power sector.

I wish to thank our Shareholders for support for al activities conducted by the Company and our customers and business partners for fruitful cooperation, confidence and loyalty to the trademark, ELEKTROBUDOWA SA.

Faithfully Yours,

Jacek Faltynowicz
President

Index to the financial statements

all amounts in PLN thousands unless otherwise stated)

Statement of Financial Position

	Note	as at 31 December 2012	as at 31 December 2011
ASSETS			
Non-current assets		**202 065**	**176 609**
Property, plant and equipment	8	86 531	83 095
Intangible assets	9	14 810	8 129
Investments in associates	11.1	22 613	23 184
Interest in subsidiaries	11.2	47 901	47 901
Available-for-sale financial assets	12.1	2 931	2 470
Non-current receivables	14.1	21 994	6 947
Deferred income tax assets	24	3 746	3 472
Non-current prepayments	15	1 539	1 411
Current asssets		**488 988**	**480 298**
Inventories	16	47 447	55 916
Trade and other receivables	14.2	256 163	277 216
Available-for-sale financial assets	12.1	24	24
Current prepayments	18	7 228	3 698
Amounts due from construction contract work	30.1	138 841	106 643
Cash and cash equivalents	17	39 285	36 085
Non-current assets held for sale	19	0	716
Total assets		**691 053**	**656 907**
EQUITY AND LIABILITIES			
Equity		**344 324**	**332 449**
Share capital (after restatement)	20	26 375	26 375
Supplementary capital	21.1	303 510	281 812
Capital from valuation of available-for-sale investment	21.2	1 662	1 289
Currency translation differences		(5 218)	275
Retained earnings		17 995	22 698
Liabilities			
Non-current liabilities		**14 225**	**10 739**
Employee benefit obligations	25	4 252	3 467
Other liabilities	22.1	9 973	7 272
Current liabilities		**332 504**	**313 719**
Trade and other payables	22.2	276 475	272 758
Corporate income tax liabilities		0	236
Derivative financial instruments	13	0	7 185
Loans, borrowings and debt securities	23	11 201	0
Provisions	25	650	536
Accrued expenses	26	14 440	9 894
Amounts due to customers for construction contract work	30.2	29 738	23 110
Total liabilities		**346 729**	**324 458**
Total equity and liabilities		**691 053**	**656 907**

all amounts in PLN thousands unless otherwise stated)

Statement of Comprehensive Income

	Note	period ended 31 December 2012	2011
Continuing operarations			
Revenue on sales of products, goods and materials	29	985 421	902 458
Cost of products, goods and materials sold	31	(925 556)	(845 573)
Gross profit on sales		**59 865**	**56 885**
Selling costs		(5 953)	(3 962)
Administration expenses		(10 085)	(9 418)
Other operating expenses	32	(3 941)	(3 186)
Other gains (losses) - net	33	(1 961)	5 555
Operating profit		**37 925**	**45 874**
Finance income (costs) - net	34	4 667	5 050
Gross profit before income tax		**42 592**	**50 924**
Income tax expense	35	(6 606)	(10 235)
Net profit from continuing operations for the period		**35 986**	**40 689**
Discontinued operations			
Net profit (loss) from discontinued operations for the period		**0**	**0**
Net profit for the period		**35 986**	**40 689**
Other comprehensive income, total			
valuation of available-for-sale investments		461	1 829
deferred tax relating to available-for-sale investments		(88)	(348)
reversal of available-for-sale investments valuation		0	(4 502)
deferred tax relating to reversal of available-for-sale investments valuation		0	856
currency translation differences of the valuation		(5 493)	275
Total other comprehensive income		**(5 120)**	**(1 890)**
Total comprehensive income		**30 866**	**38 799**
Earnings (loss) per share from continuing and discontinued (in PLN per share)			
- basic	36	7,58	8,57
- diluted	36	7,58	8,57

all amounts in PLN thousands unless otherwise stated)

Statement of Changes in Equity

	Share capital after restatement	Supplementary capital from share premium	Other supplementary capital	Capital from valuation of available-for-sale investment	Currency translation differences of valuation	Retained earnings	Total equity
note	**20**	**21.1**	**21.1**	**21.2**			
1 January 2012	**26 375**	**100 676**	**181 136**	**1 289**	**275**	**22 698**	**332 449**
net profit						*35 986*	*35 986*
currency translation differences					*(5 493)*		*(5 493)*
valuation of available-for-sale-investments				*461*			*461*
deferred tax on valuation of available-for-sale investments				*(88)*			*(88)*
total comprehensive income				**373**	**(5 493)**	**35 986**	**30 866**
distribution of profit			21 698			(21 698)	0
dividend payment						(18 991)	(18 991)
31 December 2012	**26 375**	**100 676**	**202 834**	**1 662**	**(5 218)**	**17 995**	**344 324**

all amounts in PLN thousands unless otherwise stated)

	Share capital after restatement	Supplementary capital from share premium	Other supplementary capital	Capital from valuation of available-for-sale investment	Currency translation differences of valuation	Retained earnings	Total equity
note	**20**	**21.1**	**21.1**	**21.2**			
1 January 2011	**26 375**	**100 676**	**160 026**	**3 454**	**0**	**31 605**	**322 136**
net profit						*40 689*	*40 689*
currency translation differences					*275*		*275*
valuation of available-for-sale-investments				*1 829*			*1 829*
deferred tax on valuation of available-for-sale investments				*(348)*			*(348)*
reversal of available-for-sale investments valuation				*(4 502)*			*(4 502)*
deferred tax relating to reversal of available-for-sale investments valuation				*856*			*856*
total comprehensive income				**(2 165)**	**275**	**40 689**	**38 799**
distribution of profit			21 110			(21 110)	0
dividend payment						(28 486)	(28 486)
31 December 2011	**26 375**	**100 676**	**181 136**	**1 289**	**275**	**22 698**	**332 449**

all amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

Statement of Cash Flow

	Note	period ended 31 December 2012	2011
Cash flows from operating activities			
Gross profit before taxes		42 592	50 924
Depreciation and amortisation	38	11 075	11 228
Gains/losses on currency translation differences		(339)	(92)
Interest and share in profit (dividends)		(4 667)	(5 050)
Profit from/loss on sale of property, plant and equipment (PPE)	38	(27)	(214)
Change in inventories		8 469	(31 682)
Change in available-for-sale financial assets	38	0	(4 864)
Change in trade and other receivables	38	6 725	(48 215)
Change in liabilities, except loans and borrowings	38	6 311	75 678
Income tax paid	38	(6 357)	(13 290)
Change in current prepayments and accrued expenses		1 016	(915)
Change in non-current prepayments and accrued expenses		(128)	(81)
Change in settlements of construction contracts		(25 570)	(36 941)
Other adjustments	38	(12 683)	7 465
Net cash used in operating activities		**26 417**	**3 951**
Cash flows from investing activities			
Sale of intangible assets and PPE		411	656
Proceeds from sale of shares in other entities		0	161
Proceeds from sale of other available-for-sale assets		0	35 028
Dividend received and share in profits	38	5 551	5 476
Purchases of intangible assets and PPE		(21 389)	(17 197)
Acquisition of shares in subsidiaries and associates			(2)
Net cash used in/generated from investing activities		**(15 427)**	**24 122**
Cash flows from financial activities			
Loans and borrowings		11 201	0
Dividends and other payments to owners		(18 991)	(28 486)
Interest		(313)	0
Other cash outflow		(26)	0
Net cash used in financial activities		**(8 129)**	**(28 486)**
Net increase/decrease in cash, cash equivalents and bank overdrafts		2 861	(413)
Balance sheet change in cash and bank overdrafts		3 200	(321)
Change in cash due to currency translation differences		339	92
Cash, cash equivalents and bank overdrafts at beginning of period		36 085	36 406
Cash, cash equivalents and bank overdrafts at end of period		**39 285**	**36 085**

Notes to the financial statements

Additional information

1. General information

1.1. Principal activity

ELEKTROBUDOWA SA with registered office in Katowice, at 12 Porcelanowa Street, 40-246 Katowice 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. 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 registered in the National Court Register (KRS) in the District Court Katowice-Wschód in Katowice, 8th Business Department under KRS entry no. 0000074725.

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

Shares of the company are listed 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 in newly built, extended and modernized power plants and industrial facilities;
- supply of electric power equipment, mainly the electricity transmission and distribution equipment;
- design engineering, testing, commissioning and start-up of electrical installations.

1.2 Going concern concept

ELEKTROBUDOWA SA will continue in operational existence for the unspecified time. The financial statements have been prepared with the assumption of the entity's ability to continue as a going concern in the foreseeable future.
If, after preparation of the annual financial statements, the entity is informed about events which have substantial effect on this report, or which make the assumption of business continuation by the entity unjustified, the Management Board of ELEKTROBUDOWA SA will be entitled to introduce adjustments to the financial statements up to the moment of their approval. This does not rule out the possibility of introducing retrospective changes to the financial statements related to adjustment of errors, or changes in accounting policies as per IAS 8 in the later periods.

In the opinion of the Management Board of ELEKTROBUDOWA SA there are no circumstances indicating that the continuity of business operations is at risk.

Notes to the financial statements (cont'd)

2. Summary of significant accounting policies

2.1 Compliance with legislation

The 2012 annual report of ELEKTROBUDOWA SA 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 financial statements of ELEKTROBUDOWA SA have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union, according to the same principles for the current period and comparable periods.

The present 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.

The financial statements of ELEKTROBUDOWA SA include also relevant data resulting from the statements of financial position and statements of comprehensive income of the Permanent Establishments located outside the territory of the Polish Republic that prepare their financial statements in their places of registration.

Key accounting principles applied by the company are described below.

2.3 Foreign currency translation

Functional and presentation currency
The present financial statements are presented in Polish zloty (PLN). Polish zloty is the functional and presentation currency of ELEKTROBUDOWA SA. Data in the financial statements of the company 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 company;
- purchase of foreign currency and repayment of payables transactions are translated at the selling rate applied by the bank used by the company;
- other transactions are translated at average exchange rate for each currency announced by the National Bank of Poland, unless customs documents quote another exchange rate;
- assets and liabilities as at the balance sheet date are translated at the average exchange rate for each currency announced by the National Bank of Poland.

Notes to the financial statements (cont'd)

Gains and losses resulting from the settlement of such transactions and from the translation at the year-end of monetary assets and liabilities denominated in foreign currencies are recognized in the profit and loss account, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

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

The Company's foreign establishments prepare their financial statements in the functional currency which is the currency of the basic economic environment in which the establishment operates.

Translation of items of the statements of financial position and statements of comprehensive income prepared by Permanent Establishments outside Poland:

- assets and liabilities in each presented statement of financial position expressed in foreign currencies are translated into Polish currency according to the average exchange rates applicable on the balance sheet date, announced by the National Bank of Poland for the relevant currency;
- items of the statements of comprehensive income expressed in foreign currencies are translated into Polish currency according to the rate which is the arithmetic mean of average exchange rates applicable on the last day of each month in the reporting year, and in justified cases - according to the rate which is the arithmetic mean of average exchange rates applicable on the last day of the prior year and on the last day of the reporting year, announced by the National Bank of Poland for the relevant currency;
- currency differences from translation to Polish currency are recognised in the aggregate statements of the company as a separate item of equity. Such differences are recognised as income or cost of the period in which the foreign establishment is closed.

The following rates of exchange have been used to measure the assets and liabilities as of the balance sheet date and to translate the items of the statements of comprehensive income:

	31.12.2012		31.12.2011	
	Statement of Financial Position	**Statement of Comprehensive Income**	**Statement of Financial Position**	**Statement of Comprehensive Income**
Currency	**PLN**	**PLN**	**PLN**	**PLN**
EUR	4.0882	4.1736	4.4168	4.1401

Notes to the financial statements (cont'd)

2.4 Property, plant and equipment

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

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

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

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

- buildings and civil structures 25-40 years
- plant and machinery 3-15 years
- vehicles 5-7 years
- other 4-10 years

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

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

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

2.5 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 are amortised on a straight-line basis over the period of useful life (3 to 5 years).

- Acquired computer software licences are capitalised on the basis of costs incurred to acquire and bring to use.
  Costs are amortised on a straight-line basis over 2 years. The costs associated with maintaining computer software programmes are recognized as an expense as incurred.

Notes to the financial statements (cont'd)

- Other property rights are recognized at costs of acquiring and amortised on a straight-line method over the estimated useful life (up to 10 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.

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

As at each balance sheet day the company 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.

2.7 Interest in the subsidiaries and associates

Subsidiaries
Subsidiaries are all entities controlled by the parent company. The control is understood as the power to govern the financial and operating policies of a subsidiary in order to benefit from its operations, which generally accompanies a shareholding of more than one half of the voting rights in the governing bodies of those entities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the parent controls another entity.
Investments in subsidiaries are recognised at acquisition price.

Associates
An associate is an entity over which the company has significant influence and which is neither a subsidiary nor a jointly controlled venture of the parent. Significant influence is understood as capacity to participate in establishing the financial and operating policies of an associate without independent or joint control over it, which generally accompanies a shareholding of 20-50% of the voting rights.
Investments in associates are recognised at acquisition price.

2.8 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 of these derivative instruments are recognized in the statement of comprehensive income in "Other gains/ (losses) – net" item. The company does not designate any derivatives as hedges and treats all derivative instruments as financial assets recognized at fair value through profit and loss.

Notes to the financial statements (cont'd)

2.9 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 they were acquired and is defined at initial recognition.

2.9.1 Financial assets at fair value through profit and loss in the consolidated statements

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.

2.9.2 Loans and receivables

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

2.9.3 Held-to-maturity financial assets

The financial assets, except for derivative instruments, with fixed or determinable payments and fixed maturities, which the management 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.

Notes to the financial statements (cont'd)

2.9.4 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 capital from measurement of available-for-sale investments. When the investment is sold or impaired, the accumulated fair value earlier recognised in the capital from measurement of available-for-sale investments 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 company's right to receive payment is established.
Available-for-sale financial assets are included in non-current assets unless the company intends to dispose of the investment within 12 months of the balance sheet date.

2.9.5 Impairment of financial assets

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

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

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

In the case of 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.

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

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

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

Notes to the financial statements (cont'd)

2.9.6 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 company loses control over the asset.

2.10 Leases

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

2.11 Inventories

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

2.12 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 company 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 company 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) exceed progress billings. Progress billings not yet paid by customers and retention amounts are included within "non-current receivables" and "current receivables".
The Company presents as a liability the amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

Notes to the financial statements (cont'd)

2.13 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 comprehensive income statement and derecognised from the books.

2.14 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" in the statement of financial position.

