

THE ELEKTROBUDOWA SA GROUP

Condensed Consolidated Financial Statements

Q1 2014

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(all amounts in thousands of PLN unless otherwise stated)

Consolidated Statement of Financial Position

	31.03.2014 end of quarter 1/2014	31.12.2013 end of prior year/2013	31.03.2013 end of quarter 1/2013
ASSETS			
Non-current assets	179 603	199 527	199 825
Property, plant and equipment	84 878	87 488	88 751
Intangible assets	42 094	40 791	37 907
Investments in associates	18 657	24 228	25 260
Available-for-sale financial assets	2 523	2 523	3 228
Non-current receivables	12 905	24 065	28 458
Deferred income tax assets	15 970	17 768	14 614
Non-current prepayments	2 576	2 664	1 607
Current assets	567 118	576 137	403 396
Inventories	59 767	57 937	64 188
Trade and other receivables	178 198	245 253	192 261
Available-for-sale financial assets	24	24	24
Financial assets held to maturity	510	500	500
Current prepayments	28 076	32 140	9 263
Amounts due from construction contract work	192 452	159 795	105 949
Cash and cash equivalents	107 829	80 488	31 211
Fixed assets held for sale	262	0	0
Total assets	746 721	775 664	603 221
EQUITY AND LIABILITIES			
Equity	320 083	326 724	324 387
Issued share capital	26 375	26 375	26 375
Supplementary capital	328 630	328 630	301 623
Capital from valuation of available-for-sale investment	1 326	1 326	1 896
Exchange differences from translating financial statements	(2 301)	(2 006)	(4 494)
Capital from currency translation differences	(4 312)	(1 412)	1 809
Retained earnings	(30 547)	(27 299)	(3 557)
Total equity attributable to shareholders of the company	319 171	325 614	323 652
Minority interest in equity	912	1 110	735
Liabilities			
Non-current liabilities	18 663	19 404	20 518
Deferred income tax liability	1 309	1 851	3 970
Employee benefit obligations	5 129	5 215	4 426
Other liabilities	12 225	12 338	12 122
Current liabilities	407 975	429 536	258 316
Trade and other payables	300 063	338 248	176 955
Corporate income tax liabilities	8 903	9 064	2 064
Loans, borrowings and debt securities	30 125	5 941	20 677
Provisions	6 377	5 416	827
Accrued expenses	21 935	25 095	23 743
Amounts due to customers for construction contract work	40 572	45 772	34 050
Total liabilities	426 638	448 940	278 834
Total equity and liabilities	746 721	775 664	603 221

The notes presented on pages 8 - 52 are an integral part of these condensed financial statements.

(all amounts in thousands of PLN unless otherwise stated)

Consolidated Statement of Comprehensive Income

	Q1/2014 period from 01.01.2014 to 31.03.2014	Q1/2013 period from 01.01.2013 to 31.03.2013
<u>Continuing operations</u>		
Revenue on sales of products, goods and materials	184 441	166 524
Cost of products, goods and materials sold	(179 349)	(157 837)
Gross profit on sales	5 092	8 687
Selling costs	(595)	(861)
General administrative expenses	(3 795)	(3 745)
Other operating expenses	(3 258)	(1 202)
Other gains - net	1 995	919
Operating loss / profit	(561)	3 798
Finance costs - net	(147)	(238)
Share in net profit of associates measured according to equity method	(1 035)	(316)
Gross loss / profit before income tax	(1 743)	3 244
Income tax expense	(1 385)	510
Net loss / profit from continuing operations for the period	(3 128)	3 754
<u>Discontinued operations</u>		
Net loss / profit from discontinued operations for the period	0	0
Net loss / profit for the period	(3 128)	3 754
<i>of which:</i>		
- attributable to the equity holders of ELEKTROBUDOWA SA	(3 248)	3 834
- attributable to minority holders	120	(80)
Other comprehensive income	(3 513)	1 751
<i>of which::</i>		
Total other comprehensive income reclassifiable to profit or loss	(3 513)	1 751
- exchange differences from translating financial statements	(295)	724
- exchange differences from translation of subsidiaries and associates	(2 900)	992
- exchange differences from translation of minority interests	(318)	35
Total other comprehensive income not reclassifiable to profit or loss	0	0
Total comprehensive income	(6 641)	5 505
<i>of which:</i>		
- attributable to the equity holders of ELEKTROBUDOWA SA	(6 443)	5 550
- attributable to minority holders	(198)	(45)
Loss / earnings per share from continuing and discontinued (in PLN per share)		
- basic	(0,68)	0,81
- diluted	(0,68)	0,81

The notes presented on pages 8 - 52 are an integral part of these condensed financial statements.

THE ELEKTROBUDOWA SA GROUP
Q1 2014 condensed consolidated financial statements

(all amounts in thousands of PLN unless otherwise stated)

Consolidated Statement of Changes in Equity

	Attributable to equity holders of ELEKTROBUDOWA SA								Total equity
	Share capital	Supplementary capital from share premium	Other supplementary capital	Capital from valuation of available-for-sale investment	Exchange differences from translating financial statements	Retained earnings	Capital from translation of subsidiaries and associates	Capital attributable to minority holders	
01.01.2014	26 375	100 676	227 954	1 326	(2 006)	(27 299)	(1 412)	1 110	326 724
<i>currency translation differences</i>					<i>(295)</i>		<i>(2 900)</i>	<i>(318)</i>	<i>(3 513)</i>
<i>net profit</i>						<i>(3 248)</i>		<i>120</i>	<i>(3 128)</i>
total comprehensive income					(295)	(3 248)	(2 900)	(198)	(6 641)
31.03.2014	26 375	100 676	227 954	1 326	(2 301)	(30 547)	(4 312)	912	320 083

The notes presented on pages 8 - 52 are an integral part of these condensed financial statements.

THE ELEKTROBUDOWA SA GROUP
Q1 2014 condensed consolidated financial statements

(all amounts in thousands of PLN unless otherwise stated)

	Attributable to equity holders of ELEKTROBUDOWA SA								Total equity
	Share capital	Supplementary capital from share premium	Other supplementary capital	Capital from valuation of available-for-sale investment	Exchange differences from translating financial statements	Retained earnings	Capital from translation of subsidiaries and associates	Capital attributable to minority holders	
01.01.2013	26 375	100 676	202 952	1 896	(5 218)	(9 396)	817	780	318 882
<i>currency translation differences</i>					3 212		(2 229)	(42)	941
<i>net profit</i>						17 213		372	17 585
<i>valuation of available-for-sale-investments</i>				(704)					(704)
<i>deferred income tax on valuation of available-for-sale investments</i>				134					134
<i>Overstatement of employee benefit deferred income tax on overstatement of employee benefit obligations</i>						(764)			(764)
total comprehensive income				(570)	3 212	16 594	(2 229)	330	17 337
<i>distribution of profit</i>			27 007			(27 007)			0
<i>dividend payment</i>						(9 495)			(9 495)
<i>other changes</i>			(2 005)			2 005			0
31.12.2013	26 375	100 676	227 954	1 326	(2 006)	(27 299)	(1 412)	1 110	326 724

The notes presented on pages 8 - 52 are an integral part of these condensed financial statements.

THE ELEKTROBUDOWA SA GROUP
Q1 2014 condensed consolidated financial statements

(all amounts in thousands of PLN unless otherwise stated)

	Attributable to equity holders of ELEKTROBUDOWA SA								Total equity
	Share capital	Supplementary capital from share premium	Other supplementary capital	Capital from valuation of available-for-sale investment	Exchange differences from translating financial statements	Retained earnings	Capital from translation of subsidiaries and associates	Capital attributable to minority holders	
01.01.2013	26 375	100 676	202 952	1 896	(5 218)	(9 396)	817	780	318 882
<i>currency translation differences</i>					724		992	35	1 751
<i>net profit</i>						3 834		(80)	3 754
total comprehensive income					724	3 834	992	(45)	5 505
<i>other changes</i>			(2 005)			2 005			0
31.03.2013	26 375	100 676	200 947	1 896	(4 494)	(3 557)	1 809	735	324 387

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(all amounts in thousands of PLN unless otherwise stated)

Consolidated Statement of Cash Flow

	Q1/2014 period from 01.01.2014 to 31.03.2014	Q1/2013 period from 01.01.2013 to 31.03.2013
Cash flows from operating activities		
Gross loss / profit before taxes	(1 743)	3 244
Share of net profit of associates measured according to equity method	1 035	316
Depreciation and amortisation	3 186	3 590
Loss from currency exchange differences	(1 862)	(153)
Interest and share in profit (dividends)	147	238
Profit from/loss on sale of property, plant and equipment (PPE)	401	(19)
Change in inventories	(1 830)	(14 652)
Change in trade and other receivables	81 080	74 189
Change in liabilities, except loans and borrowings	(37 241)	(97 456)
Income tax paid	(224)	(249)
Change in current prepayments and accrued expenses	904	(7 336)
Change in non-current prepayments and accrued expenses	88	(47)
Change in settlements of construction contracts	(37 857)	17 239
Other adjustments	(1 648)	879
Net cash used in / generated from operating activities	4 436	(20 217)
Cash flows from investing activities		
Sale of intangible assets and PPE	70	86
Purchase of intangible assets and PPE	(3 053)	(3 227)
Net cash used in investing activities	(2 983)	(3 141)
Cash flows from financial activities		
Loans and borrowings	24 184	9 476
Interest	(147)	(238)
Finance lease payments	(11)	(16)
Net cash generated from financial activities	24 026	9 222
Net increase/decrease in cash and bank overdrafts	25 479	(14 136)
Balance sheet change in cash and bank overdrafts	27 341	(13 983)
Change in cash due to currency translation differences	1 862	153
Cash and bank overdrafts at beginning of period	80 488	45 194
Cash and bank overdrafts at end of period	107 829	31 211

The notes presented on pages 8 - 52 are an integral part of these condensed financial statements.

