THE ELEKTROBUDOWA SA GROUP

Consolidated 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 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 consolidated annual report which sums up the performance and achievements of the ELEKTROBUDOWA SA group in 2012.

ELEKTROBUDOWA SA is the company which to an exceptional degree is responsible for the achievement of the group, the company whose position and plans I presented in the Letter attached to the separate financial statements of the Company. Now I would like to focus on the subsidiaries and associates, through whom we have decided to conduct business in domestic markets or niche markets for us. I have no intention to refer to the balance sheet or profit and loss items, as You can easily find them in the statements. I would rather present the assumptions and trends which have strategic importance.

Russia is the principal market of the product expansion of ELEKTROBUDOWA SA, serviced by the company Vector Ltd. From the angle of performance, the past year was impressive, if not spectacular. The Company has clearly exceeded 120 million PLN revenue and 10 million PLN net profit. Owing to this, in the target segment of the Russian market, the segment of primary distribution medium voltage switchgear, we attained the level not lower than 20% share and we became the second biggest supplier in this market. I think that there are only a few Polish companies who hold such important position in this highly competitive market, many times larger than the Polish market.

ELEKTROBUDOWA UKRAINE Ltd. is not growing so dynamically as its older Russian sister, but it makes progress every year. To be frank, in Ukraine we are going to build a position of ELEKTROBUDOWA SA comparable to the position we have in Poland. I think we know how to do it. We will have enough determination, and the plans to include Ukraine in the European Union only help us achieve our goals.

Highly knowledge-intensive, operating only in the Polish market, engineering company ENERGOTEST suffers because of delays of investment in the Power Generation sector. The company is efficient, but not so effective as we would like it to be or as it deserves. But the better times are soon to come. Not later than in two, three years.

We are persistent in building our position in Saudi Arabia. We would like to repeat our Russian success. The formal and legal issues and problems are being finalized. Time for business is not far. The results will be seen in the nearest future, of which I wish to assure You.

As You can see, we are focused on mainly geographical diversification of the group's business. Therefore we are able to reduce the risk of unfavourable business climate in Poland at least to some degree. We do our best to become, and I hope we are quite near the fulfillment, a stable, predictable Group, accomplishing the targets despite lesser or greater turbulence in its environment.

Grateful for the support from our Shareholders, we are convinced that we will fulfill the objectives that have been set for us.

Faithfully Yours,

Jacek Faltynowicz
President

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Statement of Financial Position

	Note	2012	2011
ASSETS			
Non-current assets		**185 044**	**159 668**
Property, plant and equipment	8	89 403	86 230
Intangible assets	9	37 744	30 747
Investments in associates	11	27 290	23 151
Available-for-sale financial assets	12.1	3 228	7 434
Non-current receivables	14.1	22 001	6 967
Deferred income tax assets	24	3 818	3 694
Non-current prepayments	15	1 560	1 445
Current asssets		**513 994**	**499 892**
Inventories	16	49 536	57 225
Trade and other receivables	14.2	270 301	290 317
Available-for-sale financial assets	12.1	24	24
Financial assets held to maturity	12.2	500	0
Current prepayments	18	7 727	4 267
Amounts due from construction contract work	30.1	140 712	108 984
Cash and cash equivalents	17	45 194	38 359
Fixed assets held for sale	19	0	716
Total assets		**699 038**	**659 560**
EQUITY AND LIABILITIES			
Equity		**344 658**	**330 022**
Issued share capital	20	26 375	26 375
Supplementary capital	21.1	303 628	282 520
Capital from valuation of available-for-sale investment	21.2	1 896	1 317
Currency translation differences		(5 218)	275
Capital from currency translation differences		817	2 064
Retained earnings		16 380	16 939
Total equity attributable to shareholders of the Company		**343 878**	**329 490**
Minority interest in equity		**780**	**532**
Liabilities			
Non-current liabilities		**14 435**	**10 896**
Employee benefit obligations	25	4 448	3 603
Other liabilities	22.1	9 987	7 293
Current liabilities		**339 945**	**318 642**
Trade and other payables	22.2	277 808	274 702
Corporate income tax liabilities		749	524
Derivative financial instruments	13	0	7 185
Loans, borrowings and debt securities	23	11 201	0
Provisions	25	892	777
Accrued expenses	26	17 643	11 844
Amounts due to customers for construction contract work	30.2	31 652	23 610
Total liabilities		**354 380**	**329 538**
Total equity and liabilities		**699 038**	**659 560**

Statement of Comprehensive Income

	Note	period ended 31 December 2012	2011
Continuing operarations			
Revenue on sales of products, goods and materials	29	1 029 362	945 215
Cost of products, goods and materials sold	31	(959 031)	(879 298)
Gross profit on sales		**70 331**	**65 917**
Selling costs		(6 481)	(4 256)
General administrative expenses		(15 712)	(14 024)
Other operating expenses	32	(4 129)	(3 356)
Other gains (losses) - net	33	(1 007)	5 003
Operating profit		**43 002**	**49 284**
Finance income (costs) - net	34	165	259
Share in net profit of associates measured according to equity method		5 231	(423)
Gross profit before income tax		**48 398**	**49 120**
Income tax expense	35	(8 542)	(10 984)
Net profit from continuing operations for the year		**39 856**	**38 136**
Discontinued operations			
Net profit (loss) from discontinued operations for the period		**0**	**0**
Net profit for the period		**39 856**	**38 136**
of which:			
- attributable to the equity holders of ELEKTROBUDOWA SA		*39 540*	*37 918*
- attributable to minority holders		*316*	*218*
Other comprehensive income, total			
- valuation of available-for-sale investments		505	1 617
- deferred tax on valuation of available-for-sale investments		(97)	(308)
- reversal of valuation of available-for-sale investments		209	(4 502)
- deferred income tax on reversal of valuation of available-for-sale investments		(38)	856
- currency translation differences from revaluation of the financial statements		(5 493)	275
- currency translation differences of subsidiaries and associates		(1 247)	2 164
- currency translation differences of minority interests		(16)	52
Total other comprehensive income		**(6 177)**	**154**
Total comprehensive income		**33 679**	**38 290**
of which:			
- attributable to the equity holders of ELEKTROBUDOWA SA		*33 379*	*38 020*
- attributable to minority holders		*300*	*270*
Earnings (loss) per share from continuing and discontinued (in PLN per one share)			
- basic	36	8,33	7,99
- diluted	36	8,33	7,99

Statement of Changes in Equity

	Attributable to equity holders of ELEKTROBUDOWA SA								
	Share capital	Supplementary capital from share premium	Other supplementary capital	Capital from valuation of available-for-sale investment	Currency translation differences from revaluation of the financial statements	Retained earnings	Capital from revaluation of subsidiaries and associates	Attributable to minority holders	Total equity
note	**20**	**21.1**	**21.1**	**21.2**					
1 January 2012	**26 375**	**100 676**	**181 844**	**1 317**	**275**	**16 939**	**2 064**	**532**	**330 022**
currency translation differences					*(5 493)*		*(1 247)*	*(16)*	*(6 756)*
net profit						*39 540*		*316*	*39 856*
valuation of available-for-sale-investments				*505*					*505*
deferred tax on valuation of available-for-sale investments				*(97)*					*(97)*
reversal of valuation of available-for-sale investments				*209*					*209*
deferred tax on reversal of valuation of available-for-sale investments				*(38)*					*(38)*
total comprehensive income				**579**	**(5 493)**	**39 540**	**(1 247)**	**300**	**33 679**
distribution of profit			22 103			(22 103)		248	248
dividend payment						(18 991)			(18 991)
other changes			(995)			995		(300)	(300)
31 December 2012	**26 375**	**100 676**	**202 952**	**1 896**	**(5 218)**	**16 380**	**817**	**780**	**344 658**

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

Notes to the consolidated financial statements

Statement of Cash Flow

	Note	period ended 31 December 2012	2011
Cash flows from operating activities			
Gross profit before taxes		48 398	49 120
Share of net profit of associates measured according to equity method		(5 231)	423
Depreciation and amortisation		12 166	12 316
Gains/losses from currency translation differences		(339)	(92)
Interest and share in profit (dividends)		(165)	(260)
Profit from/loss on sale of property, plant and equipment (PPE)	38	(26)	163
Change in inventories		7 689	(31 446)
Change in available-for-sale financial assets	38	(738)	(4 864)
Change in financial assets held to maturity		(500)	0
Change in trade and other receivables	38	5 701	(51 657)
Change in liabilities, except loans and borrowings	38	5 770	73 834
Income tax paid	38	(7 729)	(14 037)
Change in current prepayments and accrued expenses		2 339	327
Change in non-current prepayments and accrued expenses		(115)	(82)
Change in settlements of construction contracts		(23 686)	(37 042)
Other adjustments	38	(12 874)	7 627
Net cash generated from operating activities		**30 660**	**4 330**
Cash flows from investing activities			
Sale of intangible assets and PPE		435	658
Disposal of interest in other entities		0	161
Disposal of other available-for-sale financial assets		5 658	35 028
Dividend and share in profits	38	497	2 186
Purchase of intangible assets and PPE		(22 592)	(18 159)
Purchase of available-for-sale financial assets		0	(4 920)
Net cash used in investing activities		**(16 002)**	**14 954**
Cash flows from financial activities			
Loans and borrowings		11 201	0
Dividends and other payments to owners		(18 991)	(28 486)
Other cash inflows		0	2
Payment of finance lease obligations		(40)	(40)
Interest		(332)	(12)
Net cash used in/generated from financial activities		**(8 162)**	**(28 536)**
Net decrease in cash and bank ovedrafts		6 496	(9 252)
Balance sheet change in cash and bank overdrafts		6 835	(9 160)
Change in cash due to currency translation differences		339	92
Cash and bank ovedrafts at beginning of period		38 359	47 519
Cash and bank ovedrafts at end of period		**45 194**	**38 359**

Notes to the consolidated financial statements

Additional information

1. General information

1.1 Composition of the group and its principal business

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

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

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

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

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

The transformation act was made on 9 January 1992 in the form of a notary deed (Repertory No. 225/92) by the Notary Office no.18 in Warsaw run by the notary public Paweł Błaszczak. The company was entered in Division B under number 7682 to the Commercial Register of the District Court, 10th Register Department Katowice, on the basis of a legally binding decision issued by the said Court on 3 February 1992 (File no. RHB 7682 VII of the Central Commercial Register 48/92).
At present the company is entered in the National Court Register (KRS) at the District Court Katowice-Wschód in Katowice, 8th Business Department under KRS reference number: 0000074725.
The parent has the Tax Identification Number /NIP/ 634-01-35-506 and the National Business Registry Number REGON 271173609.