2.15 Non-current assets held for sale and discontinued operations

Non-current assets (or groups of assets) held for disposal are classified as assets 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.

2.16 Share capital and supplementary capital

Share capital is recognised in the 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 statement of financial position in the item "treasury shares".

Notes to the financial statements (cont'd)

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 from retained earnings and by transfer from other reserves. Furthermore, differences between fair value of payment received and 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.

2.17 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 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 company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.18 Income taxes

Income tax for the financial year consists of a current portion and a deferred portion. Income tax is recognized in the 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 company 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 company has the enforceable right to offset its current income tax receivables and liabilities, and if the deferred income tax assets and provisions refer to the income tax imposed by the same tax authority.

Notes to the financial statements (cont'd)

2.19 Employee benefits

Pension and retirement obligations
The company 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 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 company 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 present value.

Bonus plans
The company 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.

2.20 Provisions

Provisions are recognised when the company 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.

2.21 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 by using the effective interest rate method.
For the company the deferred liabilities are not liabilities generated in the normal cycle of operations.

Notes to the financial statements (cont'd)

2.22 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 sales between the divisions:

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) Revenue from construction contracts is recognised and carried according to the procedure presented in item 2.12.
c) Revenue from sales of services is recognised in the accounting period in which the services are rendered, when:
   – the amount of revenue can be reliably estimated,
   – the entity is likely to gain financial profit from the transaction,
   – stage of completion of the transaction on the balance sheet date can be reliably determined.
d) Interest income is recognised on a time-proportion basis using the effective interest method.
e) Dividend income is recognized when the right to receive payment is established.

2.23 Government grants

Government grants are not recognised until there is a reasonable assurance that the company will comply 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 company, 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 financial statements the company makes estimates and assumptions concerning the future.
Judgments by management were applied in estimating the amount of provisions for warranty repair works (details in Note 25) and in estimating receivables and payables related to the long-term construction contracts (details in Note 30).
Assumptions concerning the impairment charge due to impairment loss of shares in the related company KRUELTA Ltd., are presented in Note 11.
Details of valuation of fair value of shares in PI Biprohut Sp. z o.o. as well information on the influence of ELEKTROBUDOWA SA influence on its operating and financial policy are disclosed in Note 12.

The company verifies annually the useful lives of its plant and equipment. They are reviewed in order to ascertain the correctness of the assumed periods of useful lives, and the following is assessed:

- normal wear and tear,
- functional depreciation,
- intensity of past use,
- intensity of present and estimated use,
- estimated useful life,
- availability of spare parts and consumables.

Notes to the financial statements (cont'd)

Furthermore, consultations are carried out with persons responsible for the use of fixed assets in the company's divisions, with the users and industrial experts. In result of the carried out review it was found out that the useful lives of 4 items have to be adjusted. The adjustment concerned fixed assets belonging to type groups 4, 5 and 8 according to the classification of fixed assets KŚT and resulted in the decrease of monthly depreciation write-offs. The financial result of the adjustments involved the reduction of annual depreciation charges by 9.7 thousand PLN.

4. Financial risk management

The Company is exposed to financial risks in each area of its operations.
Main financial risks to which the company 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 of the company establishes general principles for overall risk management as well as policies covering specific areas.

4.1 Foreign exchange risk

The Company 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 company there is a natural hedging, as most of imports are also carried out in EUR.
An essential element of the company's operations exposed to foreign exchange risk is export in US dollars.
Alterations in rates of exchange also have a significant impact on the value of contracts with Polish partners, concluded in EUR but settled in PLN.

Business activity carried out by ELEKTROBUDOWA SA in other countries through its branches established for taxation purposes, generates another area of foreign exchange risk connected with the settlement or translation of items of the financial statements prepared by the entities which operate abroad.

The analysis of present currency structure of sales revenues shows that the foreign currency translation risk is not very high; the revenue earned in foreign currencies has a 21.5% share in the total revenues gained by the company in 2012, of which 13.0% was earned in euros (mainly from sales in Finland and Estonia) and 8.5% from the sales in US dollars (most of which were the sales to eastern markets).

As at 31 December 2012 the amounts of receivables in foreign currencies constituted 16.4% of total receivables, payables in foreign currencies constituted 4.0% of total trade payables, and foreign currencies 40.8% of total cash.

Notes to the financial statements (cont'd)

Measurement:

	period ended 31 December 2012		**period ended 31 December 2011**	
	currency		**currency**	
	USD	**EUR**	**USD**	**EUR**
- amount in foreign currency (receivables and cash less payables) (USD'000 / EUR'000)	4 653	9 798	2 825	13 041
- exchange rate	3.0996	4.0882	3.4174	4.4168
- receivables, payables and cash (PLN'000)	14 423	40 056	9 654	57 599
- **exchange rate accounting for 10% change**	**3.4096**	**4.4970**	**3.7591**	**4.8585**
- receivables, payables and cash with exchange rates change considered	15 865	44 062	10 619	63 360
- change in profit before taxes (PLN'000)	1 442	4006	965	5 761
- change in net profit (PLN'000)	1 168	3 245	782	4 666
- **exchange rate accounting for 25%change of USD and 15% change of EUR**	**3.8745**	**4.7014**	**4.2718**	**5.0793**
- receivables, payables and cash with exchange rates change considered	18 028	46 064	12 068	66 239
- change in profit before taxes (PLN'000)	3 605	6 008	2 414	8 640
- change in net profit (PLN'000)	2 920	4 866	1 955	6 998

From the analysis of the impact of movement in currency/PLN exchange rates against the rates announced by the National Bank of Poland as at 31 December 2012 it may be expected that:

– if the USD exchange rate had strengthened or weakened by 10%, the net profit would have been by 1168 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 2 920 thousand PLN increase or decrease in the net profit;
– if the EUR exchange rate had strengthened or weakened by 10%, the net profit would have been by 3 245 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 4 866 thousand PLN increase or decrease in the net profit.

Alterations in rates of exchange are not possible to predict accurately; what is more, they can generate losses or provide opportunities for extra profit.
In 2012 compared with 2011 the company recorded the increase both in sales revenues, by 53 273 thousand PLN (by 33.5%), and in volume of imports, by 317 thousand PLN (by 1.5%). In the period from January through December 2012 the bank accounts of ELEKTROBUDOWA SA were credited with 25 936 thousand of USD and 60 428 thousand of EUR. The outlays in the currencies amounted to 24 685 thousand USD and 59 460 thousand EUR, including the amounts of 22 087 thousand USD and 15 693 thousand EUR translated to PLN.

Notes to the financial statements (cont'd)

In the reporting period there was a drop in the exchange rates for euro and the US dollar. On 31 December 2012, compared with 31 December 2011 the average USD rate decreased by 9.3%, while the EUR rate dropped by 7.4%.
Despite appreciation of the national currency in relation to foreign currencies, positive translation differences amounting to 8 143 thousand PLN and negative differences in the amount of 7 345 thousand PLN were realized on the settlement of transactions with foreign partners and the turnover of the foreign currency on bank accounts. Balance of realized currency translation differences showed a profit of 798 thousand PLN.

Recently ELEKTROBUDOWA SA has increased the number of its Permanent Establishments registered in other countries, which carry out business operations and prepare financial statements, what is bound with foreign exchange risk (balance sheet). Balance sheet risk occurs when the financial statements of foreign establishments are consolidated and all items of the balance sheet and profit and loss account prepared in the foreign currency have to be translated to the national currency. The exchange rate valid on the balance sheet date is different from the rates according to which the items had been entered earlier; the difference contributes to the carrying amount of the consolidated balance sheet of the company. As at 31 December 2012 the differences from translation of income and the balance sheet items in the financial statements of Establishments operating in other countries from their functional currencies to the presentation currency is a negative value of 5 218 thousand PLN and were recognized in a separate item of the equity.
Since 1 January 2012 the books of the Permanent Establishment in Finland have been kept only abroad and in the foreign currency. Therefore as of 1 January 2012 balances relating to the operations of the Establishment were settled and separated from the books of accounts kept in Poland.
Due to the declining tendency of the euro rate against zloty in this fiscal year, negative translation differences occurred from translation of the income items and assets and liabilities items of the financial statements of the foreign branches (mainly in Finland) for the amount of 5 218 thousand PLN. The value is not comparable to the previous year when a positive result of 275 thousand PLN was obtained from translation differences.

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

4.2 Interest rate risk

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

In June 2012 ELEKTROBUDOWA SA released an overdraft facility, using its existing multipurpose credit limit in Bank PEKAO S.A. granted to the amount of 60 million PLN, including 10 million PLN overdraft. The bank charges interest on the used amount of the credit according to the floating interest rate calculated daily on the basis of benchmark rate WIBOR 1M and the bank commission. In 2012 cost of the credit in the Bank PEKAO S.A. varied from 5.18% to 6,16%; the average rate was 5.71%. In 2012 the interest on the utilized amount of credit was calculated in the amount of 170 thousand PLN. As of 31 December 2012 the debit on the current account was repaid.

Notes to the financial statements (cont'd)

In the current account in ING Bank Śląski SA the company had an overdraft facility up to 5 million PLN. In December 2012, under the Amendment to the Multiproduct Agreement concluded with ING Bank Śląski SA the company obtained additional working capital credit in the credit account up to 20 million PLN, of which the first tranche of 5 million PLN has been released. The working capital credit in the credit account is bearing the interest according to the floating interest rate calculated on the basis of the WIBOR rate for one-month interbank deposits plus bank commission. Average interest rate for the credit in ING Bank Śląski S.A. was 5.48%. In 2012 the interest on the overdraft was calculated in the amount of 2 thousand PLN.

As of 31 December 2012 ELEKTROBUDOWA SA also used an overdraft facility in BRE BANK S.A. for the amount of 2 562 thousand PLN, available up to 10 million PLN. Interest on the facility are charged according to the floating interest rate calculated on the basis of WIBOR ON plus bank commission. Interest on the debt in BRE BANK S.A. varied from 5.53% to 6.10%, average interest rate was 5.83%. In 2012 the interest on the utilized amount of credit was calculated in the amount of 41 thousand PLN.

As of 31 December 2012 ELEKTROBUDOWA SA had a debit in Bank PKO BP S.A. within the overdraft facility granted up to 5 million PLN. As of the balance sheet date the credit was utilized in the amount of 3 639 thousand PLN. In the period of credit utilization Bank PKO BP S.A. charged interest according to the floating interest rate calculated on the basis of benchmark rate WIBOR 1M plus the commission. Cost of the credit in the Bank PKO BP S.A. varied from 5.88% to 6,49%; the average rate was 6.25%. In 2012 the interest on the overdraft was calculated in the amount of 97 thousand PLN.

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

4.3 Credit risk

4.3.1 Credit risk arising from cash and deposits with banks

The entities with whom the company enters into deposit transactions operate in the financial sector. These are banks registered in Poland or operating in Poland as branches of foreign banks. They have suitable equity capital and strong, stable market position.
The company also has active bank accounts in Finland and Luxembourg for servicing payment transactions of the operating in those countries. The bank which services the branch in Finland belongs to the biggest Scandinavian financial group Nordea, while the bank in Luxembourg belongs to the ING Group.

As at 31 December 2012 the biggest share of one bank in total resources deposited by the company was 31.5%.
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 financial statements (cont'd)

Cash in bank and on hand:

	at 31 December	
	2012	**2011**
- ING BANK ŚLASKI SA	12 374	4 911
- Bank PEKAO SA	11 784	10 194
- PKO BP SA	5 504	2 830
- BANK HANDLOWY w Warszawie SA	4 855	14 718
- BRE BANK SA	2 471	1 331
- ING Luxembourg S.A.	1 619	553
- NORDEA BANK FINLAND PLC	638	1 522
- Cash on hand	40	26
TOTAL	**39 285**	**36 085**

4.3.2 Credit risk arising from derivative financial instruments

The entities with whom the company enters into derivative contracts operate in the financial sector. These are financial institutions (mostly banks) which have suitable equity capital and strong, stable market position.
In 2012 ELEKTROBUDOWA SA used forward transactions as foreign exchange risk hedges.
As at 31 December 2011 ELEKTROBUDOWA SA had two forward foreign exchange transactions opened, one for 3 220 thousand EUR and the other for 14 088.5 thousand EUR.
In 2012 there were the following movements on the forward transactions:

– on 30 March 2012 the contract for the value of 3 220 thousand EUR (equivalent of 13 128 thousand PLN was settled, with a loss of 262 thousand PLN;
– on 19 June 2012 a closing sale to the forward transaction was concluded, for the amount of 10 000 thousand EUR equal to 40 725 thousand PLN which generated a loss of 2 210 thousand PLN:
– on 9 August 2012 a transaction was unwound for the amount of 4 088.5 thousand EUR, which generated gains in the amount of 51 thousand PLN.

Forward exchange transactions which were settled in 2012 showed a total loss of 2 421 thousand PLN.

The forward exchange contracts were made in February and July of 2011, when the exchange rates for EUR did not exceed 4.00 PLN. In the second half of 2011 there was a dynamic rise of the rate, which on 30 December 2011 reached 4.4168 PLN. The growth trend stopped in 2012, but the transactions were closed in the first half of the year at the higher rate than the price agreed on the date of transaction, which generated losses on the exchange differences. The decline in EUR exchange rate in the second half of 2012 below the value of the forward rate permitted to earn gains on the closing sale. In order to limit cash flows and mitigate the credit risk to the level of active balance of valuation of the transaction agreements on net settlement of unwind transactions.
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 company cooperates with financial institutions with high ratings, its exposure to credit risk arising from derivative transactions is not significant.

all amounts in PLN thousands unless otherwise stated)

Notes to the financial statements (cont'd)

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 the company.
For many years the company has 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 relating to trade and other receivables is the following:

	31 December	
	2012	**2011**
Poland	83.8%	79.3%
Finland	10.6%	9.4%
Russia	1.2%	1.8%
Ukraine	1.1%	0.2%
Germany	1.0%	0.5%
South Corea	0.7%	0.0%
Luxembourg	0.4%	0.0%
Saudi Arabia	0.4%	0.5%
Other countries	0.8%	8.3%

The company 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 company hedges some of its receivables with promissory notes and advance payments. About 3.3% of short-term trade receivables are secured in the above ways.

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

all amounts in PLN thousands unless otherwise stated)

Notes to the financial statements (cont'd)

The table below presents the aging analysis of past due trade receivables:

Current trade receivables	**at 31 December**	
	2012	**2011**
1. current	213 043	251 985
2. overdue:	34 443	20 986
a) up to 1 month	25 429	15 326
b) over 1 month up to 3 months	5 081	4 791
c) over 3 months up to 6 months	2 499	643
d) over 6 months up to 1 year	1 299	226
e) over 1 year	135	0
Total	**247 486**	**272 971**

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

- as of 31 December 2012 12 348 thousand PLN,
- as of 31 December 2011 11 631 thousand PLN.