Notes to the consolidated financial statements

1. General information

1.1 Composition of the group and its principal business

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

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

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

The transformation act was made on 9 January 1992 in the form of a notary deed (Repertory No. 225/92) by the Notary Office no.18 in Warsaw run by the notary public Paweł Błaszczak. The company was entered in Division B under number 7682 to the Commercial Register of the District Court, 10th Register Department Katowice, on the basis of a legally binding decision issued by the said Court on 3 February 1992 (File no. RHB 7682 VII of the Central Commercial Register 48/92).

At present the company is entered in the National Court Register (KRS) at the District Court Katowice-Wschód in Katowice, 8th Business Department, under KRS reference number: 0000074725.

The parent has the tax identification number NIP 634-01-35-506 and the statistical number REGON 271173609.

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

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

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

The business activity of ELEKTROBUDOWA SA includes:

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

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

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

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

Notes to the consolidated financial statements (continued)

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

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

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

A subsidiary - ELEKTROBUDOWA UKRAINE Ltd. with registered office in Zaporizhia Oblast, 69-A, Pivnichne Shose St., 69006 city of Zaporizhia, Ukraine.

The General Meeting of Shareholders of the limited liability company ELEKTROBUDOWA UKRAINE held on 31 March 2014 passed a resolution about changing the registered office address, which was so far 9901 Sevastopol, General Petrov Street, Bldg 20, office 7, Ukraine, and submitting the documents required for registration of the change pursuant to the applicable regulations. Entry of a new registered address of the entity, 69006 Zaporizhia Oblast, city of Zaporizhia, Pivnichne Shose 69-A, St., Ukraine in the Unified State Register of Legal Entities and Individual Entrepreneurs, series AD, No. 152280 was made on 4 April 2014.

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

The objects of ELEKTROBUDOWA UKRAINE 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 – the Power Equipment Production Plant VECTOR Ltd. with registered office in Votkinsk, at 2, Pobiedy Str., the Udmurt Republic of the Russian Federation.

As at 31 March 2014 ELEKTROBUDOWA SA held 49% of VECTOR's share capital. 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 components, parts for electrical vacuum devices, and also providing construction works and wholesale of electrical production equipment, including electrical switching devices.

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

As at 31 March 2014 ELEKTROBUDOWA SA held 33% of shares representing 33% of the share capital of SAUDI ELEKTROBUDOWA, equal to the percentage of voting rights in the General Meeting of Shareholders.

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

Notes to the consolidated financial statements (continued)

1.2 Changes in the composition of the group and their consequences

The structure of the ELEKTROBUDOWA SA Group as at 31 March 2014 was changed compared to 31 March 2013, following liquidation of the associate, KRUELTA Ltd. On 8 August 2013 information was disclosed in the Russian State Register of Legal Entities that the limited liability company KRUELTA ceased its activity. On the basis of the information about the cease of activity of the legal entity, on 8 August 2013 KRUELTA Ltd was removed from the register kept by the tax authority, the Interdistrict Inspectorate No. 15 of the Federal Tax Service for St. Petersburg.

Until the date of removal from the State Register of Legal Entities the associate KRUELTA Ltd had had its registered office at 17a, Magnitogorskaya, Sankt Petersburg, Russia.

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

Ordinary activities of the limited liability company KRUELTA were 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, liquidation 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 been neither discontinued nor reduced in consequence of those actions.

On the day of winding up, i.e. on 8 August 2013, ELEKTROBUDOWA SA owned 49% of KRUELTA's share capital. The percentage share of ELEKTROBUDOWA SA in KRUELTA's capital was equal to the percentage of vote in the General Meeting of Shareholders.

ELEKTROBUDOWA SA participated in the distribution of assets remaining as at the date of winding up of KRUELTA pro rata to the shares owned.

1.3 Going concern concept

In the opinion of the Management Board of ELEKTROBUDOWA SA there are no circumstances indicating that the continuity of the group's business operations 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 will be at risk in the foreseeable time.

Consolidated financial statements of all related companies have been prepared for the same reporting period as those of the parent, according to the consistent accounting principles.

In order to have a better understanding of the financial situation and performance of the group, the present consolidated financial statements should be read jointly with the condensed quarterly separate financial statements prepared by ELEKTROBUDOWA SA for the 1st quarter of 2014.

Notes to the consolidated financial statements (continued)

2. Summary of significant accounting policies

2.1 Statement of compliance with legislation

The Q1 2014 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 (adjusted by the effects of hyperinflation on equity), with the exception of revaluation of some non-current assets and financial instruments which are shown at fair value.

2.3 Consolidation

Subsidiaries

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

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

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

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

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

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 a company;
- purchase of foreign currency and repayment of payables transactions are translated at the selling rate applied by the bank used by a 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 at the balance sheet date are translated at the average exchange rate for each currency announced by the National Bank of Poland.

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

Notes to the condensed financial statements

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

Foreign branches of the parent and the related companies prepare their financial statements in functional currency of the primary economic environment in which the foreign branch, subsidiary or an associate operates.

The statements of financial position and the statements of comprehensive income of the establishments and related companies outside Poland, none of which conducts business in the hyper-inflationary conditions, are translated into the presentation currency as follows:

- assets and liabilities in foreign currency of each presented statement of financial position are translated into Polish currency according to the average closing rate valid at the balance sheet date, announced by the National Bank of Poland;
- items of statement of comprehensive income in foreign currency are translated at average exchange rate for each currency, which is the arithmetic mean of average rates on the last day of each month of the reporting period, and in justified cases – at the arithmetic mean of average rates on the last day of the previous financial year and the last day of a current financial year, announced by the NBP for each currency;
- exchange differences arising from the translation into the Polish currency are recognized in a joint, consolidated statement as a separate item of equity. Exchange differences arising from translation of the financial statements are recognised as income or expense in the period in which the entity located abroad is closed.

2.5 Summary of significant accounting policies

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

The same accounting principles (policies) and calculation methods have been followed in the Q1 2014 condensed consolidated financial statements as in the last annual consolidated financial statements prepared as at 31 December 2013.

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

No operations were discontinued by the group companies in Q1 2014 and no such discontinuation is planned in the following period.

4. Segmental information

Primary reporting format – business segments

Business activity of the group is primarily categorised by industries.

Operations of business segments consist in providing construction and installation services, realization of electric power facilities and automation systems and also manufacturing of electrical and automation equipment.

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

The notes presented on pages 8 - 52 are an integral part of these condensed financial statements.

Notes to the condensed financial statements

- 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 systems 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 turnkey realization of construction projects as a general contractor.
- 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 provides turnkey realization of electrical part of power facilities. It also supplies turnkey power automation systems, such as: protection, synchronization of generators, power supply changeover systems, signal transmission, control and supervision systems, generator excitation and voltage control systems. The segment also manufactures power automation devices and equipment for switchgear panels. The business operations include also provision of expert systems for power industry, water power stations and industrial plants, event and disturbance recording software. The scope of the segment's activities comprises operational and routine tests of electrical equipment and systems in power plants and combined heat & power stations, industrial facilities and high voltage stations and switchyards.
- Other items include other material and not material services provided for external customers.

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

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

(all amounts in thousands of PLN unless otherwise stated)

Notes to the condensed financial statements

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

Business segments results for Q1 2014

	Power Generation Division	Industry Division	Power Distribution Division	Automation Division	All other segments	Group total
Continuing operations						
Sales revenue	80 213	31 754	71 330	8 942	2 885	195 124
of which:						
Revenue from external customers	79 775	31 749	64 379	7 986	552	184 441
Inter-segment sales	438	5	6 951	956	2 333	10 683
Operating loss / profit	3 202	(8 845)	5 764	(1 334)	652	(561)
Financial activities result	0	(10)	(137)	0	0	(147)
Share of net profit of associates measured according to equity method	0	0	(1 035)	0	0	(1 035)
Loss / profit before income tax	3 202	(8 855)	4 592	(1 334)	652	(1 743)
Income tax expense	(853)	(787)	274	223	(242)	(1 385)
Net loss / profit from continuing operations for the period	2 349	(9 642)	4 866	(1 111)	410	(3 128)
Discontinued operations						
Net profit / loss on discontinued operations for the period	0	0	0	0	0	0
Net loss / profit for the period	2 349	(9 642)	4 866	(1 111)	410	(3 128)
of which:						
net profit / loss of equity holders of ELEKTROBUDOWA SA	2 349	(9 642)	4 746	(1 111)	410	(3 248)
net profit of minority shareholders	0	0	120	0	0	120

In 2014 the parent, ELEKTROBUDOWA SA continued the repair actions concerning the Industry Division, which in previous years generated substantial loss on the operating activity in result of performance of several unprofitable projects carried out on a general contracting basis. At the stage of preparing the 2014 budget and performance forecast the company assumed that the existing unprofitable contracts left from that period will be completed and settled during the first half of 2014. The projects are either in the final stage of completion or in the stage of settlement with the purchasers.