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

Shares of the parent are quoted on the Warsaw Stock Exchange.
A sector according to the Warsaw Stock Exchange classification: construction.
The business activity of ELEKTROBUDOWA SA includes:

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

Notes to the consolidated financial statements (continued)

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

ELEKTROBUDOWA SA holds a 100% stake in KONIP Sp. z o.o.

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

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

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

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

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

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

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

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

As at 31 December 2012 ELEKTROBUDOWA SA held 49% of KRUELTA's equity. The percentage of ELEKTROBUDOWA's stake in KRUELTA's equity is equal to the percentage of number of votes in the General Meeting.

Principal business of KRUELTA is the assembly and selling of medium voltage switchgear systems in the Russian market. This offer is complemented with low voltage switchgear and mobile substations.

An associate – The Power Equipment Production Plant VECTOR Ltd. with registered office in Votkinsk, at 2, Pobiedy Str., Autonomic Republic of Udmurtia of the Russian Federation.

As at 31 December 2012 ELEKTROBUDOWA SA held 49% of VECTOR's equity. The percentage of ELEKTROBUDOWA's stake in the equity of VECTOR is equal to the percentage of voting rights in its General Meeting of Shareholders.

Principal business activity of VECTOR comprises manufacturing of electrical and radio components, parts for electrical vacuum devices, and also providing construction works and wholesale of electrical production facilities, including communication devices.

Notes to the consolidated financial statements (continued)

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

As at 31 December 2012 ELEKTROBUDOWA SA held 33% of shares which represent 33% of the share capital of SAUDI ELEKTROBUDOWA, equal to the percentage of voting rights in the General Meeting of Partners.
Business scope of SAUDI ELEKTROBUDOWA comprises selling low, medium and high voltage electrical systems, including switchgear panels, distribution boards and electrical substations, as well as installation, repair and maintenance services for energy control and distribution systems.

1.2 Changes in the composition of the group and their consequences

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

1.3 Going concern concept

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

Notes to the consolidated financial statements (continued)

2. Summary of significant accounting policies

2.1 Compliance with legislation

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

2.2. Basis of preparation

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

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

Key accounting principles applied by the group are described below.

2.3 Consolidation

Subsidiaries

Subsidiaries are all entities controlled by the parent. It is assumed that the parent has control when it has the power to influence the financial and operating policies of a subordinate entity in order to obtain gains from its operations, which is generally accompanied by a shareholding of more than one half of the voting rights in the company governing bodies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.
Subsidiaries are fully consolidated from the date on which control is transferred to the group; they are de-consolidated from the date on which control ceases.
The purchase method of accounting is used to account for the acquisition of subsidiaries in the isolated parts of operations. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed. Costs directly attributable to combination of business entities are reflected in the financial result when incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets is recorded as goodwill. If the cost of acquisition is lee than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly through profit and loss.
There are no entities in the group which would be excluded from consolidation.
Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.
The parent's and other consolidated entities' share in the subsidiaries, with that portion of net assets of subsidiaries, measured at their fair value, which reflects the parent's and other consolidated entities' share in the subsidiaries, at the date of taking control by the group, is eliminated.

Notes to the consolidated financial statements (continued)

Associates

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

2.4 Foreign currency translation

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

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

- disposal of foreign currency and repayment of receivables transactions are translated at the buying rate applied by the bank used by the 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.

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 parent's foreign establishments and related entities prepare their financial statements in the functional currency which is the currency of the basic economic environment in which the establishment, a subsidiary or an associate operates.

Notes to the consolidated financial statements (continued)

Items of the statements of financial position and statements of comprehensive income prepared by Permanent Establishments and related entities located outside Poland, none of which operates in the hyper-inflationary economy, are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented expressed in foreign currencies are translated into Polish currency at the average exchange rate at the date of that balance sheet, 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 at 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;
- exchange differences from translation to Polish currency are recognised in the aggregate consolidated statements, as a separate component of equity. Differences from translation of the financial statements are recognised as income or expense 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	**in PLN**	**in PLN**	**in PLN**	**in PLN**
EUR	4.0882	4.1736	4.4168	4.1401
UAH	0.3825	0.4001	0.4255	0.3716
RUB	0.1017	0.1043	0.1061	0.1008
SAR	0.8209	0.8666	0.8956	0.7919

2.5 Property, plant and equipment

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

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

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

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

Notes to the consolidated financial statements (continued)

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

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

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

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

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

2.6 Intangible assets

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

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

Notes to the consolidated financial statements (continued)

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

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

2.8 Goodwill

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

2.9 Derivative financial instruments

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

2.10 Financial assets

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

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

Notes to the consolidated financial statements (continued)

2.10.1 Financial assets at fair value through profit and loss

This group includes the financial assets held for trading. A financial asset is classified as held for trading if it:

- was acquired principally for the purpose of reselling in the short term;
- is a part of a financial instruments portfolio managed jointly by the company, according to the current and actual pattern of generating short-term gains;
- is a derivative not designated as hedge and not acting as hedge.

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

2.10.2 Loans and receivables

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

2.10.3 Held-to-maturity financial assets

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

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

2.10.4 Available-for-sale financial assets

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

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

Notes to the consolidated financial statements (continued)

2.10.5 Impairment of financial assets

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

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

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

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

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

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

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

2.10.6 Initial recognition and later derecognition of financial assets

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

Notes to the consolidated financial statements (continued)

2.11 Leases

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

2.12 Inventories

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

2.13 Construction contracts

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

Notes to the consolidated financial statements (continued)

2.14 Trade receivables

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

2.15 Cash and cash equivalents

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

2.16 Non-current assets held for sale and discontinued operations

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

2.17 Share capital and supplementary capital

Share capital is recognised in the consolidated statement of financial position at the value specified in the Articles and entered in the court register, with consideration to effects of capital restatement due to hyperinflation as per provisions of IAS 29.
In case of buy back the payment for shares charges the equity and is recognized in the consolidated statement of financial position in the item "own shares".
Additional costs directly attributable to the issue of new shares or options are shown in equity as a deduction from proceeds, net of tax.

Notes to the consolidated financial statements (continued)

Supplementary capital is established as provided in the Articles of entities in the group from retained earnings and through transfer from other reserves. Furthermore, differences between fair value of payment received and the nominal value of shares are recognized in the share premium reserve capital, with consideration to the effect of capital restatement due to hyperinflation as per provisions of IAS 29.

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

2.18 Loans and borrowings

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

2.19 Income taxes

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

Notes to the consolidated financial statements (continued)

2.20 Employee benefits

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

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

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

2.21 Provisions

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

2.22 Trade and other payables

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

Notes to the consolidated financial statements (continued)

2.23 Revenue recognition

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

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

2.24 Government grants

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

3. Critical accounting estimates and judgments

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

Notes to the consolidated financial statements (continued)

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

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

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

4.1 Foreign exchange risk

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

Notes to the consolidated financial statements (continued)

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 had a 21.0% share in the total revenues gained by the group in 2012, of which 12.4% was earned in euros (mainly from sales in Finland and Estonia), 8.2% from the sales in US dollars (most of which were the sales to eastern markets) and 0.4% of sales revenue was generated in UAH (sales to Ukraine).

As at 31 December 2012 the amounts of receivables in foreign currencies constituted 17.3% of total receivables, payables in foreign currencies constituted 5.5% of total trade payables, and foreign currencies 36.6% of total cash.

Measurement:

	period ended 31 December			
	2011		**2010**	
	currency		**currency**	
	USD	**EUR**	**USD**	**EUR**
- amount in foreign currency (receivables and cash less payables) (USD'000 / EUR'000)	4 653	9 863	2 825	13 041
- exchange rates	3,0996	4,0882	3,4174	4,4168
- receivables, payables and cash (in PLN'000)	14 423	40 322	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	44 354	10 619	63 360
- change in profit before taxes (in PLN'000)	1 442	4 032	965	5 761
- change in net profit (in PLN'000)	1 168	3 266	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	46 370	12 068	66 239
- change in profit before taxes (in PLN'000)	3 605	6 048	2 414	8 640
- change in net profit (in PLN'000)	2 920	4 899	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 3 266 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 4 899 thousand PLN increase or decrease in the net profit.

Notes to the consolidated financial statements (continued)

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 group recorded the increase both in sales revenues, by 84 147 thousand PLN (by 8.9%), and in volume of imports, by 214 thousand PLN (by 1.0%). In the period from January through December 2012 the bank accounts of ELEKTROBUDOWA SA were credited with the sum of 25 936 thousand of USD and 60 445 thousand of EUR. The outlays in foreign currencies amounted to 24 685 thousand USD and 59 477 thousand EUR, including the amounts of 22 087 thousand USD and 15 705 thousand EUR translated to PLN.
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 8 148 thousand PLN and negative differences in the amount of 7 361 thousand PLN were realized on the settlement of transactions with foreign partners and the turnover of the foreign currency on bank accounts of the group's entities. Balance of realized currency translation differences showed a profit of 809 thousand PLN.

Recently ELEKTROBUDOWA SA, the parent, 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.
Exchange differences also occur in translation of results and financial statements prepared by the subsidiaries and associates. As at 31 December 2012 the exchange differences from translation, from the functional to presentation currency, of income and the assets and liabilities items of the financial statements prepared by the related entities operating in other countries generated gains of 817 thousand PLN which were recognized as a separate component of the equity.