In 2012 a provision for impairment of trade receivables was created in the amount of 7 158 thousand PLN, while the provision established in 2011 amounted to 2 116 thousand PLN. As at the balance sheet date the company impaired 4.8% of its short-term trade receivables.
In the opinion of the company, for not impaired trade receivables there is no risk of being uncollectible, taking into account current financial position of the customers and past experience.

Steady growth trend of overdue debts and growing value of impairment of trade receivables are the signs of deterioration of financial conditions of the contractors. The biggest volume of balance of overdue debt from one contractor as at 31 December 2012 was 9 636 thousand PLN, which was 28.0% of total overdue debt. The second biggest overdue debt amounted to 9 168 thousand PLN, i.e. 26.6% of its total. Together, overdue receivables due from the company's two biggest debtors of as at 31 December 2012 amounted to 18 804 thousand PLN and constituted 54.6% of their total value.

The Management of ELEKTROBUDOWA SA estimates that maximum exposure of the company 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 real risk that the company would not receive cash flows is estimated as low. However, actions taken by the Management in order to enforce receiving the due amounts show that the debt has a long-lasting character.

all amounts in PLN thousands unless otherwise stated)

Notes to the financial statements (cont'd)

4.4 Financial liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities and guarantee lines.
These are manifested by:
– diversification of sources of funding – cooperation with 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 contracts, negotiated exchange rates,
– versatile cooperation with banks and insurance companies in the scope of contract bonds.

Essential from the point of view of liquidity is also the use of trade credit allowed by suppliers, and thus extended payment terms for the payables.
Investing free cash flow depends on due dates of payables, to mitigate the maximum liquidity risk.

The table shows the breakdown of undiscounted financial liabilities of the company into relevant maturity groupings which h would be settled in relevant time limits based on the period from the balance sheet date to the contractual maturity date:

Undiscounted trade and other receivables as at:	**1 month or less**	**1 -3 months**	**3-6 months**	**over 1 year**	**Total**
31 December 2012	211 013	57 709	7 753	11 259	**287 734**
31 December 2011	204 146	61 301	7 311	8 536	**281 294**

As at 31 December 2012 the banks cooperating with ELEKTROBUDOWA SA had allowed the company the borrowing limit on current accounts available up to 30 000 thousand PLN altogether, of which the amount of 6 201 thousand PLN was utilized as at the balance sheet date. Also, in December 2012 a working capital facility up to 20 000 thousand PLN was released; as at the reporting date the utilization of resources within the granted limit amounted to 5 000 thousand PLN.
As at 31 December 2011 the company had borrowing limits on current accounts available up to 16 000 PLN, but the amount was not utilized. Details of credits granted to the company, their collaterals and utilization are provided in Note 23.
In previous reporting periods, owing to high financial liquidity, the company's borrowings were limited to trade credit.
In 2012, because of increasing payment gridlocks, the company partly funded its current operating activities from the credit in current account and the working capital credit.

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

Notes to the financial statements (cont'd)

4.5 Price risk

The Company 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 average pricing is possible.

Price risk particularly concerns contracts for investment projects in new areas which are difficult to investigate. Estimated prices are often based on pricing made according to own assumptions and concepts and the level of complexity of facilities to be built. Such pricing often involves risk of exceeding the scheduled costs or completion time.

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

In 2012 the company was severely affected by the effects of price risk in relation to the performance of a contract, jointly executed in the consortium with QUMAK – SEKOM S.A. and Przedsiębiorstwo „AGAT" S.A. where ELEKTROBUDOWA SA was a leader, for the supply of overall electrical, small current, automation and BMS installations for Stage 2 Construction of the National Stadium, Warsaw. The Purchaser was the consortium of HYDROBUDOWA POLSKA S.A. and ALPINE Construction Polska Sp. z o.o. The initial term of completion was established as 4 May 2011. Final acceptance of the completed works took place on 30 August 2012. Costs incurred due to extension of contract performance amounted to 13.2 million PLN, of which 4.4 million PLN concerned ELEKTROBUDOWA SA. The Management estimated the price risk of the contract as high.

Building up its competences of a general contractor, ELEKTROBUDOWA SA is exposed to risk resulting from high prices of contracts performed on relatively low margins, created by wide competition. Strong competition within the branch as well as insufficient demand which restricts investing plans, produce growing uncertainty and increased effects of price risk, mainly the drop in profitability of performed works.

4.6 Fair value change risk

The company 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 2 955 thousand PLN, which is 0.4% of the company's total assets. It is only an estimate, subject to change, as:

- fair value of non-current financial assets available for sale was determined by using the method of discounted cash flows (income method);
- fair value of current financial assets which are available for sale was determined basing on present bid price of shares in the company which is not on the stock exchange.

all amounts in PLN thousands unless otherwise stated)

Notes to the financial statements (cont'd)

Structure of available-for-sale financial assets:

1. The carrying amount of shares in Przedsiębiorstwo Inżynierskie Biprohut Sp. z o.o. based in Gliwice was 2 931 thousand PLN at 31 December 2012 while at 31 December 2011 it was 2 470 thousand PLN. The fair value of shares was measured by an independent expert using the discounted cash flows method.

2. Ordinary shares in Famak SA based in Kluczbork in the quantity of 5 450 (nominal value of 1 share = 10 PLN) were received in result of conversion of debt after arrangement with creditors. The shares of Famak are not listed on the stock exchange. At 31 December 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 SA.

4.7 Capital risk management

The Company's objective when managing the equity risk is to safeguard the company'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 Company monitors capital on the basis of the gearing ratio. The ratio is calculated as relation of net debt to total capital. Net debt is calculated as total trade liabilities and bank borrowings less cash and cash equivalents. Total capital is calculated as equity capital plus net debt. The Company's strategy was to maintain the debt ratio on the level not exceeding 30%.
In 2012 the effective debt ratio remained on relatively the same level as in 2011. It significantly changed in 2011 (42%) compared with 2010 (34%). Exceeding the preferred level of the ratio by 13 percentage points in 2012 and by 12 percentage points in 2011 was the result of increased involvement of own financial resources in financing current operations. In the analysed years there was a substantial growth of orders received what involved in the increase of expenditure on liquid capital required for execution of the orders. The expenditure of the reporting period allows the company to generate additional cash flows from operating activity after completion of the production cycle.

The gearing ratios in the reportable periods were as follows:

	2012	2011
trade and other payables	286 448	280 030
corporate income tax liability	0	236
bank borrowings	11 201	0
cash and cash equivalents	(39 285)	(36 085)
net financial debt	258 364	244 181
equity	344 324	332 449
total capital	602 688	576 630
gearing ratio (effective debt ratio)	43%	42%

Notes to the financial statements (cont'd)

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) were published by IASB on 7 October 2010. The amendment will allow to enhance disclosures about transfers of financial assets, which are continued, at least partially, to be recognized by an entity, because they had not been derecognized; and of financial assets not presented by the entity because they fulfilled the derecognition requirements, but the entity's involvement in those assets is continued.

The above standards, amendments and interpretations did not significantly affect the accounting policy applied by the company.

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

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

- **IFRS 10 "Consolidated Financial Statements"** (effective for annual periods beginning on or after 1 January 2014) was published by IASB on 12 May 2011 and adopted by the EU on 11 December 2012. IFRS 10 replaces the consolidation requirements in IAS 27 "Consolidated and Separate Financial Statements" and SIC-12 "Consolidation - Special Purpose Entities" by introducing a single control model of consolidation for all entities, irrespective of the nature of investment (i.e. whether the investee is controlled through investors' voting rights or through other contractual agreements generally applied in special purpose entities). According to IFRS 10, an investor controls an investee if and only if the investor has: 1) power over the investee 2) exposure, or rights, to variable returns from its involvement with the investee and 3) the ability to use its power over the investee to affect the amount of the investor's returns.

- **IFRS 11 "Joint Arrangements"** (effective for annual periods beginning on or after 1 January 2014) was published by IASB on 12 May 2011 and adopted by the EU on 11 December 2012. IFRS 11 establishes new principles for the financial reporting by parties to a joint arrangement and supersedes IAS 31 "Interests in Joint Ventures". A choice to apply proportionate consolidation method to all jointly controlled entities has been removed. IFRS 11 also eliminates jointly controlled assets while a division into joint operations and joint ventures has been kept. A joint operation is a contractual arrangement where the parties have a joint control over the rights to the assets and liabilities. A *joint venture* is a contractual arrangement where the parties have a joint control over the rights to the net assets of the arrangement.

Notes to the financial statements (cont'd)

- **IFRS 12 "Disclosure of interests in other entities"** (effective for annual periods beginning on or after 1 January 2014) was published by IASB on 12 May 2011 and adopted by the EU on 11 December 2012. IFRS 12 requires extensive disclosures relating to the entity's interest in consolidated and unconsolidated entities. The information shall help users of its financial statements evaluate the basis of control, any restrictions on consolidated assets and liabilities, risk exposures arising from involvements with unconsolidated structured entities and non-controlling interest holders' involvement in the activities of consolidated entities.

- **IFRS 13 "Fair Value Measurement"** (effective for annual periods beginning on or after 1 January 2013) was published by IASB on 12 May 2011 and adopted by the EU on 11 December 2012. IFRS 13 defines fair value, sets out a framework for measuring fair value and requires disclosures about fair value measurements. However, it does not amend requirements relating to the issue which elements should be measured or disclosed at fair value.

- **IAS 27 (as amended in 2011) "Separate Financial Statements"** (effective for annual periods beginning on or after 1 January 2014) was published by IASB on 12 May 2011 and adopted by the EU on 11 December 2012. The requirements for separate financial statements have not changed and are included in the amended IAS 27. Other parts of IAS 27 have been replaced by IFRS 10.

- **IAS 28 (as amended in 2011) Investments in Associates and Joint Ventures** (effective for annual periods beginning on or after 1 January 2014) was published by IASB on 12 May 2011 and adopted by the EU on 11 December 2012. IAS 28 has been amended after IFRS 10, IFRS 11 and IFRS 12 were published.

- **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 January 2013), published by IASB on 20 December 2010 and adopted by the EU on 11 December 2012. The first change replaces references to a fixed date of '1 January 2004' with 'the date of transition to IFRSs', thus eliminating the need for companies adopting IFRSs for the first time to restate derecognition transactions that occurred before the date of transition to IFRSs. The second change provides guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation.

- **Amendments to IFRS 7 "Financial Instruments: Disclosures" - Offsetting Financial Assets and Financial Liabilities** (effective for annual periods beginning on or after 1 January 2013), published by IASB on 16 December 2011 and adopted by the EU on 13 December 2012. The amendments require an entity to provide disclosures of any recognized financial instruments which were offset according to clause 42 of IAS 32. The amendments also require to provide information about the recognized financial instrument which give a right of offsetting according to a relevant agreement or similar agreements, even if they have not been offset according to IAS 32.

- **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) were published by IASB on 16 June 2011. The amendments require companies preparing financial statements in accordance with IFRSs to group together items within other comprehensive income (OCI) that may be reclassified to the profit or loss section of the income statement. The amendments also reaffirm existing requirements that items in OCI and profit or loss should be presented as either a single statement or two consecutive statements.

Notes to the financial statements (cont'd)

- **Amendments to IAS 12 "Income Tax" - Deferred Tax: Recovery of Underlying Assets** (effective for annual periods beginning on or after 1 January 2012) were published by IASB on 20 December 2010 and adopted by the EU on 11 December 2012. IAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 "Investment Property". The amendment provides a practical solution to the problem by introducing a presumption that recovery of the carrying amount will, normally, be through sale.

- **Amendments to IAS 19 "Employee benefits" improvements to the accounting for post-employment benefits** (effective for annual periods beginning on or after 1 January 2013) were published by IASB on 16 June 2011. The amendments make important improvements by: (1) eliminating an option to defer the recognition of gains and losses, known as the 'corridor method', improving comparability and faithfulness of presentation; (2) streamlining the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring remeasurements to be presented in other comprehensive income, thereby separating those changes from changes that many perceive to be the result of an entity's day-to-day operations; (3) enhancing the disclosure requirements for defined benefit plans, providing better information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in those plans.

- **Amendments to IAS 32 "Financial Instruments: Presentation" - Offsetting Financial Assets and Financial Liabilities** (effective for annual periods beginning on or after 1 January 2014) were published by IASB on 16 December 2011 and adopted by the EU on 13 December 2012. The amendments clarify its requirements for offsetting and focus on four main areas: (a) clarification of the meaning of 'currently has a legally enforceable right of set-off'; (b) the application of simultaneous realisation and settlement; (c) the offsetting of collateral amounts; (d) the unit of account for applying the offsetting requirements.

- **IFRIC Interpretation 20 "Stripping Costs in the Production Phase of a Surface Mine"** (effective for annual periods beginning on or after 1 January 2013) was published by IASB on 19 October 2011 and adopted by the EU on 11 December 2012. The Interpretation requires that stripping costs is accounted for as an addition to, or as an enhancement of, an existing asset and is depreciated or amortised over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity. The units of production method is used unless another method is more appropriate.

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 20 March 2013, had not yet been adopted:

Notes to the financial statements (cont'd)

- **IFRS 9 "Financial Instruments"** (effective for annual periods beginning on or after 1 January 2015) was published by IASB on 12 November 2009. On 28 September 2010 the IASB published an amended IFRS 9 which adds guidance on the classification and measurement of financial liabilities and carries over the requirements and guidance on the derecognition of financial assets and liabilities from IAS 39. The standard uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the many different impairment methods in IAS 39. New requirements for measurement of financial liabilities refer to variability of the financial result due to decision of the entity to classify its own liabilities at fair value. The IASB decided to maintain present measurement at amortised cost for most liabilities, a change is introduced only to the treatment of 'own credit risk'. According to new requirements entities that adopt a fair value measurement basis for financial liabilities shall present the change in fair value resulting from changes in its own credit risk in other comprehensive income, rather than in profit or loss.

- **Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards – Government Loans"** (effective for annual periods beginning on or after 1 January 2013) were published by IASB on 13 March 2011. These amendments address how a first-time adopter would account for a government loan with a below-market rate of interest when transitioning to IFRSs. They also add an exception to the retrospective application of IFRS, which provides the same relief to first-time adopters granted to existing preparers of IFRS financial statements when the requirement was incorporated into IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance" in 2008.