Current improvement actions cover two basic areas: redefinition of market strategy and changing the organizational structure of the Industry Division.

Notes to the condensed financial statements

In the scope of its market activity, the Industry Division segment is currently focused on being awarded and performing contracts in the area in which it has and will be developing its key competence, that is overall supply of electrical installations, small current systems, automation and control systems in buildings. An assumption has been made that the gradual recovery that is being observed in the industrial investment market, both in the area of new investments and also in the area of extension and modernization of the existing industrial plant, will provide the possibility to return soon to a satisfying level of revenues from the market segment which provides much higher margins than residential and commercial building industry.

This creates opportunities for the segment, for which industrial construction is to be the main source of income, to obtain projects with such material and financial scope that will allow higher margins and to benefit from the effect of synergy with the other segments, particularly in the scope of automation systems and equipment manufactured by the Power Distribution Division, Power Generation Division and ENERGOTEST sp. z o.o.

As at 31 March 2014 the Industry Division had an order backlog amounting to 230 237 thousand PLN, and in Q1 2014 the Division received orders for the amount of 31 207 thousand PLN, whereas in the same period of the previous year the orders received amounted to 25 641 thousand PLN (growth by 21.7%). The 9 642 thousand PLN net loss generated by the Industry Division in the 1st quarter of 2014 includes the change of the amount of provisions for expected increase of costs to perform contractual services. As at 31 March 2014, provisions for the unprofitable contracts in the Industry Division amounted to 5 522 thousand PLN. The main items of recognized and accounted losses on contracts performed by the Industry Division are principally connected with significant postponement of completion dates of two projects, "Turnkey site engineering and construction of the Integrated Transport Centre at Poznań Główny railway station" for Poznań City Center I Sp. z o.o. and "Civil works and other services required for the completion of project - construction of the Franowo tramway depot in Poznań" for Miejskie Przedsiębiorstwo Komunikacyjne w Poznaniu Sp. z o.o. The works still continued on these projects are in their final stage and include the acceptance and financial settlement of works, but yet again the deadlines have been postponed, what substantially increases fixed construction costs which are not certain to be collectable from the investor. A list of projects for which the provisions have been created is presented in the table below.

Industrial construction sector is marked with grater reliability and financial strength of investors. In previous years the Industry Division faced considerable problems concerning payment gridlocks relating to the orders carried out for the customers, investors or general contractors in the civil building industry and developers. Financial condition of companies in this segment is still bad and is the reason of delays in payment for the performed works. As at 31 March 2014 overdue receivables of the Industry Division segment amounted to 32 091 thousand PLN compared to 24 390 thousand PLN at 31 March 2013, which is a 31.6% growth. In Q1 2014 the provisions for impairment of receivables were created in the Industry Division in the amount of 167 thousand PLN, while in Q1 2013 it was 1167 thousand PLN. A drop in accrual of bad debt is a definitely positive phenomenon. Provisions for receivables created by the Industry Division segment in the reportable period accounted for 24.8% of total provisions created by the group. As at 31 March 2014 the amount of provisions for impairment of the Industry Division receivables was 16 775 thousand PLN, while total impairment provisions of the group amounted to 23 810 thousand PLN. The Industry Division had a 70.5% share in total impairment provisions of the group.

Notes to the condensed financial statements

Modification of the organisational structure of the Industry Division, mentioned earlier, covers the actions associated with formation and development of competence of teams responsible for implementation of projects and also review and modification of processes to streamline the organizational structure of the Division, including liquidation of one of the organizational levels (project realization offices), what should lead to significant decrease of indirect expenses. The first financial effects of the cost-cutting actions are planned to be seen as early as in the end of Q2 and beginning of Q3 2014, the aimed results should be achieved in the fourth quarter of the year. The above actions are correlated with the parallel measures focused on processes to support operational activity across the whole company, including centralization of selected functions, first of all within logistics, human resources and finance management and also modification of tools applied in managing the flow of information and controlling.

The consolidated financial statement of the group, compared to the separate statements prepared by ELEKTROBUDOWA SA, includes one more business segment, Automation Division, represented by the subsidiary, ENERGOTEST sp. z o.o. In Q1 2014 the Automation Division recognised a loss in the net amount of 1 111 thousand PLN. Periodization of carried out services and, consequently, sales has been the inherent feature of the Automation segment for years. Circumstances of the market, where ENERGOTEST sp. z o.o. operates, ways of contracting, development of investment plans by contractors, involve transferring sales revenue to further quarters of a financial year. Losses generated in the first quarter, mainly by fixed costs, are made up for in subsequent quarters of the financial year. The greatest profitability is achieved by the Automation Division in the fourth quarter.

(all amounts in thousands of PLN unless otherwise stated)

Notes to the condensed financial statements

Recognised losses in the reportable period have been principally generated by the following contracts:

Contract title	Provisions as at 31.12.2013	Provisions created in Q1 2014	Release of provisions in Q1 2014	Provisions as at 31.03.2014
Overall engineering and construction of the investment project related to the Integrated Transport Centre at the site of Poznań central station for Poznan City Center Sp. z o.o.	758	1 729	0	2 487
Civil works and other services required for the completion of the project - construction of the Franowo tram depot in Poznań for MPK Poznaniu Sp. z o.o.	5 030	0	3 711	1 319
The Stanislaw Moniuszko Filharmonic in Koszalin – construction of a concert hall for the Koszalin municipal commune	859	0	318	541
Supply, installation, testing and putting to operation of electrical services at the site of Złota 44 Tower, Warsaw for INSO Sistemi per le Infrastrutture Sociali S.p.A.	0	480	2	478
Civil works relating to modernization of railway Line 9, section from KM184,800 to KM 236.920 in the area of Local Control Centre LCS Ława for BUDIMEX S.A	218	0	3	215
Construction of the Kaufland shopping facility on the plot located in Gryfice for Kaufland Polska Markety Sp. z o.o. Sp. K.	571	186	620	137

The notes presented on pages 8 - 52 are an integral part of these condensed financial statements.

(all amounts in thousands of PLN unless otherwise stated)

Notes to the condensed financial statements

Other items of business segments recognized in the consolidated statement of comprehensive income for Q1 2014

	Power Generation Division	Industry Division	Power Distribution Division	Automation Division	All other segments	Group total
depreciation	850	261	521	147	682	2 461
amortisation	72	37	498	83	35	725

Business segments results for Q1 2013

	Power Generation Division	Industry Division	Power Distribution Division	Automation Division	All other segments	Group total
<u>Continuing operations</u>						
Sales revenue	74 960	43 458	44 273	9 587	3 014	175 292
of which:						
Revenue from external customers	74 954	43 430	39 435	8 085	620	166 524
Inter-segment sales	6	28	4 838	1 502	2 394	8 768
Operating loss / profit	2 064	1 989	606	(801)	(60)	3 798
Financial activities result	(63)	(106)	(69)	0	0	(238)
Share of net profit of associates measured according to equity method	0	0	(316)	0	0	(316)
Profit / loss before income tax	2 001	1 883	221	(801)	(60)	3 244
Income tax expense	342	918	(857)	127	(20)	510
Net loss / profit from continuing operations for the period	2 343	2 801	(636)	(674)	(80)	3 754
<u>Discontinued operations</u>						
Net profit / loss on discontinued operations for the period	0	0	0	0	0	0
Net loss / profit for the period	2 343	2 801	(636)	(674)	(80)	3 754
of which:						
net profit / loss of equity holders of ELEKTROBUDOWA SA	2 343	2 801	(556)	(674)	(80)	3 834
net loss of minority shareholders	0	0	(80)	0	0	(80)

The notes presented on pages 8 - 52 are an integral part of these condensed financial statements.