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.

Notes to the consolidated financial statements (continued)

4.2 Interest rate risk

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

In June 2012 the parent, 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.

In the current account in ING Bank Śląski SA the parent 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, ELEKTROBUDOWA SA 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 the parent, 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 the parent company 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.

The subsidiary, ENERGOTEST sp. z o.o. has an overdraft facility up to 1 million PLN in its current account. As of 31 December 2012 the company did not use a credit line.

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

Notes to the consolidated financial statements (continued)

4.3 Credit risk

The entities with whom the company enters into deposit transactions operate in the financial sector. These are only banks registered in the countries of registration of the group's entities or operating in the countries as branches of foreign banks. They have suitable equity capital and strong, stable market position.
The parent 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 group was 27.4%.
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.
bank deposits credit risk is low.

Cash in bank and on hand:

	at 31 December	
	2012	**2011**
- ING BANK ŚLASKI SA	12 374	5 102
- Bank PEKAO SA	11 784	10 694
- PKO BP SA	5 504	2 830
- BANK HANDLOWY w Warszawie SA	4 855	14 718
- GENIN NOBLE BANK SA	3 623	0
- BRE BANK SA	2 471	1 331
- ING Luxembourg S.A.	1 812	553
- BNP PARIBAS POLSKA S.A.	1 395	487
- NORDEA BANK FINLAND PLC	638	1 522
- PRIVATBANK SF KB	541	941
- RAIFFEISEN BANK POLSKA S.A.	157	155
- Cash on hand	40	26
TOTAL	**45 194**	**38 359**

4.3.2 Credit risk arising from derivative financial instruments

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

In 2012 the parent, ELEKTROBUDOWA SA used forward transactions as foreign exchange risk hedges.
As at 31 December 2011 the company 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.

Notes to the consolidated financial statements (continued)

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 group cooperates with financial institutions with high ratings, its exposure to credit risk arising from derivative transactions is not significant.

4.3.3 Credit risk arising from trade and other receivables

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

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

	31 December	
	2012	**2011**
Poland	82.8%	79.8%
Finland	10.2%	9.0%
Ukraine	2.7%	0.6%
Russia	1.1%	1.7%
Germany	0.9%	0.5%
South Corea	0.7%	0.0%
Saudi Arabia	0.3%	0.5%
Luxembourg	0.4%	0.0%
Other countries	0.9%	7.9%

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

Notes to the consolidated financial statements (continued)

The group 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 group will not be able to collect all due amounts according to the original terms of the receivables. The amount of a provision is the difference between the carrying amount and the present value of estimated future cash flows.

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

		as at 31 December	
Current trade receivables		**2012**	**2011**
1.	current	223 453	262 570
2.	overdue:	38 101	23 290
	a) up to 1 month	27 232	16 229
	b) over 1 month up to 3 months	6 650	5 423
	c) over 3 months up to 6 months	2 785	1 407
	d) over 6 months up to 1 year	1 299	231
	e) over 1 year	135	0
TOTAL		**261 554**	**285 860**

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

- as of 31 December 2012 12 511 thousand PLN,
- as of 31 December 2011 11 824 thousand PLN.

In 2012 a provision for impairment of trade receivables was created in the amount of 7 184 thousand PLN, while the provision established in 2011 amounted to 2 229 thousand PLN. As at the balance sheet date the group impaired 4.6% of its short-term trade receivables.
In the opinion of the group, for not impaired trade receivables there is no risk of being uncollectable, 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 25.3% of total overdue debt. The second biggest overdue debt amounted to 9 168 thousand PLN, i.e. 24.1% of its total. Together, overdue receivables due from the group's two biggest debtors of as at 31 December 2012 amounted to 18 804 thousand PLN and constituted 49.4% of their total value.

The Management of the parent estimates that maximum exposure of the group to credit risk as at the balance sheet date reaches the full amount of balance of trade receivables, without fair value of established securities. Credit risk relating to trade receivables must be adjusted by such debt amounts which, pursuant to consortium contracts or subcontracts, when received will be used for settling the liabilities resulting from those contracts. The 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.

Notes to the consolidated financial statements (continued)

4.4 Financial liquidity risk

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

Essential from the point of view of liquidity is also the use of trade credit allowed by suppliers, with extended payment terms.

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

Undiscounted trade and other receivables as at:	**1 month or less**	**1 -3 months**	**3-6 months**	**6-12 months**	**over 1 year**	**Total**
31 December 2012	211 435	58 349	8 014	10	11 273	**289 081**
31 December 2011	205 273	62 115	7 311	3	8 557	**283 259**

As at 31 December 2012 the banks cooperating with the group's entities had allowed them the borrowing limit on current accounts available up to the total amount of 51 000 thousand PLN, of which the amount of 11 201 thousand PLN was utilized as at the balance sheet date.
As at 31 December 2011 the company had borrowing limits on current accounts available up to 17 000 PLN, but the amount was not utilized. Details of credits granted to the group, their collaterals and utilization are provided in Note 23.
In previous reporting periods, owing to high financial liquidity, the group's borrowings were limited to trade credit.
In 2012, because of increasing payment gridlocks, the group 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 consolidated financial statements (continued)

4.5 Price risk

The group is exposed to price risk which arises from current economic situation in the power industry, chemical, building and metallurgy sectors, mainly from prices of electrical materials and equipment and steel products.

Adequate policy, organisational structure and procedures as well as actions related to risk management support the process of negotiating and establishing prices at optimum level.
Period of executing a trade contract, from order acceptance to contract completion, is not long (1 year at average), so adequate selling prices formation is possible.

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.

The ELEKTROBUDOWA SA group 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 parent 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, the group 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 group is exposed to the risk of change in fair value of its available-for-sale financial assets.
The risk is not significant, as the total amount of the above mentioned financial assets is 3 252 thousand PLN, which is 0.5% of the company's total assets. It is only an estimate, subject to change, as:

- fair value of non-current financial assets available for sale was determined both by using a method of discounted cash flows (income method);
- fair value of current financial assets which are available for sale was determined according to current quotation on the stock exchange in respect to listed securities and basing on present bid price in case of unlisted securities.

Notes to the consolidated financial statements (continued)

Structure of available-for-sale financial assets:

1. Carrying amount of shares in PI Biprohut Sp. z o.o. based in Gliwice was 2 931 thousand PLN at 31 December 2012 and 2 470 thousand PLN at 31 December 2011. The fair value of shares was measured by an independent valuer using the discounted cash flows method.

2. The carrying amount of shares in Energotest Diagnostyka Sp. z o.o. based in Brzezie k.Opola owned by the group was 297 thousand PLN as at 31 December 2012 and 253 thousand PLN as at 31 December 2011. The group held 17 shares of nominal value 8.5 thousand PLN. The assets were measured at book value.

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

4. As at 31 December 2011 the group held 73 608.618 units in the Franklin Templeton Investment Funds, which carrying amount was 4 711 thousand PLN. In the first half of 2012 the group sold all owned units for purchase price of 4 920 thousand PLN. Gains from the disposal amounted to 738 thousand PLN.

4.7 Capital risk management

The group's objective when managing the capital is to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.
Consistently with others in the industry, the group monitors capital on the basis of the gearing ratio. The ratio is calculated as net debt divided by total capital. Net debt is calculated as total trade liabilities and bank borrowings less cash and cash equivalents. Total capital is calculated as equity plus net debt. The group's strategy was to maintain the gearing ratio on the optimum level of 30%.
In 2012 the effective debt ratio remained on relatively the same level as in 2011. It significantly changed in 2011 (43%) compared with 2010 (34%). Exceeding the preferred level of the ratio by 12 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.

Notes to the consolidated financial statements (continued)

The gearing ratios in the reportable periods were as follows:

	2012	2011
trade and other payables	287 795	281 995
corporate income tax liability	749	524
bank borrowings	11 201	0
cash and cash equivalents	(45 194)	(38 359)
net financial debt	254 551	244 160
equity	344 658	330 022
total capital	599 209	574 182
gearing ratio (effective debt ratio)	42%	43%

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 entities within the group.

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

Approving the present financial statements the group 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.

Notes to the consolidated financial statements (continued)

- **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.

- **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.

Notes to the consolidated financial statements (continued)

- **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.

- **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.

Notes to the consolidated financial statements (continued)

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:

- **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.

Notes to the consolidated financial statements (continued)

- **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.

- **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 parent anticipates that the adoption of these standards, revisions and interpretations would have had no material impact on the financial statements if they had been applied by an entity as at the balance sheet date. At the same time, hedge accounting regarding the portfolio of financial assets and liabilities, whose principles have not been adopted by the EU, is still unregulated.

According to the parent's estimates, application of hedge accounting for the portfolio of financial assets or liabilities pursuant to **IAS 39: "Financial Instruments: Recognition and Measurement"**, would not significantly impact the consolidated financial statements, if applied as at the balance sheet date.

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

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

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

Notes to the consolidated financial statements (continued)

7. Segmental information

Primary reporting format – business segments

Business activity of the group is primarily categorised by industries.
Operations of business segments consist in providing construction and installation services, realization of electric power facilities and automation systems and also manufacturing of electrical and automation equipment.