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

- **Amendments to IFRS 10, IFRS 11 and IFRS 12 "Consolidated Financial Statements, Joint Arrangements, Disclosure of interests in other entities: Transition Guidance"** (effective for annual periods beginning on or after 1 January 2013) were published by IASB on 28 June 2012. The amendments are intended to provide additional transition relief in IFRS 10, IFRS 11 and IFRS 12, by "limiting the requirement to provide adjusted comparative information to only the preceding comparative period". Also, amendments were made to IFRS 11 and IFRS 12 to eliminate the requirement to provide comparative information for periods prior to the immediately preceding period.

- **Amendments to IFRS 10, IFRS 12 and IAS 27 "Investment Entities"** (effective for annual periods beginning on or after 1 January 2013) were published by IASB on 31 October 2012. The amendments provide an exemption from consolidation of subsidiaries for entities which meet the definition of an 'investment entity', such as certain investment funds. Such entities would measure their investment in particular subsidiaries at fair value through profit or loss in accordance with IFRS 9 or IAS 39.

Notes to the financial statements (cont'd)

- **IFRS (2012) "Improvements to the International Financial Reporting Standards" -** issued by IASB on 17 May 2012 (effective for annual periods beginning on or after 1 January 2013). A number of amendments were made to standards and interpretations, a part of the Board's programme of annual improvements to Standards (IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34), which focus on areas of inconsistency in IFRSs or where clarification of wording is required. The introduced amendments clarified the required accounting methods of presentation in situations, where different interpretations were allowed so far. The most important of them are new or revised requirements relating to: (i) the repeated application of IFRS 1, (ii) borrowing costs under IFRS 1, (iii) clarification of the requirements for comparative information, (iv) classification of servicing equipment, (v) tax effect of distribution to holders of equity instruments, (vi) interim reporting of segment information for total assets and liabilities.

The company anticipates that the adoption of these standards, revisions and interpretations would have had no material impact on the financial statements if they had been applied 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 company's estimates, application of hedge accounting for the portfolio of financial assets or liabilities pursuant to **IAS 39: "Financial Instruments: Recognition and Measurement"**, would not significantly impact the consolidated financial statements, if applied as at the balance sheet date.

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

None operation was discontinued by ELEKTROBUDOWA SA in 2012 and no such discontinuation is planned for the following period.

7. Segmental information

Primary reporting format – business segments

The Company's business activity is primarily categorised by industries.
The operations of business segments consist in providing construction and installation services and manufacturing of electrical equipment.

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

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

all amounts in PLN thousands unless otherwise stated)

Notes to the financial statements (cont'd)

- 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 of products manufactured by the division. The core business of the segment is the production and selling of low and medium voltage equipment, particularly low and medium voltage switchgear systems and mobile substations, manufacture and sale of 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.

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

Identification of reporting segments existing in the company directly relies on its real organizational structure and the structure of management.
Inter-segment transfers or transactions are entered into under the normal commercial terms, as available also to third parties.

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

Business segment results for 2012

	Power Generation Division	**Industry Division**	**Power Distribution Division**	**All other Segments**	**Total**
Continuing operations					
Sales revenue	422 718	308 110	321 596	9 840	**1 062 264**
of which:					
Revenue on external customers	421 149	305 785	256 108	2 379	**985 421**
Inter-segment sales	1 569	2 325	65 488	7 461	**76 843**
Operating profit	**23 993**	**(3 372)**	**16 552**	**752**	**37 925**
Financial activities result	(99)	(183)	(577)	5 526	**4 667**
Gross profit before income tax	**23 894**	**(3 555)**	**15 975**	**6 278**	**42 592**
Income tax expense	(2 605)	(221)	(3 574)	(206)	**(6 606)**
Net profit from continuing operations for the period	**21 289**	**(3 776)**	**12 401**	**6 072**	**35 986**
Discontinued operations					
Net profit (loss) from discontinued operations for the period	**0**	**0**	**0**	**0**	**0**
Net profit for the period	**21 289**	**(3 776)**	**12 401**	**6 072**	**35 986**

Notes to the financial statements (cont'd)

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.
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.
On 11 June 2012 the District Court Poznań – Stare Miasto in Poznań, 11th Commercial Department for Bankruptcy and Recovery Issues declared HYDROBUDOWA POLSKA S.A. bankrupt, allowing the possibility to conclude an arrangement with creditors. Following that decision, the purchaser withdrew 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 (HYDROBUDOWA POLSKA S.A. and ALPINE Construction Polska Sp. z o.o.). Currently the evidence is being collected to substantiate the claim. Recovery of sums due to the consortium and ELEKTROBUDOWA SA, would cover the loss.
ELEKTROBUDOWA SA as a consortium leader has started the proceedings to secure overdue payments for works performed against the main contract and two additional contracts. In effect, 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.
On 30 August 2012 Narodowe Centrum Sportu Sp. z o.o. (NCS) carried out final acceptance of works performed by the consortium, the acceptance certificate was a basis for invoicing the works for the total amount of 14.4 million PLN, of which 5.0 million PLN is owed to ELEKTROBUDOWA SA.

all amounts in PLN thousands unless otherwise stated)

Notes to the financial statements (cont'd)

As at 31 December 2012 overdue payments for the completed works amounted to 18.8 million PLN, including the amount of 6.4 million PLN owed to ELEKTROBUDOWA SA.
On 19 December 2012 an agreement before the court was reached with NCS concerning the overdue receivables in the amount of 7.4 million PLN. Pursuant to the agreement on 27 December the consortium received a payment in the amount and on the terms specified in the agreement of 19 December 2012. The consortium members provided NCS with a blank bill of exchange agreement concluded on 19 December 2012. The bill is a security for recovery of payments if its is ascertained by a judgment with force of law that the amounts paid to the consortium were not due on the date of payment, because of defects in performance of works, earlier payment by the General Contractor, time-bar of the claim or for other reasons.
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 31 December 2012.

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

	Power Generation Division	Industry Division	Power Distribution Division	All other Segments	Total
depreciation	3 953	1 466	1 685	2 550	**9 654**
amortisation	272	215	851	83	**1 421**

Business segment results for 2011

	Power Generation Division	Industry Division	Power Distribution Division	All other Segments	Total
Continuing operations					
Sales revenue	336 331	358 121	256 318	9 088	**959 858**
of which:					
Revenue on external customers	334 153	356 230	209 893	2 182	**902 458**
Inter-segment sales	2 178	1 891	46 425	6 906	**57 400**
Operating profit	**22 546**	**13 235**	**9 476**	**617**	**45 874**
Financial activities result	0	0	1 489	3 561	**5 050**
Gross profit before income tax	**22 546**	**13 235**	**10 965**	**4 178**	**50 924**
Income tax expense	(4 922)	(2 752)	(2 100)	(461)	**(10 235)**
Net profit from continuing operations for the period	**17 624**	**10 483**	**8 865**	**3 717**	**40 689**
Discontinued operations					
Net profit (loss) from discontinued operations for the period	**0**	**0**	**0**	**0**	**0**
Net profit for the period	**17 624**	**10 483**	**8 865**	**3 717**	**40 689**

all amounts in PLN thousands unless otherwise stated)

Notes to the financial statements (cont'd)

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

	Power Generation Division	Industry Division	Power Distribution Division	All other Segments	Total
depreciation	3 988	1 502	1 862	2 266	**9 618**
amortisation	268	229	1 072	41	**1 610**

Assets and liabilities of business segments as at 31 December 2012

	Power Generation Division	Industry Division	Power Distribution Division	All other Segments	Total
Assets	207 230	197 542	155 005	131 276	**691 053**
Liabilities	107 640	157 039	80 327	1 723	**346 729**
Capital expenditure	2 548	836	8 992	8 065	**20 441**

Assets and liabilities of business segments as at 31 December 2011

	Power Generation Division	Industry Division	Power Distribution Division	All other Segments	Total
Assets	186 676	191 128	137 483	141 620	**656 907**
Liabilities	96 601	122 229	104 021	1 607	**324 458**
Capital expenditure	4 123	1 487	7 611	3 540	**16 761**

Impairment of receivables by business segments

	Power Generation Division	Industry Division	Power Distribution Division	All other Segments	Total
at 31 December 2012	1 854	8 068	6 057	2	**15 981**
at 31 December 2011	2 104	2 799	3 160	3 760	**11 823**

all amounts in PLN thousands unless otherwise stated)

Notes to the financial statements (cont'd)

Provisions for impairment of receivables by business segments

	Power Generation Division	Industry Division	Power Distribution Division	All other Segments	Total
in 2012	213	6 657	6 013	0	**12 883**
in 2011	454	1 605	199	2	**2 260**

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

	Power Generation Division	Industry Division	Power Distribution Division	All other Segments	Total
in 2012	463	1 388	3 116	3 758	**8 725**
in 2011	246	563	1 034	215	**2 058**

Secondary reporting format – geographical segments

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

	period ended 31 December	
	2012	**2011**
Revenue on sales of products, goods and materials		
- domestic market	773 360	743 670
- East-European market	104 796	51 703
- Skandinavian market	83 739	70 863
- Western Europe	13 146	23 061
- Southwestern Asia	7 188	7 304
- Turkish market	2 579	2 373
- North America	244	11
- Central America	159	164
- Central Asia	130	1 919
- Central Europe	80	920
- Australian market	0	470
	985 421	**902 458**

In 2012 the company operated principally in the domestic market (78% of the sales revenues), East-European market (11%) and the Scandinavian market (9%).

all amounts in PLN thousands unless otherwise stated)

Notes to the financial statements (cont'd)

Information about key customers

The revenue on direct sales generated by the Power Generation Division in the amount of 421.1 million PLN (334.2 million PLN in 2011) includes the 82.6 million PLN revenue on the contract with the company's biggest customer (in 2011 it was 68.2 million PLN). In 2012 the revenue accounted for 8.4% while in 2011 for 7.6% of total revenues generated by the company.

The revenue on the direct sales generated by the Power Distribution Division in the amount of 256.1 million PLN (209.9 million PLN in 2011) includes the 54.2 million PLN revenue on the contract with the company's second biggest customer (in 2011 it was 23.9 million PLN). In 2012 the revenue accounted for 5.5% while in 2011 for 2.6% of total revenues generated by the company.

The 2012 revenue from the two biggest customers accounted for 13.9% of total company's revenues, against 10.2% in the year 2011.

8. Property, plant and equipment

	as at 31 December	
	2012	**2011**
Property, plant and equipment		
- land	2 949	2 949
- buildings, civil engineering facilities	54 444	49 603
- machinery and technical equipment	15 941	15 698
- vehicles	6 497	7 890
- other fixed assets	4 416	4 672
- construction-in-progress	2 284	2 283
	86 531	**83 095**

all amounts in PLN thousands unless otherwise stated)

Notes to the financial statements (cont'd)

	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	58 215	42 169	22 403	12 840	2 283	0	140 859
Additions (of which):	0	6 410	3 257	1 612	1 150	1	0	12 430
- purchase	0	6	2 182	1 612	1 059	6 729	0	11 588
- internally manufactured	0	273	0	0	0	478	0	751
- takeover from investment	0	6 131	1 075	0	0	(7 206)	0	0
- other	0	0	0	0	91	0	0	91
Reductions (of which):	0	(62)	(849)	(480)	(163)	0	0	(1 554)
- selling	0	0	(190)	(480)	0	0	0	(670)
- liquidation	0	(62)	(659)	0	(163)	0	0	(884)
Other	0	1 099	217	0	0	0	0	1 316
Gross value of fixed tangible assets at 31 December 2012	2 949	65 662	44 794	23 535	13 827	2 284	0	153 051
Accumulated depreciation at 1 January 2012	0	(8 612)	(26 471)	(14 513)	(8 168)	0	0	(57 764)
Current depreciation charge for the period	0	(2 196)	(3 048)	(3 004)	(1 406)	0	0	(9 654)
Reduction due to selling, liquidation	0	9	847	479	163	0	0	1 498
Other	0	(419)	(181)	0	0	0	0	(600)
Accumulated depreciation at 31 December 2012	0	(11 218)	(28 853)	(17 038)	(9 411)	0	0	(66 520)
Net tangible fixed assets at 31 December 2012	**2 949**	**54 444**	**15 941**	**6 497**	**4 416**	**2 284**	**0**	**86 531**

The company did not have any property plant and equipment with restricted right of use.
As at 31 December 2012 the company was using fixed assets with the initial value of 91 thousand PLN against a lease agreement. Depreciation of the property, plant and equipment acquired under leases amounted to 5 thousand PLN (other fixed tangible assets) as at the balance sheet date.
As at 31 December 2012 bank borrowings and guarantees were collaterized by the company's immovables for the value 142 380 thousand PLN and a registered pledge was made on movable assets for the value 59 400 thousand PLN.
As at 31 December 2012 as well as at 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 financial statements (cont'd)

	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	35 854	34 238	20 998	11 131	27 267	1 459	133 893
Additions (of which):	3	23 506	9 367	2 059	1 932	(24 984)	(1 459)	10 424
- purchase	0	838	8 684	2 059	1 619	(1 762)	(1 459)	9 979
- internally manufactured	0	70	56	0	236	83	0	445
- takeover from investment	3	22 598	627	0	77	(23 305)	0	0
Reductions (of which):	0	(46)	(1 219)	(654)	(223)	0	0	(2 142)
- selling	0	(46)	(424)	(238)	0	0	0	(708)
- liquidation	0	0	(795)	(416)	(223)	0	0	(1 434)
Other	0	(1 099)	(217)	0	0	0	0	(1 316)
Gross value of fixed tangible assets at 31 December 2011	2 949	58 215	42 169	22 403	12 840	2 283	0	140 859
Accumulated depreciation at 1 January 2011	0	(7 133)	(24 814)	(11 908)	(6 933)	0	0	(50 788)
Current depreciation charge for the period	0	(1 918)	(3 053)	(3 198)	(1 449)	0	0	(9 618)
Reduction due to selling, liquidation	0	20	1 215	593	214	0	0	2 042
Other	0	419	181	0	0	0	0	600
Accumulated depreciation at 31 December 2011	0	(8 612)	(26 471)	(14 513)	(8 168)	0	0	(57 764)
Net tangible fixed assets at 31 December 2011	**2 949**	**49 603**	**15 698**	**7 890**	**4 672**	**2 283**	**0**	**83 095**

all amounts in PLN thousands unless otherwise stated)

Notes to the financial statements (cont'd)

	as at 31 December 2012	as at 31 December 2011
Depreciation of property, plant and equipment is charged to statement of comprehensive income in:		
- cost of products, goods and material sold	9 263	9 300
- administrative expenses	267	318
- other gains (losses) - net	124	0
	9 654	**9 618**

	as at 31 December 2012	as at 31 December 2011
Property, plant and equipment by ownership		
- owned	85 784	82 654
- leased	86	0
- investment in third party assets	661	441
	86 531	**83 095**