(all amounts in thousands of PLN unless otherwise stated)

Notes to the condensed financial statements

Other items of business segments recognized in the consolidated statement of comprehensive income for Q1 2013

	Power Generation Division	Industry Division	Power Distribution Division	Automation Division	All other segments	Group total
depreciation	988	347	466	160	695	2 656
amortisation	68	54	705	62	45	934

Assets and liabilities of business segments at 31 March 2014

	Power Generation Division	Industry Division	Power Distribution Division	Automation Division	All other segments	Group total
Assets	197 850	127 310	234 717	51 700	135 144	746 721
Liabilities	164 117	133 403	150 698	10 281	(31 861)	426 638
Capital expenditure	257	100	1 858	283	380	2 878

Assets and liabilities of business segments at 31 December 2013

	Power Generation Division	Industry Division	Power Distribution Division	Automation Division	All other segments	Group total
Assets	247 065	137 168	234 101	53 872	103 458	775 664
Liabilities	171 723	138 179	120 589	11 488	6 961	448 940
Capital expenditure	2 602	791	9 912	827	3 267	17 399

Assets and liabilities of business segments at 31 March 2013

	Power Generation Division	Industry Division	Power Distribution Division	Automation Division	All other segments	Group total
Assets	200 318	140 392	137 793	48 406	76 312	603 221
Liabilities	97 682	106 646	59 181	9 856	5 469	278 834
Capital expenditure	263	146	1 306	302	1 099	3 116

Impairment of receivables by business segments

	Power Generation Division	Industry Division	Power Distribution Division	Automation Division	All other segments	Group total
at 31.03.2014	2 500	16 775	4 280	240	15	23 810
at 31.12.2013	2 340	16 828	4 690	262	7	24 127
at 31.03.2013	2 120	9 210	6 231	193	7	17 761

The notes presented on pages 8 - 52 are an integral part of these condensed financial statements.

Notes to the condensed financial statements

Secondary reporting format – geographical segments

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

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

	Q1 2014 period from 01.01.2014 to 31.03.2014	Q1 2013 period from 01.01.2013 to 31.03.2013
Revenue on sales of products, goods and materials		
- domestic market	165 910	115 532
- East-European market	7 526	10 602
- Skandinavian market	5 177	24 364
- Turkish market	3 123	1 036
- Southwestern Asia	1 219	6 327
- Western Europe	1 057	8 663
- Central Asia	375	0
- African market	54	0
	184 441	166 524

The main geographical area of the group's operations in Q1 2014 was the domestic market (90% of sales revenues), East-European markets (4%), the Nordic countries market (3%), and the Turkish market (2%).

Information about key customers

The revenue from direct sales generated by the Power Generation Division in the amount of 79.8 million PLN (75.0 million PLN in Q1 2013) includes the 16.4 million PLN revenue from the contract concluded with the group's biggest customer (in Q1 2013 it was 24.2 million PLN). In Q1 2014 the revenue accounted for 8.9% while in Q1 2013 for 14.5% of total revenues generated by the group.

The revenue from direct sales generated by the Power Distribution Division in the amount of 64.4 million PLN (39.4 million PLN in Q1 2013) includes the 12.8 million PLN revenue from the contract concluded with the group's second biggest customer (in Q1 2013 it was 8.5 million PLN). In Q1 2014 the revenue accounted for 6.9% while in Q1 2013 for 5.1% of total revenues generated by the group.

The Q1 2014 the revenue from the two biggest customers accounted for 15.8% of total group's revenues, against 19.6% in Q1 2013.

Notes to the condensed financial statements

5. Loss / earnings per share

Calculation of loss per ordinary share for Q1 2014:

	Loss	Shares	Loss per share
Net loss attributable to the equity holders of ELEKTROBUDOWA SA for the period (in PLN)	(3 248 246)		
Weighted average number of shares		4 747 608	
Basic loss per share (in PLN)			(0,68)
Diluted loss per share (in PLN)			(0,68)

Calculation of earnings per ordinary share for Q1 2013:

	Earnings	Shares	Earnings per share
Net profit attributable to the equity holders of ELEKTROBUDOWA SA for the period (in PLN)	3 833 748		
Weighted average number of shares		4 747 608	
Basic profit per share (in PLN)			0,81
Diluted profit per share (in PLN)			0,81

6. Book value per share

	31.03.2014 end of quarter 1/2014	31.12.2013 end of prior year/2013	31.03.2013 end of quarter 1/2013
equity attributable to shareholders of ELEKTROBUDOWA SA	319 171	325 614	323 652
number of shares (pieces)	4 747 608	4 747 608	4 747 608
book value per share (in PLN)	67,23	68,58	68,17

7. Dividend per share, paid or declared by the parent

The Management Board of ELEKTROBUDOWA SA proposes to pay dividend from the 2013 profit in the amount of 9 495 216.00 PLN, that is 2.00 PLN per share. The dividend is subject to the shareholders' approval at the AGM and was not recognized in liabilities in the present Financial statements.

Notes to the condensed financial statements

8. Composition of the Management Board and Supervisory Board

Composition of the Management Boards of the parent and subsidiaries as of 31 March 2014

Management Board

ELEKTROBUDOWA SA

Faltynowicz Jacek	-	President
Bober Ariusz	-	Member
Juszczak Janusz	-	Member
Klimowicz Arkadiusz	-	Member
Świgulski Adam	-	Member
Wołek Sławomir	-	Member

Management Board

KONIP Sp. z o.o.

Lamch Tadeusz	-	President
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Management Board

ENERGOTEST sp. z o.o.

Klimowicz Arkadiusz	-	President
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Executive Body

ELEKTROBUDOWA UKRAINE Ltd.

Karnaushenko Oleksandr	-	Director
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Composition of the Supervisory Board of the parent as of 31 March 2014

Supervisory Board

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

9. Polish zloty exchange rate

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

In the table "Selected Financial Data" of the condensed consolidated financial statements concerning ELEKTROBUDOWA SA group, the items for Q1 2014 and Q1 2013 as well as for the year 2013 have been translated into EUR as follows:

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

- 31 March 2014	4.1713 PLN / EUR;
- 31 December 2013	4.1472 PLN / EUR;

The notes presented on pages 8 - 52 are an integral part of these condensed financial statements.

(all amounts in thousands of PLN unless otherwise stated)

Notes to the condensed financial statements

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

- from 1 January 2014 to 31 March 2014 4.1894 PLN / EUR;
- from 1 January 2013 to 31 March 2013 4.1738 PLN / EUR.

10. Related-party transactions

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

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

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

	Q1 2014 period 01.01.2014 - 31.03.2014	Q1 2013 period 01.01.2013 - 31.03.2013
a) sales:		
- sales of goods – the Power Equipment Production Plant VECTOR Ltd.	1 565	8 186
- sales of materials - the Power Equipment Production Plant VECTOR Ltd.	88	295
b) purchases:		
- purchase of services – VECTOR Ltd.	1	0
- purchase of services - KRUELTA Ltd.	0	17

Mutual balances between the parent and its associates as at 31 March 2014:

	as at 31.03.2014	as at 31.12.2013	as at 31.03.2013
- payables of ELEKTROBUDOWA SA to VECTOR Ltd.	1	9	0
- receivables of ELEKTROBUDOWA SA from "VECTOR" Ltd.	3 083	4 242	5 528
- receivables of ELEKTROBUDOWA SA from SAUDI ELEKTROBUDOWA LLC	243	241	0
- downpayment by ELEKTROBUDOWA SA to SAUDI ELEKTROBUDOWA LLC	133	0	261

The notes presented on pages 8 - 52 are an integral part of these condensed financial statements.

(all amounts in thousands of PLN unless otherwise stated)

Notes to the condensed financial statements

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

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

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

Figures relating to subsidiaries and associates:

As of 31 March 2014 the consolidation adjustments of the group were made for the amount of:	(32 934)	thous. PLN
which include:		
- adjustment of the share capital of subsidiaries, attributable to the company's shareholders	(931)	thous. PLN
- adjustment of the supplementary capital of subsidiaries	(21 679)	thous. PLN
- exchange differences from translation of associates	(3 699)	thous. PLN
- adjustment of current year's net profit in the amount of	(2 804)	thous. PLN
o share in net profit of associates measured according to the equity method including income tax	23	thous. PLN
adjustment of net profit of subsidiaries	9	thous. PLN
adjustment of net profit of associates	(2 836)	thous. PLN
adjustment of dividend received from settlement of profit	255	thous. PLN
- adjustment of prior year's net profit, of which:	(3 147)	thous. PLN
➤ adjustment of net profit of subsidiaries	3 402	thous. PLN
➤ adjustment of net profit of associates	(4 076)	thous. PLN
- adjustment of mutual settlements in the amount of	(931)	thous. PLN

Internal sales

In the consolidated financial statements consolidation exclusions were done in respect of revenue from sales between fully consolidated entities in the amount (5 937) thousand PLN.

Exclusions of unrealised gains

As of 31 March 2014 the unrealised gains from transactions between subsidiaries belonging to the group in the amount of 8 thousand PLN were excluded.