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

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

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

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

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

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

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

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

Notes to the consolidated financial statements (continued)

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

Business segment results for 2012

	Power Generation Division	Industry Division	Power Distribution Division	Automation Division	All other segments	Group total
Continuing operations						
Sales revenue	422 718	308 110	348 634	50 935	10 388	**1 140 785**
of which:						
Revenue on external customers	419 885	305 771	260 528	40 876	2 302	**1 029 362**
Inter-segment sales	2 833	2 339	88 106	10 059	8 086	**111 423**
Operating profit	**23 993**	**(3 372)**	**17 737**	**3 837**	**807**	**43 002**
Financial activities result	(99)	(183)	(25)	0	472	**165**
Share of net profit of associates measured according to equity method	0	0	5 231	0	0	**5 231**
Profit before income tax	**23 894**	**(3 555)**	**22 943**	**3 837**	**1 279**	**48 398**
Income tax expense	(2 605)	(221)	(4 695)	(798)	(223)	**(8 542)**
Net profit from continuing operations for the period	**21 289**	**(3 776)**	**18 248**	**3 039**	**1 056**	**39 856**
Discontinued operations						
Net profit (loss) from discontinued operations for the period	**0**	**0**	**0**	**0**	**0**	**0**
Net profit for the period	**21 289**	**(3 776)**	**18 248**	**3 039**	**1 056**	**39 856**
of which:						
net profit of equity holders of ELEKTROBUDOWA SA	*21 289*	*(3 776)*	*17 932*	*3 039*	*1 056*	***39 540***
- net profit of minority shareholders	*0*	*0*	316	*0*	*0*	***316***

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

Notes to the consolidated financial statements (continued)

Covering of costs of contract extension was guaranteed by the Investor in an Addendum No. 3 signed on 28 June 2011. In March 2012 the Consortium submitted the purchaser a claim for payment of costs incurred due to contract extension, which included detailed itemization of those costs for total amount of 13.2 million PLN, in which ELEKTROBUDOWA SA has a 4.4 million PLN share. Furthermore, another claim was made in that time concerning:

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

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

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

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.

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.

Notes to the consolidated financial statements (continued)

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

	Power Generation Division	Industry Division	Power Distribution Division	Automation Division	All other segments	Group total
depreciation	3 953	1 466	1 790	624	2 565	**10 398**
amortisation	272	215	856	334	91	**1 768**

Business segment results for 2011

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

Notes to the consolidated financial statements (continued)

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

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

Assets and liabilities of business segments as at 31 December 2012

	Power Generation Division	Industry Division	Power Distribution Division	Automation Division	All other segments	Group total
Assets	207 181	197 535	161 472	48 260	84 590	**699 038**
Liabilities	103 630	156 460	79 961	12 556	1 773	**354 380**
Capital expenditure	2 548	836	9 119	1 027	8 114	**21 644**

Assets and liabilities of business segments as at 31 December 2011

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

Impairment of receivables by business segments

	Power Generation Division	Industry Division	Power Distribution Division	Automation Division	All other segments	Group total
as at 31 December 2012	1 854	8 068	6 057	163	2	**16 144**
as at 31 December 2011	2 104	2 799	3 160	193	3 760	**12 016**

Notes to the consolidated financial statements (continued)

Provisions for impairment of receivables by business segments

	Power Generation Division	Industry Division	Power Distribution Division	Automation Division	All other segments	Group total
in 2012	213	6 657	6 013	26	0	**12 909**
in 2011	454	1 605	199	113	2	**2 373**

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

	Power Generation Division	Industry Division	Power Distribution Division	Automation Division	All other segments	Group total
in 2012	463	1 388	3 116	56	3 758	**8 781**
in 2011	246	563	1 034	23	215	**2 081**

Secondary reporting format – geographical segments

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

	period ended 31 December	
	2012	**2011**
Revenue on sales of products, goods and materials		
- domestic market	812 799	784 565
- East-European market	109 216	70 863
- Skandinavian market	83 739	53 536
- Western Europe	13 161	23 062
- South-West Asia	7 188	7 304
- Turkish market	2 579	2 373
- North America	250	11
- Central America	159	164
- Central Asia	130	1 919
- Central Europe	80	920
- Australian market	0	470
- other markets	61	28
	1 029 362	**945 215**

In 2012 the group operated principally in the domestic market (79% of the sales revenues), East-European markets (11%), the Scandinavian market (8%), and Western Europe (1%).

Notes to the consolidated financial statements (continued)

Information about key customers

The revenue on direct sales generated by the Power Generation Division in the amount of 419.9 million PLN (332.6 million PLN in 2011) includes the 82.6 million PLN revenue on the contract with the group's biggest customer (in 2011 it was 68.2 million PLN). In 2012 the revenue accounted for 8.0% while in 2011 for 7.2% of total revenues generated by the group.

The revenue on the direct sales generated by the Power Distribution Division in the amount of 260.5 million PLN (211.7 million PLN in 2011) includes the 54.2 million PLN revenue on the contract with the group's second biggest customer (in 2011 it was 23.9 million PLN). In 2012 the revenue accounted for 5.3% while in 2011 for 2.5% of total revenues generated by the group.

The 2012 revenue generated by the group from the two biggest customers accounted for 13.3% of total group's revenues, against 9.7% 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	55 874	51 180
- machinery and technical equipment	16 557	16 371
- vehicles	7 073	8 515
- other fixed assets	4 556	4 839
- construction-in-progress	2 394	2 283
- downpayments for construction-in-progress	0	93
	89 403	**86 230**

Notes to the consolidated financial statements (continued)

	land	buildings, civil engineering facilities	machinery and technical equipment	vehicles	other fixed assets	construction-in-progress	downpayments for fixed tangible assets	Property, Plant & Equipment
Gross value of fixed tangible assets at 1 January 2012	2 949	60 625	44 508	23 535	14 541	2 283	93	148 534
Additions (of which):	0	6 410	3 515	1 788	1 238	111	(93)	12 969
- purchase	0	6	2 440	1 695	1 147	6 839	0	12 127
- internally manufactured	0	273	0	0		478	0	751
- takeover from investment	0	6 131	1 075	0		(7 206)	0	0
- other	0	0	0	93	91	0	(93)	91
Reductions (of which):	0	(62)	(981)	(511)	(322)	0	0	(1 876)
- selling	0	0	(255)	(511)	0	0	0	(766)
- liquidation	0	(62)	(726)	0	(322)	0	0	(1 110)
Other changes	0	1 099	194	(11)	(10)	0	0	1 272
Gross value of fixed tangible assets at 31 December 2012	2 949	68 072	47 236	24 801	15 447	2 394	0	160 899
Accumulated depreciation at 1 January 2012	0	(9 445)	(28 137)	(15 020)	(9 702)	0	0	(62 304)
Current depreciation charge for the period	0	(2 343)	(3 343)	(3 205)	(1 507)	0	0	(10 398)
Reduction due to selling, liquidation	0	9	975	494	314	0	0	1 792
Other changes	0	(419)	(174)	3	4	0	0	(586)
Accumulated depreciation at 31 December 2012	0	(12 198)	(30 679)	(17 728)	(10 891)	0	0	(71 496)
Net tangible fixed assets at 31 December 2012	**2 949**	**55 874**	**16 557**	**7 073**	**4 556**	**2 394**	**0**	**89 403**

The group does not have any property, plant and equipment with restricted right of use.
As at 31 December 2012 the group uses fixed assets of initial value 196 thousand PLN against a lease agreement (of which vehicles 105 thousand PLN and other PPE 91 thousand PLN). Depreciation of leased fixed assets as of the balance sheet date was 40 thousand PLN of which vehicles 35 thousand PLN and other PPE 5 thousand PLN).
As at 31 December 2012 bank borrowings and guarantees were collaterized by the group'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.

Notes to the consolidated financial statements (continued)

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

Notes to the consolidated financial statements (continued)

	as at 31 December	
	2012	**2011**
Depreciation of property, plant and equipment is charged to the consolidated statement of comprehensive income in:		
- cost of products, goods and material sold	9 636	9 736
- costs to sell	333	0
- general administrative expenses	305	589
- other gains (losses) net	124	0
	10 398	**10 325**

	as at 31 December	
	2012	**2011**
Fixed tangible assets by ownership		
- owned	87 682	84 653
- financial lease	156	101
- investment in third party assets	1 565	1 476
	89 403	**86 230**

9. Intangible assets

	as at 31 December	
	2012	**2011**
Intangible assets		
- cost of finished development works	6 088	1 095
- acquired concessions, patents, licences and similar	2 017	1 248
- cost of unfinished development works	7 418	6 073
- goodwill	22 164	22 164
- intangible assets not handed over to use	57	167
	37 744	**30 747**

According to paragraph 10, IAS 36 the parent should perform an impairment test for goodwill annually regardless of whether or not there is any indication of impairment. Goodwill of the entity is not quoted at any moment on the active market, so its recoverable value has been measured basing on the procedure for calculation of value in use, under the assumption that ENERGOTEST sp. z o. o. is the cash generating unit. The test, ordered by ELEKTROBUDOWA SA, was performed as at 30 November 2012 by a property valuation expert.

Notes to the consolidated financial statements (continued)

The adopted test procedure consisted in assessing the value in use of the relevant entity and comparing it with the book value of assets, excluding non-operating assets. The outcome of this operation is a current fair value of the entity's goodwill as of the date of testing. The value in use was estimated according to income approach using the discounted cash flows methodology, with a technique of capital attributable to all parties financing the FCFF in accordance with the requirements set in IAS 36. Measurement was carried out with normal approach, considering tax flows with the use of net discount rate, which provides a result similar to that in the case of the approach based on flows without taxes and with the use of gross discount rate.
The income approach based on discounted future cash flows reflects the value of a company basing on its capability to generate positive cash flow, allows for tying with the value of goodwill and value in the market it operates. Generated cash flows are forecasted in two stages. The first part of the forecast covered a period of 3 years, during which detailed projections of cash flows were carried in order to establish their so called stable level. In the other part the forecast was based on the assumption that in future the level of cash flows providing stable growth shall be maintained, and cumulative value of cash flows was calculated basing on the so called perpetual annuity. For the needs of measurement, adjustments were made, relating to elimination of non-operating fixed assets, potential cash flows of which are not directly connected with the operating activity. The assumptions adopted for financial projections and for measurement of discounted cash flows are following:

1) market conditions in Poland, governmental energy policy, investment forecasts of the power industry in Poland;
2) forecast of operating income and expenses was made for the period: December 2012 – 2017 basing on forecasts provided by the company and its business strategy (for the purpose of the forecast it was assumed that tax not-deductible cost are insignificant for the amount of real tax rate, while the level of amortisation for tax purposes is the same as for balance-sheet amortisation);
3) following the IAS 36 result on other business activities is not forecasted;
4) result on financial activity is not forecasted according to IAS 36;
5) the level of capital expenditure was assumed without accounting for development and restructuring activities; only under assumption of recovery of the existing assets, i.e. on the level of amortization (the so called non-operating assets which did not generated cash flows were excluded from assets);
6) working capital demand was calculated basing on the performance of eleven months of 2012 and adopted for the whole period of the forecast;
7) as a discount rate, weighted average cost of capital, WACC, was assumed;
8) residual value was estimated basing on cash flows in the last year of the forecast (for calculation of residual value, 2% stable growth rate was assumed);
9) assumed corporate income tax in the projection period was 19%.