9. Intangible assets

	as at 31 December 2012	as at 31 December 2011
Intangible assets		
- cost of finished development works	5 872	883
- acquired concessions, patents, licences and similar	1 575	1 130
- cost of unfinished development works	7 306	6 073
- intangible assets not put to use	57	43
	14 810	**8 129**

all amounts in PLN thousands unless otherwise stated)

Notes to the financial statements (cont'd)

	Cost of finished development works	Concessions, patents, licenses and software	Other intangible assets	Cost of development works in progress	Intangible assets not put to use	Intangible assets, total
Gross value of intangible assets at 1 January 2012	8 562	8 108	1 734	6 073	43	24 520
Additions, of which:	5 565	1 290	0	1 233	14	8 102
- purchase	0	1 290	0	0	14	1 304
- internally generated	0	0	0	6 798	0	6 798
- transfer to the cost of finished development works	5 565	0	0	(5 565)	0	0
Reductions, of which:	0	(2 067)	(1 734)	0	0	(3 801)
- liquidation	0	(2 067)	(1 734)	0	0	(3 801)
Gross value of intangible assets at 31 December 2012	14 127	7 331	0	7 306	57	28 821
Accumulated amortisation at 1 January 2012	(7 679)	(6 978)	(1 734)	0	0	(16 391)
Current amortisation charge	(576)	(845)	0	0	0	(1 421)
Reduction due to selling, liquidation	0	2 067	1 734	0	0	3 801
Accumulated amortisation at 31 December 2012	(8 255)	(5 756)	0	0	0	(14 011)
Net intangible assets at 31 December 2012	**5 872**	**1 575**	**0**	**7 306**	**57**	**14 810**

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

all amounts in PLN thousands unless otherwise stated)

Notes to the financial statements (cont'd)

	Cost of finished development works	**Concessions, patents, licenses and software**	**Other intangible assets**	**Cost of development works in progress**	**Intangible assets not put to use**	**Intangible assets, total**
Gross value of intangible assets at 1 January 2011	8 239	7 416	1 734	794	0	18 183
Additions, of which:	323	692	0	5 279	43	6 337
- purchase	0	692	0	634	43	1 369
- internally generated	0	0	0	4 968	0	4 968
- transfer to the cost of finished development works	323	0	0	(323)	0	0
Gross value of intangible assets at 31 December 2011	8 562	8 108	1 734	6 073	43	24 520
Accumulated amortisation at 1 January 2011	(6 713)	(6 334)	(1 734)	0	0	(14 781)
Current amortisation charge	(966)	(644)	0	0	0	(1 610)
Accumulated amortisation at 31 December 2011	(7 679)	(6 978)	(1 734)	0	0	(16 391)
Net intangible assets at 31 December 2011	**883**	**1 130**	**0**	**6 073**	**43**	**8 129**

all amounts in PLN thousands unless otherwise stated)

Notes to the financial statements (cont'd)

	as at 31 December 2012	2011
Amortisation of intangible assets is recognised in the statement of comprehensive income in items:		
- cost of sold products, goods and materials	1 337	1 569
- administrative expenses	84	41
	1 421	**1 610**

10. Capital expenditure

	as at 31 December 2012	2011
Commenced investments at beginning of period	8 399	29 520
Expenditure during the reporting period	20 441	16 761
of which:		
- costs of internal manufacture	7 549	5 413
- third party costs	8 249	4 323
- cost of purchased machines, equipment and services	4 643	7 025
Investments transferred to fixed tangible assets and intangible assets	(19 193)	(37 882)
Commenced investments at end of period	**9 647**	**8 399**
of which:		
- commenced investments relating to fixed tangible assets	2 284	2 283
- commenced investments relating to intangible assets	7 363	6 116

Notes to the financial statements (cont'd)

all amounts in PLN thousands unless otherwise stated)

Notes to the financial statements (cont'd)

11. Interest in associates

11.1 Investment in associates

	Electrotechnical Plant Vector Ltd. Votkinsk Russia	Kruelta Ltd. Sankt Petersburg Russia	Saudi ELEKTROBUDOWA L.L.C. Riyadh Saudi Arabia
- % interest held as at 31 December 2012*	49%	49%	33%
- purchase price	13 805	1 571	97
- share capital increase in 2009	7 711	-	-
- measurement as at 31 December 2012	-	(571)	-
- investment in associates as of 31 December 2012	21 516	1 000	97
- value of assets	74 524	2 010	708
- liabilities	20 838	47	388
- revenues from sale of products, goods and materials	138 953	0	1087
- profit / (loss) - net	10 953	(20)	18

* Interest held by ELEKTROBUDOWA SA in the share capital of the associates did not change at 31 December 2012 compared with 31 December 2011.

all amounts in PLN thousands unless otherwise stated)

Notes to the financial statements (cont'd)

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 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 thous. 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 31 December 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 financial statements (cont'd)

11.2 Interest in subsidiaries

	Konip Sp. z o.o. Katowice	ENERGOTEST sp. z o.o. Gliwice	ELEKTROBUDOWA UKRAINE LTD. Sevastopol, Ukraine
- % interest as at 31 December 2012*	100%	100%	62%
- purchase price	70	47 453	376
- share capital increase in 2011	-	-	2
- interest in subsidiaries as of 31 December 2012	70	47 453	378
- value of assets	950	32 038	6 215
- liabilities	134	12 642	4 163
- revenues from sale of products, goods and materials	978	50 935	27 038
- profit / (loss) - net	38	2 996	831

* Interest held by ELEKTROBUDOWA SA in the share capital of the subsidiaries did not change at 31 December 2012 compared with 31 December 2011.

all amounts in PLN thousands unless otherwise stated)

Notes to the financial statements (cont'd)

12. Financial assets

12.1 Available-for-sale financial assets

	as at 31 December	
	2012	**2011**
Available-for-sale financial assets		
- non-current	2 931	2 470
- current	24	24
	2 955	**2 494**

Non-current financial assets available for sale include shareholding in PI Biprohut Sp. z o.o. based in Gliwice.

The company is not quoted 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. A 100% of the company's equity was measured and also the 22.58% share in the equity, including preference shares, owned by ELEKTROBUDOWA SA. The measurement was done by a method of discounted cash flows based on the consolidated financial projection of the company's performance covering the forecast for 2012 – 2018 basing on the historic data and information received from the management. In the opinion of the valuer, the employed method of discounted cash flow reflects the value of shares of PI Biprohut Sp. z o.o. from the angle of its operations, generated cash flows and possibility of being influenced by its minority holder, ELEKTROBUDOWA SA. Having in mind that PI Biprohut Sp. z o.o. is a private company whose shares are not quoted, and that there are no circumstances indicating an intent or necessity to wind it up, to substantially limit the scale of its operations or to conclude transactions on unfavourable conditions, valuation of the shares owned by ELEKTROBUDOWA SA was made according to guidelines provided in items 0S69 to 0S82 of Appendix A to IAS 39. Estimated fair value of shares in PI Biprohut Sp. z o.o., including preference shares, owned by ELEKTROBUDOWA SA was 2 931 thousand PLN. Compared to the value of 2 470 thousand PLN as at 31 December 2011, their fair value rose by 461 thousand PLN.

As of 31 December 2012 ELEKTROBUDOWA SA had 23.03% share in the equity of PI Biprohut Sp. z o.o. while the share in total voting rights in the General Meeting was 22.58%. The shareholding structure of PI Biprohut Sp. z o.o. did not change compared with 31 December 2011. As at 31 December 2012 the strategic investor of Biprohut held 62.16% stake which entitled him to 51.46% of voting rights in the general meeting of shareholders; the remaining shares were held by individual shareholders. It must be pointed out that with the stake held ELEKTROBUDOWA SA does not have any real control over the company, which in fact is controlled by its majority shareholder. Considering the investor relations of Biprohut, ELEKTROBUDOWA SA does not have significant influence on operating or financial policy of Biprohut and does not control the entity.

all amounts in PLN thousands unless otherwise stated)

Notes to the financial statements (cont'd)

As of 31 December 2012 the carrying amount of non-current assets available for sale is:

	PI Biprohut Sp. z o.o. Gliwice
Available-for-sale financial assets at 1 January 2012	2 470
Valuation as at 31 December 2012 recognized in equity	461
Available-for-sale financial assets at 31 December 2011	**2 931**

Current financial assets as at 31 December 2012 include shares in Famak S.A. based in Kluczbork. The shares are not quoted on the stock exchange, therefore their fair value was estimated according to their offered price to buy.
As of 31 December 2012 the carrying amount of current assets available for sale was 24 thousand PLN and did not change compared to the value recognised in books as at 31 December 2011.

12.2 Classification of assets by groups of financial instruments

Type of financial instrument	**method of measurement as at 31 December 2012**	**at 31.12.2012**	**at 31.12.2011**	**the amount charged to revaluation capital in 2012**
1. Extended loans and own receivables		**276 801**	**281 960**	**0**
a) long-term receivables from sale of fixed assets	amortized cost	1 163	1 389	0
b) long-term receivables from contract bonds	amortized cost	20 831	5 558	0
c) short-term trade receivables	amortized cost	247 486	272 971	0
d) short-term other receivables	amortized cost	7 321	2 042	0
2. Available-for-sale financial assets		**2 955**	**2 494**	**461**
a) interest in PI Biprohut Sp. z o.o.	fair value	2 931	2 470	461
b) interest in Famak S.A.	fair value	24	24	0
Total financial assets		**279 756**	**284 454**	**461**

Notes to the financial statements (cont'd)

13. Derivative financial instruments

	as at 31 December 2012	2011
Forward contracts in foreign currencies - negative valuation of fair value	0	7 185

As at 31 December 2011 ELEKTROBUDOWA SA measured the foreign currency transactions concluded in 2011 for the total amount of 17 520 thousand EUR. The transactions were closed in 2012, using a forward rate (Note 4.3.2).
Derivative financial instruments as at 31 December 2011 were shown in the company's current liabilities.

14. Trade and other receivables

14.1 Receivables recognised in non-current assets

	as at 31 December 2012	2011
Long-term receivables		
of which from:		
- disposal of property, plant and equipment	1 163	1 389
- contract bonds	20 831	5 558
Long-term receivables - net	**21 994**	**6 947**
Discount of receivables	841	596
Long-term receivables - net	**22 835**	**7 543**

Recognized contract bonds include 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.

	as at 31 December 2012	2011
Long-term receivables - by currency, without discount		
- in Polish zloty	6 358	7 039
- in foreign currencies (by currencies and translated to PLN)	16 477	504
of which:	0	
a) in EUR'000	4 030	114
as translated to PLN'000	16 477	504
	22 835	**7 543**

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

Notes to the financial statements (cont'd)

14.2 Receivables recognised in current assets

	as at 31 December 2012	as at 31 December 2011
Current trade and other receivables		
of which:		
- for supplies and services	247 486	272 971
- other	8 677	4 245
Total trade and other receivables, net	**256 163**	**277 216**
Receivables impairment charge	15 981	11 823
Total trade and other receivables, gross	**272 144**	**289 039**

The gross balance of receivables for the supply of products and services includes past due receivables amounting to 46 791 thousand PLN (32 617 thousand PLN in 2011), impaired by the amount of 12 348 thousand PLN (11 631 thousand PLN in 2011). The impairment of receivables which are hardly collectable includes the receivables due from debtors declared bankrupt, debt vindicated in court, when the company is in the possession of final judgments, also the debt under enforcement proceedings and other receivables collectability of which is at risk.
The Company created impairment provisions for the receivables which are over 180 days past due.
The carrying amounts of current receivables reflect their fair values.

	as at 31 December 2012	as at 31 December 2011
Current trade and other receivables - by currency		
- in Polish currency	240 239	221 621
- in foreign currencies (by currencies and translated to PLN)	31 905	67 418
of which:		
a) in thousands of EUR	5 393	13 211
as translated into thousands of PLN	22 047	58 347
b) in thousands of USD	3 180	2 654
as translated into thousands of PLN	9 858	9 071
	272 144	**289 039**

all amounts in PLN thousands unless otherwise stated)

Notes to the financial statements (cont'd)

	period ended 31 December	
	2012	**2011**
Provision for impairment of trade and other receivables		
Provision for impairment of receivables at beginning of period	11 823	11 621
Creating the provision	12 883	2 260
Reversal	(8 725)	(2 058)
of which:		
- paid receivables and interests	(2 228)	(598)
- use of impairment provision for receivables	(6 127)	(1 082)
- reversal of provision for impairment of interest	(370)	(378)
Provision for impairment of receivables at end of period	**15 981**	**11 823**
of which:		
- for trade receivables	12 348	11 631
- for other receivables	3 633	192

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

15. Non-current prepayments

	as at 31 December	
	2012	**2011**
Non-current prepayments		
- carrying amount of the right to perpetual usufruct of land	1 101	1 115
- other	438	296
	1 539	**1 411**

The right of perpetual usufruct of land held by the company refers to the industrial area connected with basic activity of the company.

16. Inventories

	as at 31 December	
	2012	**2011**
Inventories		
- materials	27 099	29 302
- semi-finished products and work in progress	18 021	25 042
- finished products	2 327	1 572
	47 447	**55 916**

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

Notes to the financial statements (cont'd)

	period ended 31 December	
	2012	**2011**
Inventory write-down		
Write-down at the beginning of period	111	99
Created	117	12
Inventory write-down at the end of period	**228**	**111**

The impairment amounts of inventories of materials are recognized in "other gains / (losses) – net" in the statement of comprehensive income.