(all amounts in thousands of PLN unless otherwise stated)

Notes to the condensed financial statements

Investment in associates

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

	KRUDELTA Ltd.	The Power Equipment Production Plant VECTOR Ltd.	SAUDI ELEKTROBUDOWA LLC
Data of associates as at 31 March 2014			
total non-current assets	0	24 784	30
total current assets	0	25 807	564
long-term liabilities	0	594	0
short-term liabilities	0	11 658	985
Data of associates for Q1 2014			
revenue from sales of products, goods and materials	0	9 161	0
cost of products, goods and material sold	0	8 280	0
Data of associates as at 31 March 2013			
total non-current assets	0	31 362	42
total current assets	1 78	45 589	525
long-term liabilities	0	605	0
short-term liabilities	0	26 551	600
Data of associates for Q1 2013			
revenue from sales of products, goods and materials	0	20 285	32
cost of products, goods and material sold	0	16 755	75

With effect from 8 August 2013, the limited liability company KRUDELTA discontinued its business activity and was struck off from the Russian State Register of Legal Entities.

On the day of liquidation ELEKTROBUDOWA SA held a share in KRUDELTA equal to 49% of its share capital.

ELEKTROBUDOWA SA participated in the distribution of assets remaining as at the date of winding up of KRUDELTA pro rata to the shares owned.

(all amounts in thousands of PLN unless otherwise stated)

Notes to the condensed financial statements

11. Current liabilities due to loans and borrowings

Current liabilities due to loans and borrowings – as at 31 March 2014

Lender	Registered office	Contractual loan amount		Amount to be repaid		Rate of interest	Contract validity
		PLN'000	curr	PLN'000	curr		
ING BANK ŚLĄSKI S.A. overdraft	Katowice	5 000	PLN	1 328	PLN	WIBOR 1M	18.12.2015
working capital loan		12 000	PLN	12 000	PLN	+bank commission WIBOR 1M	30.06.2014
BANK HANDLOWY S.A. overdraft	Warsaw	15 000	PLN	707	PLN	WIBOR 1M	14.10.2014
working capital loan		52 000	PLN	13 646	PLN	+bank commission WIBOR 1M	31.12.2017
limit for credit cards		200	PLN			+bank commission	
BANK PEKAO S.A. overdraft	Cracow	10 000	PLN	0	PLN	WIBOR 1M	30.04.2014
PKO BP SA overdraft	Warsaw	5 000	PLN	0	PLN	+bank commission WIBOR 1M	20.02.2015
mBank S.A. overdraft	Warsaw	10 000	PLN	2 444	PLN	WIBOR ON	30.09.2014
BNP PARIBAS BANK POLSKA S.A. overdraft	Warsaw	1 000	PLN	0	PLN	+bank commission WIBOR 1M	13.08.2014
		110 200		30 125			

The notes presented on pages 8 - 52 are an integral part of these condensed financial statements.

(all amounts in thousands of PLN unless otherwise stated)

Notes to the condensed financial statements

Current liabilities due to loans and borrowings – as at 31 December 2013

Lender	Registered office	Contractual loan amount		Amount to be repaid		Rate of interest	Contract validity
		PLN'000	curr	PLN'000	curr		
ING BANK ŚLĄSKI S.A. overdraft	Katowice	5 000	PLN	0	PLN	WIBOR 1M +bank commission	18.12.2015
working capital loan		47 000	PLN	0	PLN	WIBOR 1M +bank commission	30.06.2014
BANK HANDLOWY S.A. overdraft	Warsaw	15 000	PLN	0	PLN	WIBOR 1M +bank commission	14.10.2014
working capital loan		52 000	PLN	5 400	PLN	WIBOR 1M +bank commission	31.12.2017
limit for credit cards		200	PLN		PLN		
BANK PEKAO S.A. overdraft	Cracow	10 000	PLN	541	PLN	WIBOR 1M +bank commission	30.04.2014
PKO BP S.A. overdraft	Warsaw	5 000	PLN	0	PLN	WIBOR 1M +bank commission	20.02.2015
mBank S.A. (former BRE BANK S.A.) overdraft	Warsaw	10 000	PLN	0	PLN	WIBOR ON +bank commission	30.09.2014
BNP PARIBAS BANK POLSKA S.A. overdraft	Warsaw	1 000	PLN	0	PLN	WIBOR 1M +bank commission	13.08.2014
		145 200		5 941			

The notes presented on pages 8 - 52 are an integral part of these condensed financial statements.

(all amounts in thousands of PLN unless otherwise stated)

Notes to the condensed financial statements

Current liabilities due to loans and borrowings – as at 31 March 2013

Lender	Registered office	Contractual loan amount		Amount to be repaid		Rate of interest	Contract validity
		PLN'000	curr	PLN'000	curr		
ING BANK ŚLĄSKI S.A. overdraft	Katowice	5 000	PLN	1 349	PLN	WIBOR 1M + bank commission	18.12.2015
working capital loan		20 000	PLN	4 465	PLN	WIBOR 1M + bank commission	30.06.2014
BANK PEKAO S.A. overdraft	Cracow	10 000	PLN	9 651	PLN	WIBOR 1M + bank commission	30.04.2014
PKO BP S.A. overdraft	Warsaw	4 900	PLN	3 887	PLN	WIBOR 1M + bank commission	20.02.2015
mBank S.A. overdraft	Warsaw	10 000	PLN	1 325	PLN	WIBOR ON + bank commission	30.09.2013
BNP PARIBAS BANK POLSKA S.A. overdraft	Warsaw	1 000	PLN	0	PLN	WIBOR 1M + bank commission	13.08.2014
		50 900		20 677			

The notes presented on pages 8 - 52 are an integral part of these condensed financial statements.

Notes to the condensed financial statements

12. Contingent liabilities

a) guarantees

As at 31 March 2014, 31 December 2013 and 31 March 2013 the ELEKTROBUDOWA SA group extended contract guarantees, comprising advance payment bonds, bid bonds, performance bonds and warranty bonds, guarantees securing the claim enforced against the company in judicial proceedings, and ensuring timely payment of debt, through:

	as at 31 March 2013	as at 31 Dec 2013	as at 31 March 2013
PKO BP S.A.	265 550	265 187	89 974
mBank S.A.	60 394	54 025	65 933
Bank PEKAO S.A.	49 374	51 927	47 044
Bank Handlowy w Warszawie S.A.	37 281	41 971	22 208
T.U. ALLIANZ POLSKA SA	34 919	33 948	32 020
ING Bank Śląski S.A.	6 981	7 517	9 146
PZU S.A.	6 717	2 177	0
BNP PARIBAS BANK POLSKA S.A.	3 182	3 280	2 470
Towarzystwo Ubezpieczeń Euler Hermes S.A.	3 143	3 143	11 919
HDI Gerling Towarzystwo Ubezpieczeniowe S.A.	1 380	1 433	2 087
HDI Asekuracja TU S.A.	1 133	1 133	1 133
Total amount of guarantees	470 054	465 741	283 934

In the period from January through March 2014 the group entities provided security in the form of guarantees in the total amount of 40.1 million PLN.

In Q1 2014 the ELEKTROBUDOWA SA group did not provide any guarantee whose total amount concerning one customer would exceed 10% of the equity. Main beneficiaries of the guarantees submitted by the group were:

- a) ANWIL S.A. – total amount of guarantees was 15.4 million PLN and included:
 - advance payment bond 13.5 million PLN;
 - contract performance bond 1.4 million PLN;
 - defect liability bond 0.5 million PLN.
- b) Babcock Noell GmbH - total amount of guarantees was 5.9 million PLN and included:
 - contract performance bond 1.7 million PLN;
 - advance payment bond 4.2 million PLN.

Notes to the condensed financial statements

b) Promissory notes

As of 31 March 2014 the group issued promissory notes to secure performance bond, timely payment of debt and to secure repayment for the total amount of 21 037 thousand PLN, and also:

- 1 promissory note issued in favour of mBank S.A. o/Katowice as security for the credit facility used for financing current operations;
- 10 promissory notes in favour of T.U. Allianz Polska SA as security for the contract guarantees agreement;
- 1 promissory note in favour of Bank PEKAO S.A. as security for the multi-purpose limit agreement;
- 2 promissory notes issued in favour of HDI Asekuracja Towarzystwo Ubezpieczeniowe S.A. as security for the contract guarantees agreement;
- 2 blank promissory notes as security for overdraft and a guarantee line provided by the Bank PKO BP S.A.;
- 3 promissory notes in favour of Bank Handlowy w Warszawie SA as security for the revolving line for guarantees and security for credit agreements;
- 10 promissory notes in favour of TU Euler HERMES S.A. as security for contract guarantees agreement;
- 5 promissory notes in favour of PZU S.A. as security for contract guarantees;
- 1 blank promissory note in favour of BNP PARIBAS BANK POLSKA S.A. as security for extended guarantees.