With the above assumptions in mind, the company's value in use was measured using the discounted cash flows method, book values of asset components were calculated basing on carrying amounts with exclusion of the so called non-operating assets from the group's assets, and fair value of the company goodwill was measured.

Outcome of the test:

1.	The company's value in use	45 052	thousand PLN
2.	Book value of the company's assets, excl. non-operating assets	21 365	thousand PLN
3.	**Fair value of goodwill**	**23 687**	**thousand PLN**
4.	**Book value of goodwill at 30 November 2012**	**22 164**	**thousand PLN**

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

Notes to the consolidated financial statements (continued)

	Cost of finished development works	Concessions, patents, licenses and software	Cost of unfinished development works	Goodwill	Intangible assets not put to use	Other intangible assets	Intangible assets total
Gross value of intangible assets at 1 January 2012	9 540	9 307	6 073	22 164	167	1 734	48 985
Additions, of which:	5 790	1 741	1 345	0	(110)	0	8 766
- purchase	0	1 617	0	0	14	0	1 631
- internally generated	0	0	7 135	0	0	0	7 135
- charged to the cost of unfinished development works	5 790	0	(5 790)	0	0	0	0
- other	0	124	0	0	(124)	0	0
Reductions (of which)	0	(2 067)	0	0	0	(1 734)	(3 801)
- liquidation	0	(2 067)	0	0	0	(1 734)	(3 801)
Other changes	0	(2)	0	0	0	0	(2)
Gross value of intangible assets at 31 December 2012	15 330	8 979	7 418	22 164	57	0	53 948
Accumulated amortisation at 1 January 2012	(8 445)	(8 059)	0	0	0	(1 734)	(18 238)
Current amortisation charge	(797)	(971)	0	0	0	0	(1 768)
Reduction due to selling, liquidation of intangible assets	0	2 067	0	0	0	1 734	3 801
Other changes	0	1	0	0	0	0	1
Accumulated amortisation at 31 December 2012	(9 242)	(6 962)	0	0	0	0	(16 204)
Net intangible assets at 31 December 2012	**6 088**	**2 017**	**7 418**	**22 164**	**57**	**0**	**37 744**

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

Notes to the consolidated financial statements (continued)

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

Notes to the consolidated financial statements (continued)

	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	1 601	1 820
- administrative expenses	167	171
	1 768	**1 991**

10. Capital expenditure

	as at 31 December	
	2012	**2011**
Commenced investments at beginning of period	8 616	30 071
Expenditure during the reporting period	21 644	17 738
of which:		
- costs of internal manufacture	7 886	5 587
- third party costs	8 576	4 461
- cost of purchased machines, equipment and services	5 182	7 597
- advance payments for fixed assets under construction	0	93
Investments transferred to fixed tangible assets and intangible assets	(20 391)	(38 815)
Impairment write-off	0	(378)
Commenced investments at end of period	**9 869**	**8 616**
of which:		
- commenced investments relating to fixed tangible assets	2 394	2 283
- commenced investments relating to intangible assets	7 475	6 240
- advance payments for commenced investments relating to fixed tangible assets	0	93

Notes to the consolidated financial statements (continued)

11. Investment in associates

	The Electro-technical Plant Vector Ltd. Votkinsk Russia	Kruelta Ltd. Sankt Petersburg Russia	SAUDI ELEKTROBUDOWA LLC Riyadh the Kingdom of Saudi Arabia
- % interest held as at 31 December 2012*	49%	49%	33%
- purchase price	13 805	1 571	97
- share capital increase in 2009	7 711	-	-
- measurement as at 31 December 2012	4 790	(609)	(75)
- investment in associates as at 31 December 2012	26 306	962	22
- value of assets	74 524	2 010	708
- liabilities	20 838	47	388
- revenues on sale of products, goods and materials	138 953	0	1 087
- profit / loss - net	10 953	(20)	18

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

The Annual General Meeting of KRUELTA Ltd. held on 5 April 2012 a unanimous resolution was adopted to wind up the company and established the method and date of liquidation, pursuant to the requirements of law applicable in the Russian Federation. Following the resolution, the company ceased its core operations and started the liquidation procedure.
Consequently, the parent, ELEKTROBUDOWA SA impaired the value of its shares in KRUELTA Ltd. as at 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.

Notes to the consolidated financial statements (continued)

12. Financial assets

12.1 Available-for-sale financial assets

	as at 31 December	
	2012	**2011**
Available-for-sale financial assets		
- non-current	3 228	7 434
- current	24	24
	3 252	**7 458**

Non-current financial assets available for sale include shareholding in PI Biprohut Sp. z o.o. based in Gliwice and Energotest – Diagnostyka Sp. z o.o. based in Brzezie k.Opola.

PI Biprohut Sp. z o.o. is not quoted in the stock exchange so valuation of fair value of shares held by the parent, 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 the parent, 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, the parent, ELEKTROBUDOWA SA does not have significant influence on operating or financial policy of Biprohut and does not control the entity. Therefore and also on the basis of provisions of IAS 28 the Management of the parent does not classify the entity as an associate which should be recognised according to the equity method.

Notes to the consolidated financial statements (continued)

The non-current assets include also 17 shares representing 17% of capital of Energotest – Diagnostyka Sp. z o.o. and the same share in the total voting rights in the General Meeting of Shareholders. As the group has no influence on managing the operating and financial policies of Energotest - Diagnostyka, the Management of the parent did not classify the company as an associate. As at 31 December 2012 compared with 31 December 2011 the value of shares in Energotest – Diagnostyka held by the group rose by 44 thousand PLN.

As at 1 January 2012, the non-current financial assets available for sale included, besides the shares in the above companies, units in the sub-fund of the Luxembourg-based SICAV Templeton Global Total Return Fund, managed by Franklin Templeton Investments. The fair value of units in the investment funds was established basing on their current quotation on the regulated market. In the first half of 2012 the group sold all of its units in the Templeton Global Total Return Fund.

As of 31 December 2012 the carrying amounts of non-current assets available for sale were as follows:

	Biprohut Sp. z o.o. Gliwice	Energotest - Diagnostyka Sp. z o.o. Brzezie k.Opola	Units in Open-end Investment Funds	Total
Available-for-sale financial assets at 1 January 2011	2 470	253	4 711	7 434
Valuation recognized in equity	461	44	0	505
Reversal of valuation recognized in equity	0	0	209	209
Disposal of available-for-sale financial assets	0	0	(4 920)	(4920)
Available-for-sale financial assets at 31 December 2011	**2 931**	**297**	**0**	**3 228**

Current assets available for sale include shares in FAMAK S.A. based in Kluczbork. Shares of Famak S.A. are not quoted in the stock exchange so their fair value was measured basing on the offered purchase price.
As of 31 December 2011 the carrying amount of current assets available for sale was 24 thousand PLN and did not change compared with 31 December 2011.

12.2 Financial assets held to maturity

	as at 31 December	
	2012	**2011**
Financial assets held to maturity		
fixed-term bank deposit	500	0

The group's entities deposit their free cash temporarily on fixed-term deposit accounts in banks. The deposit presented in the financial assets will become mature in July 2013.

Notes to the consolidated financial statements (continued)

12.3 Classification of assets by groups of financial instruments

Type of financial instrument	method of measurement as at 31.12.2012	31.12.2012	31.12.2011	amount charged to revaluation capital in 2012
1. Extended loans and own receivables		**290 915**	**294 936**	**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	20 838	5 578	0
c) short-term trade receivables	amortized cost	261 554	285 860	0
d) other short-term receivables	amortized cost	7 360	2 109	0
2. Available-for-sale financial assets		**3 252**	**7 458**	**714**
a) interest in PI Biprohut Sp. z o.o.	fair value	2 931	2 470	461
b) interest in Energotest - Diagnostyka Sp. z o.o.	fair value	297	253	44
c) units in the Open-end Investment Funds	fair value	0	4 711	209
d) interest in Famak S.A.	fair value	24	24	0
2. Financial assets held to maturity		**500**	**0**	**714**
a) deposit in PEKAO S.A.	fair value	500	0	0
Total financial assets		**294 667**	**302 394**	**714**

Notes to the consolidated financial statements (continued)

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 the parent, ELEKTROBUDOWA SA measured the foreign currency transactions concluded in 2011 for the total amount of 17 520 thousand EUR. The transaction was closed with the application of forward rate in 2012 (Note 4.3.2).
Derivative financial instruments as at 31 December 2011 were shown in the group'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 retention sums	20 838	5 578
Long-term receivables - net	**22 001**	**6 967**
Discount of receivables	841	600
Long-term receivables - gross	**22 842**	**7 567**

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

	as at 31 December	
	2012	**2011**
Non-current receivables - by currency, without discount		
- in Polish zloty	6 365	7 063
- in foreign currencies (by currencies and translated to PLN)	16 477	504
of which:		
a) in EUR'000	4 030	114
as translated to PLN'000	16 477	504
	22 842	**7 567**

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

Notes to the consolidated financial statements (continued)

14.2 Receivables recognised in current assets

	as at 31 December	
	2012	**2011**
Current trade and other receivables		
of which:		
- for supplies and services	261 554	285 860
- other	8 747	4 457
Total trade and other receivables, net	**270 301**	**290 317**
Receivables impairment charge	16 144	12 016
Total trade and other receivables, gross	**286 445**	**302 333**