17. Cash and cash equivalents

	as at 31 December	
	2012	**2011**
Cash at bank and on hand		
- cash at bank	37 931	35 649
- cash on hand	40	26
- other cash	1 314	410
	39 285	**36 085**

As at 31 December 2012 the amount of 1 300 thousand PLN was transferred for the benefit of Bank PEKAO S.A. to secure the guarantee provided by the bank. Other cash of 14 thousand PLN was deposited as term deposit to secure the repayment of retention money on 24 February 2013.

	as at 31 December	
	2012	**2011**
Cash and cash equivalents - by currency		
- in Polish currency	23 276	26 740
- in foreign currencies (by currencies and translated to PLN)	16 009	9 345
of which		
a) in thousands / EUR	2 759	1 904
as translated into thousands of PLN	11 279	8 410
b) in thousands / USD	1 526	274
as translated into thousands of PLN	4 730	935
	39 285	**36 085**

Average effective interest rate for bank deposits was 3.0% in 2012, while 2.6% in 2011.
Components of cash and cash equivalents are identical in the statement of cash flow and in the statement of financial position.

all amounts in PLN thousands unless otherwise stated)

Notes to the financial statements (cont'd)

18. Current prepayments

	as at 31 December 2012	2011
Current prepayments		
- future periods expenses (subscriptions, fees, insurance)	1 799	1 433
- prepayments for supplies	5 429	2 265
	7 228	**3 698**

19. Non-current assets held for sale

	as at 31 December 2012	2011
Non-current assets held for sale		
- buildings, civil engineering facilities	0	680
- technical equipment and machines	0	36
	0	**716**

In the previous reporting period, following the decision to dispose of some items of tangible assets, ELEKTROBUDOWA SA identified them and presented in the statement of financial position in the item "Non-current assets held for sale".
Property, plant and equipment not sold during a year and hardly probable to be sold in a short time, is 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 31 December 2012 there was no buyer for the above fixed assets, therefore in the in the statement of financial position prepared as at 31 December 2012, property plant and equipment for the amount of 716 thousand PLN was reclassified from "Non-current assets held for sale" to the "Property, plant and equipment" item.

all amounts in PLN thousands unless otherwise stated)

Notes to the financial statements (cont'd)

20. Share capital

Share capital (structure) at 31 December 2012; it did not change as compared with 31 December 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 financial statements (cont'd)

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 hyperinflation.

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 PLN 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 as at 31 December 2012:	**Numbers of shares = number of votes**	**% of votes and % equity**
1. AVIVA OFE AVIVA BZ WBK SA	721 094	15.19
2. ING OFE (Open-end Pension Fund)	472 405	9.95
3. Generali OFE	466 189	9.82
4. AXA OFE	446 553	9.41
5. Amplico OFE	289 369	6.10
6. OFE PZU „Złota Jesień"	287 369	6.06
7. Free float	2 064 067	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 financial statements (cont'd)

21. Other capital

21.1 Supplementary capital

	as at 31 December 2012	2011
Supplementary capital:		
- share premium	100 676	100 676
- created as required by law	3 334	3 334
- created acc. to the Articles of Association, over (minimum) value required by law	192 319	170 621
- other (by type)	7 181	7 181
a) transferred from reserve capital	5 562	5 562
b) restatement due to hyperinflation	1 619	1 619
	303 510	**281 812**

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".
The remaining part of the supplementary capital may be used according to the decision of the company as provided in the Articles. The funds gathered in the supplementary capital may be used particularly for dividend payment, however the dividend may only be paid from the earned profits.

21.2 Capital from valuation of available-for-sale investments

	as at 31 December 2012	2011
Capital from valuation of available-for-sale investments		
- valuation of available-for-sale investments	2 052	1 591
- deferred tax related to investment valuation	(390)	(302)
	1 662	**1 289**

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

Notes to the financial statements (cont'd)

22. Trade and other payables

22.1 Non-current trade and other payables

	as at 31 December 2012	as at 31 December 2011
Long-term liabilities		
- employee benefits	4 252	3 467
- other	9 973	7 272
Long-term liabilities, net	**14 225**	**10 739**
Discount of liabilities	1 286	1 264
Long-term liabilities, gross	**15 511**	**12 003**

	as at 31 December 2012	as at 31 December 2011
Other long-term liabilities by titles		
- retentions from subcontracts	9 973	7 272

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

	as at 31 December 2012	as at 31 December 2011
Non-current other payables - by currency, without discount		
- in Polish currency	11 185	8 532
- in foreign currencies (by currencies and translated to PLN) of which	74	4
a) in thousands of EUR	18	1
as translated into thousands of PLN	74	4
	11 259	**8 536**

Fair values of non-current payables reflect their carrying amounts.

Notes to the financial statements (cont'd)

22.2 Current trade and other payables

	as at 31 December 2012	as at 31 December 2011
Short-term trade and other payables		
- for supplies and services	236 864	226 899
- prepayments from customers	7 753	7 311
- taxes, duties, insurance and other contributions	22 179	27 266
- remunerations	8 041	8 255
- other (by titles)	1 638	3 027
of which:		
a) acquisition of fixed assets	998	2 170
b) payables to employees	39	14
c) deductions from payroll	452	426
d) other	149	417
	276 475	**272 758**

Trade payables are realized within 60 days at average.

	as at 31 December 2012	as at 31 December 2011
Current trade and other payables - by currency		
- in Polish currency	226 941	215 939
- in foreign currencies (by currencies and translated to PLN)	9 923	10 960
of which:		
a) in thousands of EUR	2 366	2 187
as translated into thousands of PLN	9 673	9 658
b) in thousands of USD	53	103
as translated into thousands of PLN	165	352
c) in thousands of GBP	8	0
as translated into thousands of PLN	40	0
d) in thousands of SEK	0	13
as translated into thousands of PLN	0	6
e) in thousands of DKK	81	1 589
as translated into thousands of PLN	44	944
f) in thousands of RUB	16	0
as translated into thousands of PLN	1	0
	236 864	**226 899**

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

all amounts in PLN thousands unless otherwise stated)

Notes to the financial statements (cont'd)

	as at 31 December 2012	as at 31 December 2011
Liabilities due to taxes, duties, social insurance and other contributions		
- personal income tax	2 602	2 985
- calculated corporate income tax	1 790	752
- VAT	9 946	15 544
- social insurance	7 687	7 839
- National Fund for the Rehabilitation of the Disabled PFRON	154	146
	22 179	**27 266**

Liabilities due to personal income tax, corporate income tax, VAT and social insurance contributions include debt to public authorities, Polish and foreign. In consequence of registration of business activity of ELEKTROBUDOWA SA in Finland, Luxembourg, Estonia, Germany and the Netherlands the company's public law liabilities in those countries were as follows:

	as at 31 December 2012	as at 31 December 2011
- in Poland	16 780	21 277
- in Finland	3 307	4 764
- in Luxembourg	351	90
- in Estonia	1 721	1 116
- In Germany	20	0
- in the Netherlands	0	19

Notes to the financial statements (cont'd)

23. Loans, borrowings and debt securities

Current borrowings and debt securities as at 31 December 2012

Lender	Registered office	Contractual loan amount		Amount to be repaid		Contract validity*	Security
		PLN'000	currency	PLN'000	currency		
ING BANK ŚLĄSKI S.A.	Katowice					until 18.12.2015	enforcement order 59 400 thousand PLN, registered charge on the punching machine TRUPUNCH 3000-1600, registered charge on 4 machines in RDE Konin, mortgage KW 18183 (Dąbrowa Górnicza ul. Laski) up to 3 000 thousand PLN incl. assignment of rights to policy, registered charge - line in Konin value up to 2 440.6 thousand PLN at 01.09.2004 , debt assignment
overdraft		5 000	PLN	0	PLN		
working capital loan		20 000	PLN	(5 000)	PLN		
BANK PEKAO S.A. overdraft	Kraków	10 000	PLN	0	PLN	until 30.04.2014	debt assignment, mortgage KW 13390 up to 11 504.88 thousand PLN (Konin Gosławice ul. Przemysłowa 156), 1 blank bill, enforcement order up to 120 000 thousand PLN
PKO BP SA overdraft	Warszawa	5 000	PLN	(3 639)	PLN	until 20.02.2015	2 blank bills, debt assignment, mortgage KW 43349 (Katowice ul.Porcelanowa 12) up to 123 500 thousand PLN including the assignment of rights to policy, enforcement order up to 142 500 thousand PLN
BRE BANK S.A. overdraft	Warszawa	10 000	PLN	(2 562)	PLN	until 30.09.2013	1 blank bill, debt assignment, enforcement order up to 120 000 thousand PLN
		50 000		**(11 201)**			

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

Notes to the financial statements (cont'd)

Current borrowings and debt securities as at 31 December 2011

Lender	Registered office	Contractual loan amount		Amount to be repaid		Contract validity*	Security
		PLN'000	currency	PLN'000	currency		
ING BANK ŚLĄSKI S.A. overdraft	Katowice	1 000	PLN	0	PLN	unitl 24.03.2012	enforcement order 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 charge - line in Konin 2440.6 thousand PLN, a blank promissory note, assignment of receivables
BANK PEKAO S.A. overdraft	Kraków	10 000	PLN	0	PLN	until 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 order up to 90,000 thousand PLN
PKO BP SA overdraft	Warszawa	5 000	PLN	0	PLN	until 23.02.2012	enforcement order up to 10,000 thousand PLN, 1 blank promissory note up to 5,000 thousand PLN, debt assignment - at least 3000 thousand PLN
		16 000		**0**			

**The contracts are for 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 financial statements (cont'd)

24. Deferred income tax

	as at 31 December 2012	2011
Deferred income tax assets	**33 518**	**26 312**
- to be recovered after more than 12 months	1 394	1 143
- to be recovered within 12 months	32 124	25 169
Deferred income tax liabilities	**(29 772)**	**(22 840)**
- to be recovered after more than 12 months	(593)	(605)
- to be recovered within 12 months	(29 179)	(22 235)
	3 746	**3 472**

Structure of the deferred income tax:

period ended 31 December 2012		Construction contracts	Provisions and accrued expenses	Fixed tangible assets	Revaluation of assets	Other	Total
Assets	**beginning of period**	**4 448**	**3 102**	**371**	**1 923**	**16 468**	**26 312**
	-changes credited/charged to financial result	1 365	855	55	(408)	5 339	**7 206**
	end of period	**5 813**	**3 957**	**426**	**1 515**	**21 807**	**33 518**
Liabilities	**beginning of period**	**(21 666)**	**0**	**(466)**	**(70)**	**(638)**	**(22 840)**
	-changes credited/charged to financial result	(6 395)	0	(68)	0	(381)	**(6 844)**
	- changes credited/charged to equity	0	0	0	(88)	0	**(88)**
	end of period	**(28 061)**	**0**	**(534)**	**(158)**	**(1 019)**	**(29 772)**
End of period, total		**(22 248)**	**3 957**	**(108)**	**1 357**	**20 788**	**3 746**

period ended 31 December 2011		Construction contracts	Provisions and accrued expenses	Fixed tangible assets	Revaluation of assets	Other	Total
Assets	**beginning of period**	**5 305**	**3 936**	**328**	**275**	**10 829**	**20 673**
	-changes credited/charged to financial result	(857)	(834)	43	1 648	5 639	**5 639**
	end of period	**4 448**	**3 102**	**371**	**1 923**	**16 468**	**26 312**
Liabilities	**beginning of period**	**(14 157)**	**0**	**(413)**	**(626)**	**(306)**	**(15 502)**
	-changes credited/charged to financial result	(7 509)	0	(53)	48	(332)	**(7 846)**
	- changes credited/charged to equity	0	0	0	508	0	**508**
	end of period	**(21 666)**	**0**	**(466)**	**(70)**	**(638)**	**(22 840)**
End of period, total		**(17 218)**	**3 102**	**(95)**	**1 853**	**15 830**	**3 472**

all amounts in PLN thousands unless otherwise stated)

Notes to the financial statements (cont'd)

25. Provisions for liabilities and other charges

	period ended 31 December 2012	2011
Change in non-current provision for employee benefits		
At beginning of period	3 467	2 780
Additions (of which)	1 127	1 017
- creating a provision (actuarial valuation)	1 127	1 017
Used (for)	(342)	(330)
- payment of pension benefits	(342)	(330)
At end of period	**4 252**	**3 467**

	period ended 31 December 2012	2011
Movement in current provisions		
At beginning of period	536	4 937
Additions (of which)	1 349	192
- creating a provision for employee benefits	102	177
- creating a provision for warranty repairs	1 247	15
Used (for)	(1 235)	(4 593)
- payment of employee benefits	(166)	(51)
- incurred cost of warranty repairs	(1 069)	(42)
- release of other provisions	0	(4 500)
At end of period	**650**	**536**
of which:		
- current provisions for employee benefits	113	177
- current provisions for warranty repairs	537	359

The company creates provisions for future payables which 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 manufacture and supply of electrical equipment require relevant guarantees to customers. Generally, a provision of up to 0.20% of contract price is made for warranty repairs.

all amounts in PLN thousands unless otherwise stated)

Notes to the financial statements (cont'd)

Provisions for retirement benefits are estimated with the use of an actuarial method.
Main actuarial assumptions adopted for establishing pension benefits are following:

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

	period ended 31 December 2012	2011
Long-term and short-term employee benefit obligations at beginning of period	**3 644**	**2 831**
- interest cost	208	167
- current employment cost	402	336
- benefits paid	(508)	(381)
- actuarial gains/losses on the liability	619	691
Long-term and short-term employee benefit obligations at end of period	**4 365**	**3 644**

The provision for employee benefits is charged in operating costs.

26. Accrued expenses

	as at 31 December 2012	2011
Accrued expenses due to:		
- unused holidays	3 964	2 946
- annual bonuses	6 272	3 471
- services	645	185
- auditing the financial statements	90	120
- received grant	1 469	1 172
- provision for future salaries in Finland	2 000	2 000
	14 440	**9 894**

all amounts in PLN thousands unless otherwise stated)

Notes to the financial statements (cont'd)

In August 2011 and in January 2012 the Finnish Electrical Workers' Trade Union filed suits against ELEKTROBUDOWA SA 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 due 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. After the TU had acknowledged Elektrobudowa's arguments of violation of the EU legislation, total amount of claim was reduced to 4 360 299.14 EUR. Because of complexity of the case and the fact that the claim concerns 185 employees, it has to be suitably supported with documents and lawyers' opinions have to be presented.
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 is of the opinion that the company has strong arguments to dismiss a substantial part of claim. ELEKTROBUDOWA SA submitted detailed explanations and an opinion of an expert in international law, which question the capacity of the Finnish Trade Union to file a claim basing on assignment, as it was done. The claim in question, in the preliminary opinion of the Management, at the initial stage of the proceedings seems unjustified, at least in its major part.
On 18 September 2012 there was a preliminary (preparatory) hearing in the District Court Satakunta in Rauma, with the participation of representatives of ELEKTROBUDOWA SA and lawyers representing the company and also the lawyers representing the Finnish Electrical Workers' Trade Union. The proceedings were to agree upon a set of questions, relating to the dispute, to be referred by the District Court Satakunta in Rauma to the Court of Justice of the European Union for preliminary ruling concerning interpretation in the light of the EU legislation. From the present state of proceedings it seems that the court may apply to the EU Court of Justice for the preliminary ruling in the short time. The procedure may last up to 2 years, so a quick closing of the case cannot be expected. ELEKTROBUDOWA SA has also requested the District Court in Rauma to apply to the Labour Court for opinions in the disputable matters.

The Management of ELEKTROBUDOWA SA estimated the risk relating to the proceedings and decided to create, in 2011 books, a 2 million PLN provision for future liabilities arising from the operating activity of the company.
As of the reporting day the circumstances, prognosis and risks did not change compared to those presented in the report prepared as at 31 December 2011.