As of 31 December 2013 the ELEKTROBUDOWA SA group issued promissory notes as security for contract performance bonds, timely payment of debt and as payment guarantee for the total amount of 20 960 thousand PLN, and also:

- 1 promissory note issued in favour of mBank 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 the contract guarantees agreement;
- 1 blank promissory note as security for multipurpose limit in the account in Bank PEKAO S.A.;
- 2 promissory notes in favour of HDI Asekuracja issued as security for the contract guarantees agreement;
- 2 promissory notes as security for the overdraft limit in the current account and the guarantee line for Bank PKO BP S.A.;
- 3 promissory notes as security for the revolving guarantee line and to secure credit agreements with Bank Handlowy w Warszawie SA.;
- 10 promissory notes in favour of T.U. Euler HERMES issued as security for contract guarantees agreement;
- 5 promissory notes in favour of PZU SA to secure contract guarantees agreement;
- 5 promissory notes, incl. agreement, in favour of HDI Gerling Polska SA issued as security for the contract bonds agreement
- 1 blank promissory note in favour of BNP PARIBAS BANK POLSKA S.A. as security for contract bonds.

As of 31 March 2013 the group issued promissory notes for the total amount of 22 912 thousand PLN, and also:

- 1 promissory note issued in favour of BRE Bank S.A. o/Katowice as security for the credit facility used for financing current operations;
- 10 promissory notes in favour of T.U. Allianz Polska SA as security for the contract guarantees agreement;

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Notes to the condensed financial statements

- 1 blank promissory note as security for a loan and guarantee line in Bank PEKAO S.A.;
- 10 promissory notes issued in favour of HDI Asekuracja as for the contract guarantees agreement;
- 2 blank promissory notes as security for overdraft and a guarantee line provided by the Bank PKO BP S.A.;
- 1 promissory note as security for the guarantee revolving line provided by Bank Handlowy w Warszawie SA;
- 10 promissory notes in favour of TU Euler Hermes S.A. as security for guarantees agreement;
- 1 blank promissory note in favour of BNP PARIBAS BANK POLSKA S.A. as security for extended guarantees.

c) Sureties

As at 31 March 2014, 31 December 2013 and 31 March 2013 the group did not grant any sureties.

13. Changes in the applied accounting standards

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

14. Additional notes

Seasonality of business

It can be supposed from market analyses that the year 2014 will be a groundbreaking period for the building sector. Recent findings of the construction business activity research show a growing trend. Despite seasonality of building industry, the 1st quarter of 2014 recorded a five-point growth of the business index compared to the 4th quarter of 2013. In the period January - March building and construction output was 10.6% higher than in the same period of the previous year. Favourable assessment of the production activity of the industry in the 1st quarter of 2014 is correlated with the improvement of general economic situation and allows optimistic forecasts for the coming months. A substantial change should be expected in the volume of output and the financial situation of construction companies and also in the volume of orders, domestic and foreign.

In the 1st quarter of 2014 the parent, ELEKTROBUDOWA SA received orders on the level of 159.6 million PLN. Compared to the 1st quarter of 2013, when orders received by the parent totaled 655.1 million PLN, it is a drop in value of the concluded contracts by 75.6%, but it must be remembered that at the same time the order backlog at 31 March 2014, including contracts being performed and pending performance, reached the level of 1 773.7 million PLN, by 38.4% higher than on 31 March 2013 when it totaled 1 281.5 million PLN. The volume of order backlog at the end of the first quarter corresponds to the values assumed in the parent's budget for 2014. It must be explained that the considerably high volume of orders received in Q1 2013 was the effect of signing the contracts for the supply of electrical substations SE Byczyna and Skawina for the total price exceeding 430 million PLN in that period.

(all amounts in thousands of PLN unless otherwise stated)

Notes to the condensed financial statements

Revenue from the sales of products, goods and materials generated by the group in the first quarter of 2014 amounted to 184.4 million PLN, which accounts for 14.9% of the revenues budgeted for 2014. Compared to the same period of 2013 the sales revenue rose 10.8%. Exceptionally mild winter created favourable conditions for work on construction sites. Seasonality of the building industry did not deteriorate production activity of the building companies during the winter, however, periodization of sales has always been an inherent attribute of the construction sector. After a tough beginning of the year, the company's sales revenue rose markedly in further months. The significant growth in revenue in Q1 2014 concerned mainly the supply of finished products to the domestic market. The impact of seasonality on performance of construction and erection services was accounted for as early as at the stage of preparation of the 2014 company budget, which also considered the schedules of contractual works included in the contracts.

The growth rate of revenue is correlated with the growth rate of prime cost of products, goods and materials sold. The incurred prime cost after the first quarter of 2014 amounted to 183.7 million PLN, equivalent to 15.5% of costs budgeted for 2014. Cost of goods sold after the three months of 2014 was 13.1% higher than in the same period of the previous year. Relation between rate of changes in revenue and own cost formed the profit on sales on the level that was 3.4 million PLN lower than the profit generated in Q1 2013. Having accounted for the result of other operating and financing activities, the loss before taxation amounted to 1.7 million PLN. The first quarter of 2013 was closed with the 3.2 million PLN profit before taxes (a decrease by 4.9 million PLN). The net loss generated in the period from January through March 2014 was 3.1 million PLN while in the same period of the previous year the group earned net profit in the amount of 3.8 million PLN. The results of the current period were greatly affected by highly instable political situation in Russia and Ukraine, where two entities of the ELEKTROBUDOWA SA group carry on their business operations. Through the Power Equipment Production Plant VECTOR Ltd. the parent exports its products to the Russian market, while in the Ukrainian market ELEKTROBUDOWA SA promotes and sells finished products through the subsidiary, ELEKTROBUDOWA Ukraine Ltd.

The group's priorities of the coming months include further improvement of operational effectiveness, improvement of project management process and optimization of purchase processes and financing of operating activity.

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

	as at 31.03.2014 end of quarter 1/2014	as at 31.12.2013 end of prior year/2013	as at 31.03.2013 end of quarter 1/2013
Non-current assets held for sale			
a) fixed assets, including:			
- technical equipment and machines	145	0	0
- other tangible assets	117	0	0
	262	0	0

The notes presented on pages 8 - 52 are an integral part of these condensed financial statements.

Notes to the condensed financial statements

In Q1 2014 the parent, ELEKTROBUDOWA SA commenced actions in order to liquidate some items of fixed tangible assets, as there is no longer a demand for their continuous use. Estimation of the market value of assets which are held to sale was commissioned to an independent appraiser. As the items to be measured are technical means for which there is an active market, their market value was established with the use of a direct comparison approach. In the consolidated statement of financial situation prepared as at 31 March 2014 ELEKTROBUDOWA SA separated the tangible property items and presented them in the Statement of Financial Position in the line "Non-current assets held for sale". Non-current assets classified as held to be sold were measured at the lower of initial carrying amount and fair value. Results of the measurement in the amount of 90 thousand PLN were charged to other net loss in the statement of comprehensive income.

Legal claims against the parent company and the related parties

In August 2011 and in January 2012 the Finnish Electrical Workers' Trade Union filed suits against the parent, ELEKTROBUDOWA SA as an employer employing its workers at the site of Olkiluoto Nuclear Power Plant for payment of total amount of €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 raised by ELEKTROBUDOWA SA arguments of violation of the EU legislation, total amount of claim was reduced to 4 360 299.41 EUR.

The claimed amount is subject to constant verification. In June 2013 the Finnish Electrical Workers' TU submitted a statement concerning extension of claim by a further period from 1 September 2011 to 30 June 2012 (earlier claim covered the period up to August 2011). According to the TU the amount of claim concerning 186 employees of the company is 6 648 383.15 EUR now. Having no possibility to comment on the supplementation of the suit of 14 June 2013 filed by the Finnish Electrical Workers' Trade Union, on 11 September 2013 ELEKTROBUDOWA SA submitted a statement to the District Court in Rauma, referring to the supplementation of the suit by the claimant. In the statement, ELEKTROBUDOWA SA objected to the claims of the TU and rejected the supplementation of the suit, arguing that the submitted suit in its amended scope (by the amount of 2 288 083.74 EUR), was not analysed within the court proceedings.

Because of complexity of the case and the fact that the claim concerns 186 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 lawyers' firm in Finland to represent the company in proceedings at law. The Management Board of the parent are 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 of the parent, at the initial stage of the proceedings seems unjustified, at least in its major part.

On 18 September 2012 there was a preliminary (preparatory) hearing in the District Court Satakunta in Rauma, with the participation of representatives of ELEKTROBUDOWA SA and lawyers representing the company and also the lawyers representing the Finnish Electrical Workers' Trade Union.

Notes to the condensed financial statements

The proceedings were to agree upon a set of questions relating to the dispute, which would be a base for the decision issued by the District Court Satakunta on 12 July 2013 to refer to the Court of Justice of the European Union for preliminary ruling on the issue of assigning the employees' claim concerning their wages to the Trade Union and for interpretation of minimum wage according to the Directive of the European Parliament and of the Council. The Court applied for expedited preliminary ruling procedure in the issue of assignment of right to claim receivables, which issue is decisive and crucial for the whole procedure.

On 24 September 2013 the European Court of Justice Office notified ELEKTROBUDOWA SA that the President of the Court did not extend the right to apply expedited preliminary ruling procedure, requested for by the Satakunta District Court. ELEKTROBUDOWA SA had a right to submit pleadings or written comments to the Court of Justice.