The balance of receivables for the supply of products and services includes past due receivables amounting to 50 612 thousand PLN (35 114 thousand PLN as at year-end 2011), impaired by the amount of 12 511 thousand PLN (11 824 thousand PLN in 2011). The impairment amount of hardly collectable receivables includes the receivables due from customers declared bankrupt, under arrangement with creditors, or the group is in the possession of final judgment, also the debt under enforcement proceedings and the receivables past due whose recovery is at risk.
The entities created impairment provisions for the whole amount of receivables past due longer than 180 days.
The carrying amounts of current receivables reflect their fair values.

	as at 31 December	
	2012	**2011**
Current trade and other receivables - by currency		
- in Polish currency	249 297	233 842
- in foreign currencies (by currencies and translated to PLN)	37 148	68 491
of which:		
a) in thousands of EUR	5 462	13 211
as translated into thousands of PLN	22 329	58 347
b) in thousands of USD	3 180	2 654
as translated into thousands of PLN	9 858	9 071
c) in thousands of UAH	12 971	2 522
as translated into thousands of PLN	4 961	1 073
	286 445	**302 333**

Notes to the consolidated financial statements (continued)

	period ended 31 December	
	2012	**2011**
Provision for impairment of trade and other receivables		
Provision for impairment of receivables at beginning of period	12 016	11 724
Creating the provision	12 909	2 373
Reversal	(8 781)	(2 081)
of which:		
- paid receivables and interests	(2 228)	(599)
- reversal of provision for written off receivables	(56)	(22)
- 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	**16 144**	**12 016**
of which:		
- trade receivables	12 511	11 824
- other receivables	3 633	192

The impairment amounts of receivables are recognized in “other gains / losses – net” in the consolidated 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	1 122	1 149
- other	438	296
	1 560	**1 445**

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

16. Inventories

	as at 31 December	
	2012	**2011**
Inventories		
- materials	28 189	30 316
- semi-finished products and work in progress	18 764	25 337
- finished products	2 583	1 572
	49 536	**57 225**

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

Notes to the consolidated financial statements (continued)

	period ended 31 December	
	2012	**2011**
Inventory write-down		
Write-down at the beginning of period	347	211
Created	117	140
Used	(13)	(4)
Inventory write-down at the end of period	**451**	**347**

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

17. Cash and cash equivalents

	as at 31 December	
	2012	**2011**
Cash at bank and on hand		
- cash at bank	43 840	37 725
- cash on hand	40	26
- other cash	1 314	608
	45 194	**38 359**

As at 31 December 2012 the amount of 1 300 thousand PLN was transferred to Bank PEKAO S.A. to secure the extended contract bond. The remaining 14 thousand PLN was deposited on the fixed-term deposit account as security for the contract bond to be repaid on 24 February 2013.

	as at 31 December	
	2012	**2011**
Cash and cash equivalents - by currency		
- in Polish currency	28 644	28 073
- in foreign currencies (by currencies and translated to PLN)	16 550	10 286
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
c) in thousands / UAH	1 415	2 211
as translated into thousands of PLN	541	941
	45 194	**38 359**

Average effective interest rate for bank deposits was 3.0% in 2012 and 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.

Notes to the consolidated financial statements (continued)

18. Current prepayments

	as at 31 December	
	2012	**2011**
Current prepayments		
- future periods expenses (subscriptions, fees, insurance)	2 165	1 817
- prepayments for supplies	5 562	2 450
	7 727	**4 267**

19. Non-current assets held for sale

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

In the previous reporting periods, following the decision to dispose of some items of tangible assets, the group's entities 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.

Notes to the consolidated financial statements (continued)

20. Share capital

Share capital (structure) of the parent - as at 31 December 2012 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

Notes to the consolidated financial statements (continued)

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

The capital was restated as follows:

Ratios applied:

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

The effect of restatement:

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

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

Shareholders as at 31 December 2012:	**Numbers of shares = number of votes**	**%**
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**

Notes to the consolidated financial statements (continued)

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)	7 299	7 889
a) transferred from reserve capital	5 562	5 562
b) from distribution of profit of subsidiary undertakings	1 113	708
c) restatement due to hyperinflation	1 619	1 619
d) allocated for dividend	(995)	0
	303 628	**282 520**

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

21.2 Capital from valuation of available-for-sale investments

	as at 31 December 2012	2011
Capital from valuation of available-for-sale investments		
- valuation of available-for-sale investments	2 340	1 626
- deferred tax related to investment valuation	(444)	(309)
	1 896	**1 317**

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

Notes to the consolidated financial statements (continued)

22. Trade and other payables

22.1 Non-current payables

	as at 31 December	
	2012	**2011**
Long-term liabilities		
- employee benefits	4 448	3 603
- other	9 987	7 293
Long-term liabilities, net	**14 435**	**10 896**
Discount of liabilities	1 286	1 264
Long-term liabilities, gross	**15 721**	**12 160**

	as at 31 December	
	2012	**2011**
Non-current other liabilities by titles		
- retentions from subcontracts	9 987	7 293

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	**2011**
Non-current other payables - by currency, without discount		
- in Polish currency	11 185	8 502
- in foreign currencies (by currencies and translated to PLN)	88	55
of which:		
a) in thousands of EUR	18	1
as translated into thousands of PLN	74	4
b) in thousands of UAH	36	119
as translated into thousands of PLN	14	51
	11 273	**8 557**

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

Notes to the consolidated financial statements (continued)

22.2 Current trade and other payables

	as at 31 December	
	2012	**2011**
Short-term trade and other payables		
- for supplies and services	234 521	225 827
- prepayments for supplies	8 020	7 395
- taxes, duties, insurance and other contributions	24 337	29 065
- remunerations	8 852	9 025
- other (by titles)	2 078	3 390
of which:		
a) acquisition of fixed assets	1 140	2 334
b) payables to employees	82	43
c) deductions from payroll	513	490
d) other	343	523
	277 808	**274 702**

Trade payables are realized within 60 days at average.

	as at 31 December	
	2012	**2011**
Current trade and other payables - by currency		
- in Polish currency	221 171	214 029
- in foreign currencies (by currencies and translated to PLN)	13 350	11 798
of which:		
a) in thousands of EUR	2 370	2 187
as translated into thousands of PLN	9 689	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
g) in thousands of UAH	8 919	1 969
as translated into thousands of PLN	3 411	838
	234 521	**225 827**

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

Notes to the consolidated financial statements (continued)

	as at 31 December	
	2012	**2011**
Liabilities due to taxes, duties, social insurance and other contributions		
- personal income tax	2 850	3 232
- calculated corporate income tax	1 790	752
- VAT	10 977	16 276
- social insurance	8 554	8 646
- National Fund for the Rehabilitation of the Disabled PFRON	166	159
	24 337	**29 065**

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 and the activity of the subsidiary ELEKTROBUDOWA Ukraine Ltd., the group's public law liabilities in those countries were as follows:

	as at 31 December	
	2012	**2011**
- in Poland	18 933	23 030
- 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
- in Ukraine	5	46

Notes to the consolidated financial statements (continued)

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 facility		5 000	PLN	0	PLN		
working capital loan		20 000	PLN	(5 000)	PLN		
BANK PEKAO S.A. overdraft facility	Kraków	10 000	PLN	0	PLN	until 30 April 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 facility	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 facility	Warszawa	10 000	PLN	(2 562)	PLN	until 30.09.2013	1 blank bill, debt assignment, enforcement order up to 120 000 thousand PLN
BNP PARIBAS BANK POLSKA S.A. overdraft facility	Warszawa	1 000	PLN			until 15.08.2013	a blank promissory note, general assignment of existing and future receivables, statement of submitting to enforcement
		51 000		**(11 201)**			

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

Notes to the consolidated financial statements (continued)

Current borrowings and debt securities as at 31 December 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 facility	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 facility	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 facility	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
BNP PARIBAS BANK POLSKA S.A. overdraft facility	Warszawa	1 000	PLN	0	PLN	until 06.07.2012	a blank promissory note, general assignment of existing and future receivables, statement of submitting to enforcement
		17 000		**0**			

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

Notes to the consolidated financial statements (continued)

24. Deferred income tax

	as at 31 December	
	2012	**2011**
Deferred income tax assets	**34 962**	**27 200**
- to be recovered after more than 12 months	1 474	1 259
- to be recovered within 12 months	33 488	25 941
Deferred income tax liabilities	**(31 144)**	**(23 506)**
- to be recovered after more than 12 months	(697)	(710)
- to be recovered within 12 months	(30 447)	(22 796)
	3 818	**3 694**

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**	**4 543**	**3 371**	**371**	**2 086**	**16 829**	**27 200**
	-changes credited/charged to financial result	1 634	976	55	(402)	5 537	**7 800**
	-changes credited/charged to equity	0	0		(38)	0	**(38)**
	end of period	**6 177**	**4 347**	**426**	**1 646**	**22 366**	**34 962**
Liabilities	**beginning of period**	**(22 111)**	**0**	**(524)**	**(233)**	**(638)**	**(23 506)**
	-changes credited/charged to financial result	(6 306)	0	(60)	(792)	(383)	**(7 541)**
	-changes credited/charged to equity	0	0	0	(97)	0	**(97)**
	end of period	**(28 417)**	**0**	**(584)**	**(1 122)**	**(1 021)**	**(31 144)**
End of period, total		**(22 240)**	**4 347**	**(158)**	**524**	**21 345**	**3 818**

Notes to the consolidated financial statements (continued)

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

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	3 603	2 904
Additions (of which)	1 187	1 029
- creating a provision (actuarial valuation)	1 187	1 029
Used (for)	(342)	(330)
- payment of pension benefits	(342)	(330)
At end of period	**4 448**	**3 603**

Notes to the consolidated financial statements (continued)

	period ended 31 December	
	2012	**2011**
Movement in current provisions		
At beginning of period	777	4 952
Additions (of which)	1 544	461
- creating a provision for employee benefits	102	236
- creating a provision for warranty repairs	1 442	225
Used (for)	(1 429)	(4 636)
- payment of employee benefits	(179)	(94)
- reversal of provision for employee benefits	(3)	0
- incurred cost of warranty repairs	(1 247)	(42)
- release of other provisions	0	(4 500)
At end of period	**892**	**777**
of which:		
- current provisions for employee benefits	128	208
- current provisions for warranty repairs	764	569

The group's entities create provisions for future payables whose maturities or amounts are not certain.