27. Classification of financial instruments recognized as liabilities

Type of financial instrument	method of measurement as at 31.12.2012	as at 31 December 2012	2011
1. Financial liabilities held for trading		**0**	**7 185**
a) forward contracts in foreign currencies	fair value	0	7 185
2. Other financial liabilities		**272 116**	**245 092**
a) long-term contract retentions from subcontracts	amortised cost	9 973	7 272
b) short-term payables to supplies and services	amortised cost	236 864	226 899
c) other short-term payables	amortised cost	1 638	3 027
d) loans	amortised cost	11 201	0
e) accrued expenses	amortised cost	12 440	7 894
Financial instruments recognised in liabilities - total		**272 116**	**252 277**

all amounts in PLN thousands unless otherwise stated)

Notes to the financial statements (cont'd)

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

	period ended 31 December 2012	2011
Net gains or losses on financial assets, of which relating to:	4 764	(2 321)
a) derivative financial instruments (forward)	4 764	(7 185)
b) available-for-sale financial assets	0	4 864
Net gains or losses on trade receivables and payables	(11 205)	4 429
Gains on cash	374	443
Total net gains or losses on the financial instruments	**(6 067)**	**2 551**

29. Sales revenues

	period ended 31 December 2012	2011
Revenue on sales of products, goods and materials		
- building & installation services	764 285	757 134
- electrotechnical products	200 763	125 384
- other services	13 775	16 675
- materials	6 598	3 265
of which: export	*2 118*	*1 214*
	985 421	**902 458**

	period ended 31 December 2012	2011
Revenue on construction and installation services	764 285	757 134
Change in revenue recognized on an accruals basis	(25 570)	(36 941)
Discount of long-term receivables	339	(304)
Invoiced sales	739 054	719 889
Incurred costs	741 119	715 653
Net amount of profits (losses)	(2 065)	4 236

all amounts in PLN thousands unless otherwise stated)

Notes to the financial statements (cont'd)

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 work

	as at 31 December	
	2012	**2011**
Amounts due from customers for contract work	138 841	106 643

The company 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 amounts which are included in non-current assets within the "other receivables" item.

30.2 Amounts due to customers for contract work

	as at 31 December	
	2012	**2011**
Amounts due to customers for contract work	29 738	23 110

The company 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 financial statements (cont'd)

31. Cost of products, goods and materials sold

	period ended 31 December 2012	2011
Expenses by nature		
- depreciation and amortisation	10 951	11 228
- materials and energy	415 508	338 503
- third party services	311 292	330 840
- taxes and charges	4 193	4 280
- salaries and wages	137 674	139 253
- social security and benefits	35 384	32 706
- other expenses by nature, of which:	16 329	18 656
a) representative and advertising expenses	2 254	2 765
b) business travels	10 785	12 759
c) property and personal insurance	1 995	2 539
d) other	1 295	593
Total expenses by nature	**931 331**	**875 466**
Movements in inventories of products and accrued expenses	11 929	(13 868)
Cost of products manufactured for own needs (negative value)	(7 549)	(5 413)
Selling costs (negative value)	(5 953)	(3 962)
General administrative expenses (negative value)	(10 085)	(9 418)
Cost of materials sold	5 883	2 768
Manufacture costs of products sold	**925 556**	**845 573**

32. Other operating expenses

	period ended 31 December 2012	2011
Other operating expenses		
- commission and fees	(2 409)	(2 184)
- legal charges and penalties	(1 532)	(1 002)
	(3 941)	**(3 186)**

all amounts in PLN thousands unless otherwise stated)

Notes to the financial statements (cont'd)

33. Other gains (losses) – net

	period ended 31 December 2012	2011
Other gains/(losses) - net		
- income from disposal of non-finance fixed assets	22	185
- income from disposal of other financial assets	0	4 864
- donations	(171)	(172)
- impairment	(13 000)	(2 272)
- reversal of impairment of valuation	2 598	976
- interests	694	784
- currency translation differences	(264)	5 008
- forward contract valuation	7 185	(7 185)
- result of the closed forward contracts	(2 421)	0
- penalties and compensations	4 379	361
- other	(983)	3 006
	(1 961)	**5 555**

34. Finance income (costs) – net

	period ended 31 December 2012	2011
Net finance gains (costs)		
- dividends and share in profits	5 551	5 050
- impairment of owned shares	(571)	0
- interest	(313)	0
	4 667	**5 050**

35. Income tax

	period ended 31 December 2012	2011
Income tax shown in the statement of comprehensive income, of which:		
- current tax of the financial year	5 081	6 654
- deferred tax	(362)	2 207
- tax on permanent establishments abroad	1 887	1 374
	6 606	**10 235**

all amounts in PLN thousands unless otherwise stated)

Notes to the financial statements (cont'd)

ELEKTROBUDOWA SA levies taxes on its income earned outside Poland by its registered permanent establishments according to the following tax rates:

- tax rate applicable in Finland 26%,
- tax rate applicable in Luxembourg 28.8%,
- tax rate applicable in Estonia 21%,
- tax rate applicable in Germany 30%.

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 there are no circumstances indicating the possibility of any related essential liabilities to arise.

	period ended 31 December	
	2012	**2011**
Structure of income tax:		
Gross profit before tax	42 592	50 924
Tax calculated at Polish 19% tax rate	8 093	9 798
Tax calculated on permanent differences in tax basis	(2 930)	(1 582)
Change in other temporary differences for which no deferred income tax asset was recognized	(249)	(11)
Adjusted income tax due to application of tax rate applicable in the country of location of permanent establishment	(195)	656
Income tax on permanent establishments abroad	1 887	1 374
Income tax	**6 606**	**10 235**

36. Earnings per share

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

	Earnings	**Shares**	**Earnings per share**
Net profit for the period (in PLN)	35 986 460		
Weighted average number of shares		4 747 608	
Basic earnings per share (in PLN)			7,58
Diluted earnings per share (in PLN)			7,58

all amounts in PLN thousands unless otherwise stated)

Notes to the financial statements (cont'd)

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

	Earnings	Shares	Earnings per share
Net profit for the period (in PLN)	40 688 649		
Weighted average number of shares		4 747 608	
Basic earnings per share (in PLN)			8,57
Diluted earnings per share (in PLN)			8,57

37. Dividend per share

2010 dividend paid by ELEKTROBUDOWA SA in August 2012 amounted to 18 990 432.00 PLN, that is 4.00 PLN per share.
The Management Board of ELEKTROBUDOWA SA proposes to pay dividend from the 2012 profit in the amount of 9 495 216.00 PLN, that is 2.00 PLN per share.

38. Statement of cash flow

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

	period ended 31 December	
	2012	**2011**
Amortisation		
- expenses by nature	10 951	11 228
- other gains (losses) - net	124	0
Amortisation in the statement of cash flow	**11 075**	**11 228**

	period ended 31 December	
	2012	**2011**
Gains / losses from disposal of PPE		
- acc. to the statement of comprehensive income	(22)	(185)
a) costs relating to sales of fixed assets	(5)	(29)
- acc. to the statement of cash flow	**(27)**	**(214)**

all amounts in PLN thousands unless otherwise stated)

Notes to the financial statements (cont'd)

	period ended 31 December	
	2012	**2011**
Change in available-for-sale financial assets		
- balance sheet change of available-for-sale assets	(461)	32 999
- change in assets recognised in equity	461	(2 673)
- proceeds from sale of available-for-sale financial assets	0	(35 190)
- acc. to the statement of cash flow	**0**	**(4 864)**

	period ended 31 December	
	2012	**2011**
Movement in trade and other receivables		
- balance sheet change of receivables, of which:	6 006	(47 442)
a) balance sheet change of trade and other receivables recognised in non-current assets	(15 047)	2 457
b) balance sheet change of trade and other receivables recognised in current assets	21 053	(49 899)
- dividends from subsidiaries and associates	0	(426)
- advance payment for income tax	1 040	0
- change in net receivables due to disposal of non-current asset items	(321)	(347)
Change in trade and other receivables reflected in the statement of cash flow	**6 725**	**(48 215)**

	period ended 31 December	
	2012	**2011**
Movement in trade and other payables		
- Balance sheet change of payables, of which:	7 317	75 983
a) balance sheet change of long-term payables	3 486	2 253
b) balance sheet change of trade and other current payables	3 717	78 131
c) balance sheet change in provisions	114	(4 401)
- change in net liabilities due to investment expenditure	946	437
- income tax of permanent establishments abroad	(1 887)	(742)
- other	(65)	0
Change in liabilities reflected in the statement of cash flow	**6 311**	**75 678**

all amounts in PLN thousands unless otherwise stated)

Notes to the financial statements (cont'd)

	period ended 31 December	
	2012	**2011**
Income tax paid		
- current income tax in the statement of comprehensive income	(5 081)	(6 654)
- change in corporate income tax liabilities	(236)	(6 004)
- advance payment for income tax	(1 040)	0
- income tax paid - permanent establishments abroad	0	(632)
Income tax paid reflected in the statement of cash flow	**(6 357)**	**(13 290)**

	period ended 31 December	
	2012	**2011**
Other adjustments		
- valuation of forward contract	(7 185)	7 185
- settlemnt of fixed assets stocktaking differences	(5)	5
- other	(5 493)	275
Other adjustments in the statement of cash flow	**(12 683)**	**7 465**

	period ended 31 December	
	2012	**2011**
Dividends and share in profits		
- acc. to the statement of comprehensive income	5 551	5 050
dividend received from associates	0	426
- acc. to the statement of cash flows	**5 551**	**5 476**

all amounts in PLN thousands unless otherwise stated)

Notes to the financial statements (cont'd)

39. Joint venture disclosures

On 21 December 2009 ELEKTROBUDOWA SA entered into a Consortium Agreement with QUMAK – SEKOM S.A. and „AGAT" S.A. with the purpose of cooperation targeted at preparation of a joint quotation for the project called: "The supply of overall electrical, small current, automation and BMS installations for Stage 2 Construction of the National Stadium, Warsaw". As the contract was awarded to the Consortium, the cooperation of its parties concerns also execution of the project.

ELEKTROBUDOWA SA was appointed as the Consortium leader who has the right to manage its affairs and represent the Consortium before the Employer and the third parties.
The contract price for the Consortium was 138 478 thousand PLN.

The percentage share in the joint venture is as follows:

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

On 30 August 2012 the Investor (Narodowe Centrum Sportu Sp. z o.o.) carried out a final acceptance of the works performed by the consortium; the acceptance certificate entitled to issue invoices for the works. Total value of works for the National Stadium invoiced by the consortium during the whole period of the contract amounted to 135 024 thousand PLN. After the estimated price agreed in the contracts for additional works had been verified, the contractual price was decreased by 3 454 thousand PLN. This was accounted for in the final invoicing, settling the works performed at the National Stadium.

Partners of the consortium had the following share in the sales invoiced until 31 December 2012:

	% share	**period ended 31 December**	
		2011	**2010**
- ELEKTROBUDOWA SA	46%	61 602	56 995
- QUMAK – SEKOM S.A. and Przedsiębiorstwo "AGAT" S.A.	54%	73 422	55 473
	100%	135 024	112 468

The consortium agreement is in force until the completion of the project, including the warranty period, and expires when all claims arising from the contract expire.
As at 31 December 2012 the contract execution was secured by the performance bond for the amount of 226 thousand PLN, valid through 31 October 2015.

On 19 October 2010 ELEKTROBUDOWA SA entered into a consortium agreement with ENERGOINSTAL S.A. and Katowickie Przedsiębiorstwo Budownictwa Przemysłowego „BUDUS" S.A. for joint bidding for General Contractor of the project: „Construction of Steam&Gas Units in EC Głogów and EC Polkowice", in the form of open invitation to tender announced by KGHM Polska Miedź S.A. As the Consortium was awarded the contract, the Parties cooperate also in execution of the project.
ENERGOINSTAL S.A. was selected a consortium leader; the company is entitled to conduct negotiations and represent the consortium before the Purchaser and before third parties. On 9 March 2011 the Consortium signed a contract for turnkey supply of a new Steam and Gas Unit for KGHM Polska Miedź S.A., Polkowice for the contract price 93 800 thousand PLN and the Unit in Głogów for the price of 139 600 thousand PLN.

all amounts in PLN thousands unless otherwise stated)

Notes to the financial statements (cont'd)

The percentage share in the joint venture is as follows:

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

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

Revenue generated by ELEKTROBUDOWA SA in the joint venture in 2012 amounted to 41 089 thousand PLN.

Sales invoiced until 31 December 2012:

	period ended 31 December	
	2012	**2011**
- Steam&Gas Unit in KGHM Polska Miedź S.A. Polkowice	20 108	1 068
- Steam&Gas Unit in KGHM Polska Miedź S.A. Głogów	24 421	2 372
	44 529	3 440

The consortium agreement is in force until completion of the project, including the period of warranty granted to the Purchaser, until all claims under contract expire.

On 4 December 2012 the district Court in Katowice declared bankruptcy by liquidation of Katowickie Przedsiębiorstwo Budownictwa Przemysłowego "BUDUS" S.A. As BUSUD S.A. ceased to perform its contractual obligations, the other consortium members (ENERGOINSTAL S.A. and ELEKTROBUDOWA SA), in order to avoid liquidated damages and other penalties for failure to meet the contractual obligations of the consortium, on 28 December 2012 signed a mutual agreement to take over the remaining scope of works of BUDUS SA and agreed on its division. The purpose of the agreement is to complete the investment and to fulfill obligations of the consortium against the investor.

As at 31 December 2012 the performance of contract "Construction of Steam&Gas Units in EC Polkowice" was secured by a bank guarantee issued for the amount of 3 130 thousand PLN valid through 31 January 2013 and a bank guarantee including the warranty bond for the amount of 1 341 thousand PLN valid through 31 January 2018.

Further, the performance of contract "Construction of Steam&Gas Units in EC Głogów" was secured by a performance bond issued by a bank for the amount of 6 276 thousand PLN valid through 31 January 2013 and the warranty bond for the amount of 2 690 thousand PLN valid through 31 January 2018.

On 11 April 2011 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.

all amounts in PLN thousands unless otherwise stated)

Notes to the financial statements (cont'd)

ZUE S.A. was selected a consortium leader; the company is entitled to conduct negotiations and represent the consortium before the Purchaser and before third parties. On 13 July 2011 the Consortium concluded a contract for the supply of civil works and other services necessary for the successful completion of the project – construction of the Franowo tramway depot in Poznań.
The contract price for the Consortium was 208 806 thousand PLN as at 31 December 2012.
The percentage share in the joint venture is as follows:

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

Revenue generated by ELEKTROBUDOWA SA in the joint venture in 2012 amounted to 41 968 thousand PLN.