On 13 February 2014 the Registrar of the European Court of Justice notified ELEKTROBUDOWA SA about a possibility to file a request for hearings of the parties, the request was sent to the Office of the Court of Justice on 14 March 2014.

The proceedings before the District Court involving the Finnish Electrical Workers' Trade Union and ELEKTROBUDOWA SA has been suspended until the preliminary decision is ruled by the European Court of Justice.

ELEKTROBUDOWA SA also requested that the District Court in Rauma should apply to the Labour Court for opinions in the disputed issues.

On 19 April 2013 the Lawyers' Office in Finland, representing ELEKTROBUDOWA SA, the parent, acknowledged the receipt of a summons submitted by 186 persons employed by the company at the site of OLKILUOTO Nuclear Power Plant. Their claim concern the amounts due under the employment relationship. The claim amount was not precisely specified in the summons; maximum amount claimed by each employee does not exceed 75 thousand EUR. The summons has many formal defects. In June 2013 ELEKTROBUDOWA SA submitted its answer for the District Court Satakunta and raised an objection against the claim. The company raised the objection of a pending case with a motion to reject the suit since it contains the same demands, at least in a significant part, as claimed by the Finnish Electrical Workers' Trade Union in August 2011 and January 2012. Until the date of preparing the financial statements no actions were carried out concerning the new requests by the employees for payment of the same receivables that are claimed in the above mentioned pending cases between the Finnish Electrical Workers' Trade Union and ELEKTROBUDOWA SA.

Following the decision of the District Court Satakunta in Rauma, the claim of the the Finnish Electrical Workers' Trade Union was secured by a bank guarantee for the amount of 2 900 thousand EUR valid until 30 September 2015.

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 and risks have not changed compared to those presented in the report prepared as at 31 December 2013.

(all amounts in thousands of PLN unless otherwise stated)

Notes to the condensed financial statements

15. Selected financial data

Deferred income tax assets

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

	as at 31.03.2014 end of quarter 1/2014	as at 31.12.2013 end of prior year/2013	as at 31.03.2013 end of 1 quarter/2013
Deferred income tax assets	54 374	49 211	34 817
- to be recovered after more than 12 months	1 662	1 719	1 517
- to be recovered within 12 months	52 712	47 492	33 300
Deferred income tax liabilities	(38 404)	(31 443)	(20 203)
- to be recovered after more than 12 months	(587)	(592)	(693)
- to be recovered within 12 months	(37 817)	(30 851)	(19 510)
Deferred corporate income tax assets	15 970	17 768	14 614

	as at 31.03.2014 end of quarter 1/2014	as at 31.12.2013 end of prior year/2013	as at 31.03.2013 end of 1 quarter/2013
Deferred foreign plants income tax liabilities	(1 309)	(1 851)	(3 970)
- to be recovered within 12 months	(1 309)	(1 851)	(3 970)
Deferred corporate income tax liabilities	(1 309)	(1 851)	(3 970)

Impairment provisions for receivables of the group

	as at 31.03.2014 end of quarter 1/2014	as at 31.12.2013 end of prior year/2013	as at 31.03.2013 end of 1 quarter/2013
- receivables under bankruptcy proceedings	5 402	5 395	3 161
- receivables in arrangement with debtors	53	53	0
- receivables vindicated in court	3 358	3 458	626
- from overdue debtors	14 997	15 221	13 974
Provisions for impairment of receivables	23 810	24 127	17 761

The notes presented on pages 8 - 52 are an integral part of these condensed financial statements.

(all amounts in thousands of PLN unless otherwise stated)

Notes to the condensed financial statements

In Q1 2014 the group created provisions for impairment of receivables in the total amount of 673 thousand PLN, of which:

- receivables in bankruptcy proceedings	7	thousand PLN
- debt vindicated in court	55	thousand PLN
- overdue debtors	611	thousand PLN

The main items of provisions for impairment of receivables created in the period from January to March 2014 are:

- Elektromax PUPH Sp. z o.o., the amount 259.5 thousand PLN for unpaid penalties;
- HBG Sp. z o.o., the amount 166.1 thousand PLN for unpaid penalties;
- Ingea Sp. z s.r.o., the amount 94.9 thousand PLN for the debt more than 180 days past due.

In Q1 2014 the group reversed the provisions for impairment of receivables in the amount of 990 thous. PLN, of which:

- payment of receivables from court proceedings	155	thousand PLN
- payment made by overdue debtors	835	thousand PLN

The main items of provisions for impairment of receivables reversed in the period from January to March 2014 are:

- Max Vision PPUH Robert Stempniak, the amount 161.7 thousand PLN, following payment of penalty;
- El-Sad Sp. j. Wiesław Sadowski, amount 70.1 thousand PLN, following payment for court proceedings;
- Elektromont 1 Sp. z o.o., amount 85.0 thousand PLN, following payment for court proceedings.

Receivables and payables write-off due to discount

In Q1 2014 the group recognised impairment due to the discount decreasing the amount of receivables by 362 thousand PLN and the discount increasing the amount of payables by 11 thousand PLN.

In Q1 2013 the group recognised impairment due to discount decreasing the amount of receivables by 209 thousand PLN and the discount decreasing the amount of payables by 7 thousand PLN.

	Q1 2014 period from 01.01.2014 to 31.03.2014	Q1 2013 period from 01.01.2013 to 31.03.2013
Receivables and payables write-off due to discount		
- to sales revenues	354	171
- to manufacture cost	(11)	(7)
- to other gains (losses) - net	8	(380)
Total write-off due to discount	351	(216)

The notes presented on pages 8 - 52 are an integral part of these condensed financial statements.

(all amounts in thousands of PLN unless otherwise stated)

Notes to the condensed financial statements

Provisions for future liabilities and expenses

	as at 31.03.2014 end of quarter 1/2014	as at 31.12.2013 end of prior year/2013	as at 31.03.2013 end of quarter 1/2013
- provision for long-term retirement benefits	5 129	5 215	4 426
- provision for short-term retirement benefits	97	320	63
- provision for warranty repair works	919	919	764
- provision for predicted penalties and damages	5 361	4 177	0
Provisions for future liabilities and expenses	11 506	10 631	5 253

Construction contracts

Amounts due from customers for construction contract work

	as at 31.03.2014 end of quarter 1/2014	as at 31.12.2013 end of prior year/2013	as at 31.03.2013 end of quarter 1/2013
Amounts due from customers for construction contract work	192 452	159 795	105 949

The group presents in assets the amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings.

As at 31 March 2014, compared to 31 March 2013, the amount due from customers for construction contract work increased by 32 657 thousand PLN.

Construction contracts with significant amounts due from contractors for construction work are presented in the table.

Amounts owed to customers for construction contract work

	as at 31.03.2014 end of quarter 1/2014	as at 31.12.2013 end of prior year/2013	as at 31.03.2013 end of quarter 1/2013
Amounts owed to customers for construction contract work	40 572	45 772	34 050

The group presents in liabilities 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).

The notes presented on pages 8 - 52 are an integral part of these condensed financial statements.

(all amounts in thousands of PLN unless otherwise stated)

Notes to the condensed financial statements

Construction contracts with significant amounts due from contractors for construction work as at 31 March 2014

	as at			
	31.03.2014	31.12.2013	31.03.2013	
- „design and build” execution of the project „Extension of the Słupsk 400/110kV Substation” – Stage 1 and 2 in order to connect Słupsk 240MW wind farm, Potęgowo 320MW wind farm, including installation of 400/110kV autotransformer to the ENERGA - OPERATOR S.A. grid for PSE Operator S.A.	49 093	48 545	6 708	A contract with a high level of works at 31.03.2014. According to the material and financial schedule, the settlements of investments will be done in two stages. Prepared investment project does not enable completion of Stage 1 of investment without performing a significant part of work connected with Stage 2. The provisions of the agreements not allow partial invoicing, therefore until the balance sheet date, the invoicing of any of completed parts of I stage specified in the objective and financial schedule was not be made. Invoicing of the I stage the company plans in the first half of 2014.
- construction of a new heat generation unit with fluidized bed boiler, heating and condensing turbine and associated plants in TAURON Ciepło SA Zakład Wytwarzania Tychy for TAURON Ciepło Spółka Akcyjna	31 528	10 478	0	At 31.03.2014 it was extensive involvement of works on contract carried out by subcontractors (mainly works of SKODA company and Foster Wheeler company). According to the objective and financial schedule the sale of works will take place in June and in August 2014. For the time being, there is no risk to the invoicing deadlines.
- civil works with all other works and tasks required and necessary for the complete execution of the project of construction of the Franowo tram depot for Miejskie Przedsiębiorstwo Komunikacyjne w Poznaniu Sp. z o.o.	22 451	22 139	33 165	Completion date of investment, thus also the final settlement of the contract, has been postponed. Originally the contract provided completing the investment by 12.07.2013, regarding to the agreement of 30.08.2013 the investment completion term has been extended until February 2014. In view of the further rescheduling caused by number of factors (design changes, additional works, delays in implementation a scope of the works of a consortium leader), this deadline has not been met and has postponed further. As at 31.03.2014 account of the work of ELEKTROBUDOWA SA was nearing completion, however, consortium leader ZUE company, still not performed its scope of works. According to the contract, final 20% of the works, what constitute amount per ELEKTROBUDOWA SA over 20 million PLN, can be invoiced after completion of the whole investment and obtaining a permit for use. It is estimated that it will be possible at the end of June 2014.
- extension and modernization of 220/110kV electrical substation Skawina, including connection of the 2x2x400kV line, for PSE S.A.	13 278	9 459	0	Progress of works on the contract conforms to the material and financial schedule annexed to the contract. At the reporting date there is no risk of failing to meet the deadline of completion of the investment. Planned date for issuing the first invoice – 30.09.2014, deadlines of completion of the investment – 31.12.2017.
- “design and build” execution of the project „Construction of the 400 kV electrical substation Łomża” for PSE Operator S.A.	12 228	4 572	368	The contract was signed in April 2012. The closure date 30.09.2014. As of 31.03.2014 progress of works on contract about 50 %. Sale of the component II.A.3 is expected in May, and sale of the component II.A.5 in June, the total value of the components about 16 million PLN. As of today, there is no risk that the deadline not be met.