Particularly, a provision is recognised for corrective works and warranty repairs, as the contracts for the supply of electrical installation services and manufacture and supply of electrical equipment require relevant guarantees to customers. The parent generally creates a provision of up to 0.20% of contract price for warranty repairs and the subsidiary ENERGOTEST sp. z o.o. a provision up to 0.43% of the contract price.

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	7,2% to 10,2%	7,7% to 10%

Notes to the consolidated financial statements (continued)

	period ended 31 December	
	2012	**2011**
Long-term and short-term employee benefit obligations at beginning of period	**3 811**	**2 970**
- interest cost	218	175
- current employment cost	424	354
- benefits paid	(521)	(424)
- actuarial gains/losses on the liability	644	736
Long-term and short-term employee benefit obligations at end of period	**4 576**	**3 811**

The provision for employee benefits is charged to operating expenses.

26. Accrued expenses

	as at 31 December	
	2012	**2011**
Accrued expenses due to:		
- unused holidays	4 517	3 428
- annual bonuses	8 922	4 939
- 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
	17 643	**11 844**

In August 2011 and in January 2012 the Finnish Electrical Workers' Trade Union filed suits against the parent, 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.

Notes to the consolidated financial statements (continued)

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 the parent, 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	31.12.2012	31.12.2011
1. Financial liabilities held for trading		**0**	**7 185**
a) forward contracts in foreign currencies	fair value	0	7 185
2. Other financial liabilities		**273 430**	**248 354**
a) long-term contract retentions from subcontracts	amortised cost	9 987	7 293
b) short-term payables for supplies and services	amortised cost	234 521	225 827
c) other short-term payables	amortised cost	2 078	3 390
d) loans	amortised cost	11 201	0
d) accrued expenses	amortised cost	15 643	11 844
Financial instruments recognised in liabilities - total		**273 430**	**255 539**

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:	5 502	(2 321)
a) derivative financial instruments (forward)	4 764	(7 185)
b) available-for-sale financial assets	738	4 864
Net gains or losses on trade receivables and payables	(10 892)	4 303
Gains / losses on cash	322	682
Total net gains or losses on the financial instruments	**(5 068)**	**2 664**

Notes to the consolidated financial statements (continued)

29. Sales revenues

	period ended 31 December	
	2012	**2011**
Revenue on sales of products, goods and materials		
- construction & installation services	792 167	786 472
- electrotechnical products	210 015	132 009
- other services	20 582	23 460
- materials	6 598	3 274
of which: export	*2 118*	*1 214*
	1 029 362	**945 215**

	period ended 31 December	
	2012	**2011**
Revenue on construction and installation services	792 167	786 472
Change in revenue recognized on an accruals basis	(23 686)	(37 042)
Discount of long-term receivables	335	(308)
Invoiced sales	768 816	749 122
Incurred costs	766 001	741 513
Net amount of gains (losses)	2 815	7 609

30. Construction contracts

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

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

30.1 Amounts due from customers for contract works

	as at 31 December	
	2012	**2011**
Amounts due from customers for contract work	140 712	108 984

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

Notes to the consolidated financial statements (continued)

30.2 Amounts due to customers for contract works

	as at 31 December	
	2012	**2011**
Amounts due to customers for contract work	31 652	23 610

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

31. Cost of products, goods and materials sold

	period ended 31 December	
	2012	**2011**
Expenses by nature		
- depreciation and amortisation	12 042	12 316
- materials and energy	422 824	345 913
- third party services	319 783	340 239
- taxes and charges	4 447	4 524
- salaries and wages	154 218	154 347
- social security and benefits	39 147	35 805
- other expenses by nature, of which:	18 948	20 963
a) representation and advertising expenses	2 573	2 927
b) business travels	12 203	14 235
c) property and personal insurance	2 455	2 977
d) other	1 717	824
Total expenses by nature	**971 409**	**914 107**
Movements in inventories of products and accrued expenses	11 818	(13 740)
Cost of products manufactured for own needs (negative value)	(7 886)	(5 587)
Selling costs (negative value)	(6 481)	(4 256)
General administrative expenses (negative value)	(15 712)	(14 024)
Cost of materials sold	5 883	2 798
Manufacture costs of products sold	**959 031**	**879 298**

Notes to the consolidated financial statements (continued)

32. Other operating expenses

	period ended 31 December	
	2012	**2011**
Other operating expenses		
- commission and fees	(2 490)	(2 334)
- legal charges and penalties	(1 639)	(1 022)
	(4 129)	**(3 356)**

33. Other gains (losses) – net

	period ended 31 December	
	2012	**2011**
Other gains/(losses) - net		
- income from disposal of non-finance fixed assets	21	186
- income from disposal of financial assets	738	4 864
- donations	(172)	(178)
- impairment	(13 013)	(2 513)
- reversal of impairment of valuation	2 654	999
- interests	1 030	1 035
- currency translation differences	(316)	4 990
- forward contract valuation	7 185	(7 185)
- income from executed forward contracts	(2 421)	0
- penalties and compensations	4 454	348
- other	(1 167)	2 457
	(1 007)	**5 003**

34. Finance income (costs) – net

	period ended 31 December	
	2012	**2011**
Net finance income (costs)		
- dividends and share in profits	497	271
- interests	(332)	(12)
	165	**259**

Notes to the consolidated financial statements (continued)

35. Income tax

	period ended 31 December	
	2012	**2011**
Income tax recognized in the statement of comprehensive income, of which:		
- current tax of the finacial year	6 914	7 666
- deferred tax	(259)	1 944
- tax on permanent establishments abroad	1 887	1 374
	8 542	**10 984**

ELEKTROBUDOWA SA levies taxes on its income earned outside Poland by its registered permanent establishments and by the subsidiary ELEKTROBUDOWA Ukraine Ltd. 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%,
- tax rate applicable in Ukraine 21%.

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

	period ended 31 December	
	2012	**2011**
Structure of income tax:		
Gross profit before tax	48 398	49 120
Tax calculated at applicable rates	9 069	10 488
Tax calculated on permanent differences in tax basis	(2 744)	(1 551)
Change in other temporary differences for which no deferred income tax asset was recognized	525	17
Adjusted income tax due to application of tax rate applicable in the country of location of permanent establishment	(195)	656
Income tax on foreign establishments	1 887	1 374
Income tax	**8 542**	**10 984**

Notes to the consolidated financial statements (continued)

36. Earnings per share

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

	Earnings	Shares	Earnings per share
Net profit attributable to equity holders of ELEKTROBUDOWA SA for the period (in PLN)	39 539 801		
Weighted average number of shares		4 747 608	
Basic earnings per share (in PLN)			8,33
Diluted earnings per share (in PLN)			8,33

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

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

37. Dividend per share

2011 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.

The Management Board of KONIP Sp. z o.o. proposes to pay the 2012 profit in the amount of 37 625.57 PLN as dividend.

The Management Board of ENERGOTEST sp. z o.o. proposes to pay the whole 2012 profit in the amount of PLN 2 995 561.75 as dividend, and make a settlement with the advance payment made on account of expected 2012 dividend, pursuant to Articles 194 and 195 of the Polish Code of Commercial Companies.

The Management Board of ELEKTROBUDOWA UKRAINE Ltd. proposes to allocate the whole 2012 profit in the amount of UAH 2 077 883.77 to the supplementary capital

Notes to the consolidated financial statements (continued)

38. Statement of cash flow

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

	period ended 31 December	
	2012	**2011**
Amortisation		
- expenses by nature	12 042	12 316
- other loss, net	124	0
Amortisation in the statement of cash flow	**12 166**	**12 316**

	period ended 31 December	
	2012	**2011**
Interest and share in profits (dividends)		
- net financial gains (losses) acc. to the statement of comprehensive income	(165)	(271)
- interest on leases	0	11
- acc. to the statement of cash flow	**(165)**	**(260)**

	period ended 31 December	
	2012	**2011**
Gains / losses from disposal of PPE		
- acc. to the statement of comprehensive income	(21)	(186)
a) costs relating to sales of fixed assets	(5)	378
b) write-off charge	0	(29)
- acc. to the statement of cash flow	**(26)**	**163**

	period ended 31 December	
	2012	**2011**
Change in available-for-sale financial assets		
- balance sheet change of available-for-sale assets	4 206	28 291
- change in assets recognised in equity	714	(2 885)
- purchase of available-for-sale financial assets	0	4 920
- profit on sale of financial assets	(738)	0
- proceeds from sale of available-for-sale financial assets	(4 920)	(35 190)
- acc. to the statement of cash flow	**(738)**	**(4 864)**

Notes to the consolidated financial statements (continued)

	period ended 31 December	
	2012	**2011**
Movement in trade and other receivables		
- balance sheet change of receivables, of which:	4 982	(50 884)
a) balance sheet change of trade and other receivables recognised in non-current assets	(15 034)	2 488
b) balance sheet change of trade and other receivables recognised in current assets	20 016	(53 372)
- change in net receivables from sale of non-current assets items	(321)	(347)
- paid advance for income tax	1 040	0
- dividend of subsidiaries and associates	0	(426)
Change in trade and other receivables reflected in the statement of cash flow	**5 701**	**(51 657)**

	period ended 31 December	
	2012	**2011**
Movement in trade and other payables		
- Balance sheet change of payables:	6 760	74 198
a) balance sheet change of long-term payables	3 539	2 312
b) balance sheet change of trade payables and other short-term payables	3 106	76 061
c) balance sheet change in provisions	115	(4 175)
- change in net liabilities due to investment expenditure	946	437
- income tax of permanent establishments abroad	(1 887)	(742)
- lease committments	(49)	(59)
Change in liabilities reflected in the statement of cash flow	**5 770**	**73 834**

	period ended 31 December	
	2012	**2011**
Income tax paid		
- current income tax in the statement of comprehensive income	(6 914)	(7 666)
- change in corporate income tax liabilities	225	(5 739)
- paid advance for income tax	(1 040)	0
- income tax paid - foreign branches	0	(632)
Income tax paid reflected in the statement of cash flow	**(7 729)**	**(14 037)**

Notes to the consolidated financial statements (continued)

	period ended 31 December	
	2012	**2011**
Other adjustments		
- valuation of forward contract	(7 185)	7 185
- settlement of fixed assets stocktaking differences	(5)	5
- fixed assets for sale	0	25
- change in currency translation differences	(5 684)	412
Other adjustments in the statement of cash flow	**(12 874)**	**7 627**

	period ended 31 December	
	2012	**2011**
Dividends and share in profits		
- acc. to the statement of comprehensive income	497	271
a) dividend received from associates	0	1 915
- acc. to the statement of cash flows	**497**	**2 186**

39. Joint venture disclosures

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

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.