Sales invoiced until 31 December 2012:

	period ended 31 December	
	2012	**2011**
- Construction of the Franowo Tramway Depot in Poznań	56 774	14 806

The consortium agreement is in force within completion of the project, including the period of warranty granted to the Purchaser, until all claims under contract expire.
As at 31 December 2012 the performance of contract was secured by a performance bond in 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.

In the reporting period ELEKTROBUDOWA SA carried out the following transactions with subsidiaries and associates:

a) sales:

- sales of goods – the Electrotechnical Company VECTOR Ltd.	52 057	thous PLN
- sales of services – the Electrotechnical Company VECTOR Ltd.	92	thous PLN
- sales of materials - the Electrotechnical Company VECTOR Ltd.	2 039	thous PLN
- sales of services – KONIP Sp. z o.o.	88	thous PLN
- other sales – KONIP Sp. z o.o.	2	thous PLN
- sales of goods – ENERGOTEST sp. z o.o.	1 302	thous PLN
- other sales – ENERGOTEST sp. z o.o.	4	thous PLN
- sales of goods - ELEKTROBUDOWA UKRAINE Ltd.	22 618	thous PLN
- other sales - ELEKTROBUDOWA UKRAINE Ltd.	1	thous PLN

all amounts in PLN thousands unless otherwise stated)

Notes to the financial statements (cont'd)

b) purchases:

- purchase of services – KONIP Sp. z o.o.	943	thous PLN
- purchase of services – ENERGOTEST sp. z o.o.	7 245	thous PLN
- purchases of materials – ENERGOTEST sp. z o.o.	2 814	thous PLN

Year-end balances as at 31 December 2012:

- payables of ELEKTROBUDOWA SA to KONIP Sp. z o.o.	84	thous PLN
- payables of ELEKTROBUDOWA SA to ENERGOTEST sp. z o.o.	5 895	thous PLN
- payables of ELEKTROBUDOWA SA to VECTOR Ltd.	2	thous PLN
- payables of ENERGOTEST sp. z o.o. to ELEKTROBUDOWA SA	86	thous PLN
payables of ELEKTROBUDOWA UKRAINE Ltd. to ELEKTROBUDOWA SA	3 267	thous PLN
- payables of VECTOR Ltd. to ELEKTROBUDOWA SA	3 420	thous PLN
- downpayment by ELEKTROBUDOWA SA to SAUDI ELEKTROBUDOWA LLC	261	thous PLN

The unsettled balances of receivables and payables with the related parties are unsecured and will be settled in cash in the established payment dates.
ELEKTROBUDOWA SA did not extend any guarantees to related parties to secure contract bonds.
Costs of receivables, collection of which is doubtful or at risk, arising from transactions with related parties were not recognized in the reporting period. ELEKTROBUDOWA SA 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 31 December 2012 and 31 December 2011 ELEKTROBUDOWA SA extended contract guarantees, including performance bonds, advance payment bonds, bid bonds, warranty bonds, and also to secure claims against the company, through:

	as at 31 December	
	2012	**2011**
PKO S.A.	73 778	63 890
BRE Bank S.A.	38 600	62 854
Bank PEKAO S.A.	31 105	31 658
T.U. ALLIANZ POLSKA SA	27 244	46 093
Bank Handlowy w Warszawie S.A.	20 047	26 720
Towarzystwo Ubezpieczeń Euler Hermes S.A.	12 791	0
ING Bank Śląski S.A.	8 197	8 662
HDI Asekuracja Towarzystwo Ubezpieczeń S.A.	1 133	0
Total amount of guarantees	**212 895**	**239 877**

Notes to the financial statements (cont'd)

b) Promissory notes

As of 31 December 2012 ELEKTROBUDOWA SA issued promissory notes to secure performance bonds, timely debt payment and to secure the repayment, for the total amount of 21 777 thousand PLN, and also:

- 1 promissory note issued in favour of BRE Bank S.A.o/Katowice as security for facility to finance current operations;
- 10 promissory notes in favour of T.U. Allianz Polska S.A. issued as security for insurance guarantee contract;
- 1 blank promissory note as security for bank loan and guarantee line in Bank PEKAO S.A.;
- 10 promissory notes in favour of HDI Asekuracja issued as security for insurance guarantee contract;
- 2 blank promissory notes as security for the loan and guarantee line provided by Bank PKO BP S.A.;
- 1 promissory note as security for the revolving guarantee line provided by Bank Handlowy w Warszawie SA.;
- 1 promissory note as security for the multi-product agreement provided by ING Bank Śląski SA
- 10 promissory notes in favour of T.U. Euler HERMES issued as security for insurance guarantee contract.

As of 31 December 2011 ELEKTROBUDOWA SA issued promissory notes to secure performance bonds for the total amount of 15 174 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 guarantee claim of T.U. Allianz Polska S.A. from insurance guarantees;
- 1 blank promissory note as security for bank loan and guarantee line in Bank PEKAO S.A.;
- 2 blank promissory notes as security for the loan and guarantee line provided by Bank PKO BP S.A.;
- 1 blank promissory note as security for the guarantee line provided by Bank Handlowy w Warszawie SA.;
- 1 blank promissory note as security for the guarantee line provided by ING Bank Śląski SA.

c) Sureties

As of 31 December 2012 as well as of 31 December 2011 ELEKTROBUDOWA SA did not grant any sureties.

d) Rental, lease and similar commitments

Estimated value of rent for the lease of offices will amount to 1 980 thousand PLN in the coming year, while in the period over 1 year to 5 years it will total 5 730 thousand PLN.
The contractual value of rent from the lease of office space was 2 122 thousand zloty in 2012.

ELEKTROBUDOWA SA 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 company'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 or which the company purchased, is 77 years. The estimated payments for the use of land in the present year will amount to 101 thousand PLN, while in the period above 1 year up to 5 years 404 thousand PLN and over 5 years 7 272 thousand PLN.

all amounts in PLN thousands unless otherwise stated)

Notes to the financial statements (cont'd)

42. Employment

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

	average number of employees in 2012	**average number of employees in 2011**
Total number of employees	**2 017**	**1 970**
of which:		
Manual jobs	1 196	1 218
White-collar jobs	818	749
Persons on child care leaves or unpaid leaves	3	3

43. The Management Board and the Supervisory Board

Composition of the Boards of ELEKTROBUDOWA SA at 31 December 2012

Management Board

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

Aggregate amount of remuneration and rewards (in cash, in kind or in any other form), paid or due to the managing and supervising persons

	period from 1 January 2012 to 31 December 2012			
	Remuneration paid			
	Basic salary	**Bonus for 2011**	**Total remuneration**	**Extra benefits ***
Management Board	**1 916**	**129**	**2 045**	**99**
Faltynowicz Jacek	480	0	480	36
Tomaszewski Jarosław	418	0	418	24
Bober Ariusz	358	0	358	1
Jaźwiński Tomasz	360	0	360	15
Juszczyk Janusz	300	129	429	23
Klimowicz Arkadiusz	0	0	0	0

** Extra benefits include life insurance, tied accommodation benefit and a Christmas voucher.*

all amounts in PLN thousands unless otherwise stated)

Notes to the financial statements (cont'd)

	period from 1 January 2011 to 31 December 2011			
	Remuneration paid			
	Basic salary	Bonus for 2010	Total remuneration	Extra benefits *
Management Board	**1965**	**1 380**	**3 345**	**80**
Faltynowicz Jacek	480	360	840	31
Tomaszewski Jarosław	420	300	720	20
Bober Ariusz	360	270	630	1
Jaźwiński Tomasz	356	180	536	16
Juszczyk Janusz	150	0	150	8
Rak Stanisław	199	270	469	3
Klimowicz Arkadiusz	0	0	0	1

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

Additional benefits for the Members of the Management Board of the parent with respect to functions performed by them in supervising bodies of related parties

	period from 1 January 2012 to 31 December 2011			
	Remuneration paid			
	Basic salary	Bonus for 2010	Total remuneration	Extra benefits *
Management Board ELEKTROBUDOWA SA	**0**	**0**	**0**	**3**
Faltynowicz Jacek	0	0	0	1
Tomaszewski Jarosław	0	0	0	1
Rak Stanisław	0	0	0	1

** Extra benefits include civil liability insurance premium for members of company's governing bodies.*

	period from 1 January 2011 to 31 December 2011			
	Remuneration paid			
	Basic salary	Bonus for 2010	Total remuneration	Extra benefits *
Management Board ELEKTROBUDOWA SA	**0**	**0**	**0**	**3**
Faltynowicz Jacek	0	0	0	1
Tomaszewski Jarosław	0	0	0	1
Rak Stanisław	0	0	0	1

** Extra benefits include civil liability insurance premium for members of company's governing bodies.*

all amounts in PLN thousands unless otherwise stated)

Notes to the financial statements (cont'd)

The Management remuneration policy has been established by the Supervisory Board. Salaries of Members of the Management Board consist of two components:
- fixed component paid monthly, depending on the position,
- variable component paid against the resolution of the Supervisory Board within 14 days since approval of the financial statements by the General Meeting of shareholders, depending on fulfilment of the economic and financial objectives set for the fiscal year.

The principles of bonus compensation to Members of the Management Board who are employees of ELEKTROBUDOWA SA for 2012 have been defined in Resolution No. 20/VIII/2012 of the Supervisory Board dated 26 April 2012. The resolution was adopted pursuant to points 2.11 and 2.12 of Article 17 of the Company's Articles and recommendation by the Nomination and Remuneration Committee included in the Minutes no. 6/2012 dated 20 April 2012.

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

Composition of the Supervisory Board of the parent at 31 December 2012

Supervisory Board

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

Aggregate amount of remuneration and rewards (in cash, in kind or in any other form), paid or due to the supervising persons of the parent:

	period from 1 January 2012 to 31 December 2012 Remuneration paid			
	Basic salary	**Bonus for 2011**	**Total remuneration**	**Extra benefits**
Supervisory Board	**562**	**0**	**562**	**0**
Mańko Dariusz	91	0	91	0
Żbikowski Karol	82	0	82	0
Godlewska Agnieszka	69	0	69	0
Karski Eryk	82	0	82	0
Mosiek Tomasz	88	0	88	0
Rafalski Ryszard	68	0	68	0
Tarnowski Paweł	82	0	82	0

all amounts in PLN thousands unless otherwise stated)

Notes to the financial statements (cont'd)

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

** Extra benefits include civil liability insurance premium for members of company's governing bodies.*

The Supervisory Board compensation policy was established by the Annual General Meeting of the company shareholders.
Remuneration of the Supervisory Board members is based on the average salary paid in the sector of enterprises for the last month of the 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 - 2x the above reference salary
- ♦ Vice Chairman - 1.8 of the above reference salary
- ♦ Other members - 1.5 of the above reference salary

On 26 April 2012 the Annual General Meeting passed a resolution to award additional payment to the Auditing Committee members. The additional pay is based on the average salary paid in the sector of enterprises for the last month of the previous quarter and is the following:

- ♦ Chairman of the Auditing Committee - 0.7 of the reference salary
- ♦ Vice Chairman of the Auditing Committee - 0.5 of the reference salary

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

As at 31 December 2012 and 31 December 2011 the company did not extend any guarantees, borrowings or warrants to the members of the Boards.

all amounts in PLN thousands unless otherwise stated)

Notes to the financial statements (cont'd)

44. Polish zloty exchange rates

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

In the table "Selected Financial Data" of the financial statements ELEKTROBUDOWA SA, the 2012 and 2011 items have been translated into EUR as follows:
a) asset and liabilities items – according to the rate announced by the National Bank of Poland at:
- 31 December 2012 4.0882 zł / EUR;
- 31 December 2011 4.4168 zł / EUR.

b) items in the statement of comprehensive income and the statement of cash flow - according to the rate being the arithmetic mean of average euro rates announced by the National Bank of Poland at the end of each month of the financial year:
- from 01.01.2012 to 31.12.2012 4.1736 zł / EUR;
- from 01.01.2011 to 31.12.2011 4.1401 zł / EUR.

45. Changes in the applied accounting standards

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

46. 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 on 29 June 2012 with Deloitte Polska Spółka z ograniczoną odpowiedzialnością sp. k. (former Deloitte Audyt Sp. z o.o.), having their registered office in Warsaw.
Deloitte Polska Spółka z ograniczoną odpowiedzialnością sp. k. has reviewed the interim financial statements and audited the financial statement of ELEKTROBUDOWA SA and the consolidated financial statement of the ELEKTROBUDOWA SA group for the fourth time in succession.

The remuneration for the review and auditing of the above mentioned statements for 2012 was agreed in the amount of 130 thousand PLN, split as follows:

	2012	**201**
- review of the half-year 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
Total review and auditing the financial statements	**130**	**175**

The remuneration is VAT excluded.

Notes to the financial statements (cont'd)

In 2012 ELEKTROBUDOWA SA entered into contract with Deloitte Doradztwo Podatkowe Sp. z o.o. based in Warsaw for tax consulting services in respect of preparing transfer price records for transactions entered into by ELEKTROBUDOWA SA with related parties. The payment for the performed work was established as 16 thousand PLN and will be increased by VAT.

47. Additional information

Comparability of the financial statements

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

Legal claims against the Company

In the opinion of the Management Board there are no circumstances, except described in this report, indicating any substantial obligations to arise due to claims against the Company.

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

As at 31 December 2012 ELEKTROBUDOWA SA 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 2012 report.

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

As at 31 December 2012 and as at 31 December 2011 ELEKTROBUDOWA SA did not have any contractual commitments due to the acquisition of fixed tangible assets or intangible assets.

Significant events after the balance sheet date

No events have occurred after the balance sheet date which could significantly impact the financial position of the company or its financial result.

Representation by the Management Board

The Management Board of ELEKTROBUDOWA SA declares that on 20 March 2012 they approve the present financial statements of ELEKTROBUDOWA SA for 2012.

SIGNATURES OF ALL MANAGEMENT BOARD MEMBERS

Name and surname	Position / Function	Date	Signature
Jacek Faltynowicz	President	20.03.2013	
Jarosław Tomaszewski	Board Member	20.03.2013	
Ariusz Bober	Board Member	20.03.2013	
Tomasz Jaźwiński	Board Member	20.03.2013	
Janusz Juszczyk	Board Member	20.03.2013	
Arkadiusz Klimowicz	Board Member	20.03.2013	

SIGNATURE OF THE PERSON IN CHARGE OF ACCOUNTING BOOKS

Name and surname	Position / Function	Date	Signature
Sylwia Wojtas	Chief Accountant	20.03.2013	