Notes to the consolidated financial statements (continued)

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

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

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

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

Notes to the consolidated financial statements (continued)

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 the parent, ELEKTROBUDOWA SA entered into a consortium agreement with ZUE S.A. for joint bidding in the public procurement tender for "Construction of the Franowo Tramway Depot in Poznań". As the bid was successful, the parties cooperate also in execution of the project.
ZUE S.A. was selected a consortium leader; the company is entitled to conduct negotiations and represent the consortium before the Purchaser and before third parties. On 13 July 2011 the Consortium concluded a contract for the supply of civil works and other services necessary for the successful completion of the project – construction of the Franowo tramway depot in Poznań.
The contract price 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.

Notes to the consolidated financial statements (continued)

40. Related party transactions

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

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

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

- 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

Year-end balances between the parent and the associated undertakings as at 31 December 2012:

- payables of ELEKTROBUDOWA SA to SAUDI ELEKTROBUDOWA Sp. z o.o.	2	thous PLN
- payables of the Electrotechnical Company VECTOR Ltd. to ELEKTROBUDOWA SA	3 420	thous PLN
- advance payment by ELEKTROBUDOWA SA to SAUDI ELEKTROBUDOWA LLC	261	thous PLN

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

The parent, ELEKTROBUDOWA SA did not extend any guarantees to the associates to secure contract bonds.
In the reportable period costs of receivables, collection of which is doubtful or at risk, arising from transactions with related parties, were not recognized. The entities of the group did not establish provisions for unsettled balances of receivables from related parties as at balance sheet date.

41. Contingencies and contractual obligations

a) guarantees

As of 31 December 2012 and 31 December 2011 the ELEKTROBUDOWA SA group extended contract guarantees to secure contract performance including: advance payment guarantees, bid bonds, performance bonds and warranty bonds, and also to secure legal claims against the parent, through:

Notes to the consolidated financial statements (continued)

	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 Gerling Towarzystwo Ubezpieczeniowe S.A.	2 375	2 859
HDI Asekuracja Towarzystwo Ubezpieczeń S.A.	1 133	0
BNP PARIBAS BANK POLSKA S.A.	398	458
PZU S.A.	0	212
Total amount of guarantees	**215 668**	**243 406**

b) Promissory notes

As of 31 December 2012 the ELEKTROBUDOWA SA group SA issued promissory notes to secure performance bonds, timely debt payment and to secure the repayment, for the total amount of for the total amount of 22 533 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
- 1 blank promissory note in favour of BNP PARIBAS BANK POLSKA S.A. as security for contract bonds.

As of 31 December 2011 ELEKTROBUDOWA SA group issued promissory notes as security for contract performance bonds for the total amount of 16 311 thousand PLN, and also:

- 1 promissory note issued in favour of BRE Bank S.A.o/Katowice as security for guarantee line;
- 10 blank promissory notes as security for claim of T.U. Allianz Polska S.A. from insurance guarantees;
- 1 blank promissory note as security for bank loan and guarantee line in Bank PEKAO S.A.;
- 2 blank promissory notes as security for the loan and guarantee line provided by PKO BP S.A.;
- 1 blank promissory note as security for the guarantee line provided by Bank Handlowy w Warszawie SA.;

Notes to the consolidated financial statements (continued)

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

c) Sureties

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

d) Rental, lease and similar commitments

Estimated value of rent for the lease of offices will amount to 3 314 thousand PLN in the coming year, while in the period over 1 year to 5 years it will be 12 756 thousand PLN.
The contractual value of rent from the lease of offices in 2011 was 3200 thousand PLN.

The parent keeps the off-balance sheet records of land used under the perpetual usufruct right received free of charge by virtue of law provisions in force.
The group's off-balance sheet commitments resulting from the right of perpetual usufruct of land were estimated on the basis of annual rates, announced in the form of administrative decisions, and the period of use. Average period of use of land which the company has the right to use free of charge and which the company purchased is 77 years. The estimated payments for the right of perpetual usufructary of land in the present year will amount to 105 thousand PLN, while in the period above 1 year up to 5 years 421 thousand PLN and over 5 years: 7 580 thousand PLN.

42. Employment

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

	average number of employees	
	in 2012	**in 2011**
Total number of employees	**2 205**	**2 153**
of which:		
Manual jobs	1 196	1 218
White-collar jobs	1 004	930
Persons on child care leaves or unpaid leaves	5	5

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

Notes to the consolidated financial statements (continued)

43. The Management Board and the Supervisory Board

Composition of the Management Boards of the parent and the subsidiaries at 31 December 2012

Management Board
ELEKTROBUDOWA SA

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

Management Board
KONIP Sp. z o.o.

Lamch Tadeusz	-	President

Management Board
ENERGOTEST sp. z o.o.

Klimowicz Arkadiusz	-	President

Executive Body
ELEKTROBUDOWA UKRAINA Ltd.

Karnaushenko Oleksandr	-	Director

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

	period from 1 January 2012 to 31 December 2011			
	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

Notes to the consolidated financial statements (continued)

Management Board				
KONIP Sp. z o.o.	**97**	**30**	**127**	**0**
Lamch Tadeusz	97	30	127	0
Management Board				
ENERGOTEST sp. z o.o.	**360**	**360**	**720**	**2**
Klimowicz Arkadiusz	360	360	720	2
Executive Body				
ELEKTROBUDOWA UKRAINE Ltd.	**41**	**80**	**121**	**0**
Karnaushenko Oleksandr	41	80	121	0

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

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

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

Notes to the consolidated financial statements (continued)

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 2012			
	Remuneration paid			
	Base salary	Bonus for 2011	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			
	Base salary	Bonus for 2010	Total remuneration	Extra benefits *
Management Board ELEKTROBUDOWA SA	**0**	**0**	**0**	**3**
Faltynowicz Jacek	0	0	0	1
Tomaszewski Jarosław	0	0	0	1
Rak Stanisław	0	0	0	1

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

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

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

Notes to the consolidated financial statements (continued)

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

	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

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

Notes to the consolidated financial statements (continued)

The parent's Supervisory Board remuneration policy

The Supervisory Board remuneration policy was established by the General Assembly of the company's 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 of the parent and not yet repaid

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

44. Polish zloty exchange rates

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

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

a) asset and liabilities items – according to the average rate announced by the National Bank of Poland for:
- 31 December 2012 4.0882 PLN / EUR;
- 31 December 2011 4.4168 PLN / EUR.

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

- from 01.01.2012 to 31.12.2012 4.1736 PLN / EUR;
- from 01.01.2011 to 31.12.2011 4.1401 PLN/ EUR.

Notes to the consolidated financial statements (continued)

45. Changes in the applied accounting standards

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

46. Changes in presentation of consolidated financial statements

In the consolidated statement of comprehensive income prepared as at 31 December 2012 a change was introduced in the presentation of comparable data: the 12 thousand PLN amount interest on lease agreements for the period ended 31 December 2011 was carried from “Other gains (losses) – net” item to the “Finance income (costs) – net” item.

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

A contract for reviewing the interim financial statements of ELEKTROBUDOWA SA and the ELEKTROBUDOWA SA group for the period 01.01-30.06.2012 and for auditing the 2012 annual Financial Statements of ELEKTROBUDOWA SA and the 2012 annual Consolidated Financial Statements of the ELEKTROBUDOWA SA group was concluded 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.

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.

Notes to the consolidated financial statements (continued)

Pursuant to Resolution No. 1/2012 of 30 May 2012 of the Extraordinary Meeting of Shareholders of KONIP Sp. z o.o., Deloitte Polska Spółka z ograniczoną odpowiedzialnością sp. k. (former Deloitte Audyt Sp. z o.o.) was appointed to audit the annual 2012 Financial Statements of KONIP Sp. z o.o.
The relevant contract was concluded on 17 September 2012, the agreed remuneration for auditing the subsidiary is 10 thousand PLN.

As in 2011, Deloitte Polska Spółka z ograniczoną odpowiedzialnością sp. k. was also commissioned to review the interim financial statements for the period 01.01.2012 - 30.06.2012 and to audit the annual 2012 Financial Statements of the subsidiary, ENERGOTEST sp. z o.o.
The relevant contract was concluded on 28 May 2012 with the following agreed remuneration (in PLN'000):

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

The remuneration is VAT excluded.

48. Additional information

Comparability of the consolidated financial statements

The comparable data have been presented according to the same accounting principles as were applied for preparation of the consolidated financial statements for 2012.

Legal claims against the parent or subsidiaries

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

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

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

Notes to the consolidated financial statements (continued)

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

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

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

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

Significant events after the balance sheet date

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 confirm that on 20 March 2013 they approve the present consolidated financial statements of the ELEKTROBUDOWA SA group 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	