The notes presented on pages 8 - 52 are an integral part of these condensed financial statements.

Notes to the condensed financial statements

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

Except for proceeding described earlier, as at 31 March 2014 the ELEKTROBUDOWA SA group was not a party to lawsuits concerning the receivables or liabilities of total claim value exceeding 10% of the group's equity.

17. Events and circumstances which affect the financial result

Market surveys show that the year 2014 will be decisive for the construction industry. Recent findings of the construction business activity research indicate a growing trend.

Defined areas of activity of the group's segments are appraised as growth areas, but in different time perspectives.

The main factor contributing to business risk for the group entities is aggressive competition which exerts pressure on reducing the prices of competitive offers. Strong competition inside the industry results in low profitability of projects in progress and also of new orders.

In Q1 2014 several unprofitable contracts, concluded in previous years, were continued – at present they are in final stages of completion or settlement with the purchasers (Industry Division segment).

Significant risk in all business areas of the group is related with consistently growing number of building companies whose activity is hindered because of payment gridlocks. Deteriorating financial standing of general contractors forces into acceptance of prolonged payment terms, transferring the risk of financing a project on a contractor (invoicing in long intervals) and increasing demand for financial security of project performance.

The results of the financial results achieved by the group in Q1 2014 were greatly affected by highly instable political situation in the Eastern region - Russia and Ukraine.

In 2014 ELEKTROBUDOWA SA planned to intensify its presence in East-European markets, including expansion in terms of geographic areas and in terms of products. Recent political changes forced freezing of new investment activity and slowing down works on projects in progress.

Risk of further rapid changes in respect of management or ownership structures, as well as high probability of change in methods of implementation of economic and political policies, unplanned modifications of strategy for long-term and short-term development of power industry, or general political uncertainty of each of those countries may be decisive for implementation of the plans for export sales to the Russian and Ukrainian markets in 2014. Despite all those hazards, the parent, ELEKTROBUDOWA SA is going to continue its active operation in this geographical area.

In Q1 2014 the parent, ELEKTROBUDOWA SA received orders for the total amount of 159.6 million PLN. Compared to the 1st quarter of 2013, when orders received totaled 655.1 million PLN, it is a drop in value of the concluded contracts by 75.6%, but it must be remembered that at the same time the parent's order backlog at 31 March 2014, including contracts being performed and pending performance, reached the level of 1 773.7 million PLN, by 38.4% higher than on 31 March 2013 when it totalled 1 281.5 million PLN. The volume of order backlog at the end of the first quarter corresponds to the values assumed in the company budget for 2014. It must be explained that the considerably high volume of orders received in Q1 2013 was the effect of signing the contracts for the supply of electrical substations SE Byczyna and Skawina for the total price exceeding 430 million PLN in that period.

(all amounts in thousands of PLN unless otherwise stated)

Notes to the condensed financial statements

The following contracts were signed in the first quarter of 2014:

1.	supply of services, delivery and installation of cables and all other associated works at the construction sites of underground stations: C09 „Daszyńskiego”, C13 „Centrum Nauki Kopernik”, C14 „Stadion Narodowy”, C15 „Dworzec Wileński” and tunnels: D14, D15 and D13 (from the fan house V13 to the station C13) relating to Line 2 of the Warsaw underground, and also start-up of the mounted equipment and systems, testing the equipment and systems, for “AGP Metro Polska. ASTALDI Sp.p.A., Gülermak Ađir Sanayi İnřaat ve Taahhüt A. ř., Przedsiębiorstwo Budowy Dróg i Mostów Sp. z o.o.” spółka cywilna	16.7	million PLN
2.	modernization of switchgear in the Group EDF 2014 - 2015 for the benefit of Zespół Elektrociepłowni Wrocławskich KOGENERACJA SA for the benefit of EDF Polska SA Oddział Wybrzeże w Gdańsku - Elektrociepłownia Gdańska EC2, for EDF Polska S.A.	15.5	million PLN
3.	replacement of cables supplying the transformers T0 GPZ1; T1 and T2R-6; T1 and T3 GPZ-2, modernization of differential protection of the system: line - transformer T0 GPZ1; T1 and T3 GPZ-2, for ANWIL S.A.	9.4	million PLN
4.	manufacture and installation of ELPE and PELPO busducts at the site of the Heat and Power Plant Ras Dijnet (Algeria), for Daewoo Engineering & Construction Co., Ltd.- Seoul (South Korea)	7.5	million PLN
5.	delivery of prefabricates for the electrical part and automation, including installation and start-up, relating to modernization of electrical and automation systems of the KWK1200M/2 excavator, for PAK Kopalnia Węgla Brunatnego Adamów Spółka Akcyjna	6.8	million PLN
6.	execution of the project “modernization of ventilation system in the coal handling area of Dolna Odra Power Station”, for „MEGAZEC” Sp. z o.o.	5.9	million PLN
7.	modernization of distribution stations: 15kV R1/R2, 6kV RC1/RC2, 0,4kV RK1, RK2, RR and distribution stations: RPS1 i RPS2 220VDC in Wola Heating Plant located at 12, Połczyńska Str., Warsaw, for PGNiG TERMIKA SA	5.4	million PLN
8.	manufacture and delivery of busduct type ELPE at the site of Cambambe 2 HPP (Water Power Station) in Angola (Africa), for ELECNOR S.A. Madrid (Spain)	5.2	million PLN
9.	extension of the OPR - R47 switchgear for PKN ORLEN Spółka Akcyjna	4.9	million PLN
10	execution of the investment project called „Construction of a cogeneration fluidized bed unit CFB, installed capacity about 75MWe in EC Zofiówka (SEJ S.A.)” for Energoinstal SA	4.5	million PLN

The biggest contracts concluded by the group were awarded to the parent.

Revenues from sales of products, goods and materials generated by the ELEKTROBUDOWA SA group for Q1 2014 amounted to 184 441 thousand PLN and were by 17 917 thousand PLN higher (10.8%) than in the same period of the previous year.

Out of the total revenue of the group, 92.8% was generated the parent, ELEKTROBUDOWA SA, while 4.3% by ENERGO TEST sp. z o.o. and 2.9% by ELEKTROBUDOWA UKRAINE Ltd.

The notes presented on pages 8 - 52 are an integral part of these condensed financial statements.

Notes to the condensed financial statements

The income generated by the group in Q1 2014 was owed mainly to the following contracts:

1.	construction of a new heat generation unit with fluidized bed boiler, heating and condensing turbine and associated plants in TAURON Ciepło SA Zakład Wytwarzania Tychy, for TAURON Ciepło spółka Akcyjna	16.4 million PLN
2.	„design and build” execution of the project „Extension of the Słupsk 400/110kV Substation” – Stage 1 and 2 in order to connect Słupsk 240MW wind farm, Potęgowo 320MW wind farm, including installation of 400/110kV autotransformer to the ENERGA - OPERATOR S.A. grid, for PSE Operator S.A.	12.8 million PLN
3.	participation in the turnkey supply of a new, gas-fuelled, combined heat and power unit, 45MWe electric power and 40MWt thermal power in KGHM, Głogów, for KGHM Polska Miedź S.A.	11.0 million PLN
4.	turnkey delivery of items of infrastructure dedicated for the new Flue Gas Desulfurization (FGD) plant being constructed in the heat and power plant located in the PKN ORLEN SA production facility in Płock, for PKN ORLEN SA	7.0 million PLN
5.	extension of the scope of works at the NPP OLKILUOTO 3, for AREVA NP GmbH	6.5 million PLN
6.	construction of the Kaufland shopping facility on the plot located in Gryfice for Kaufland Polska Markety Sp. z o.o. Sp. K.	5.3 million PLN
7.	supply, erection and commissioning of electrical and I&C components and systems for the Nuclear Power Plant Olkiluoto Finland for AREVA NP GmbH	5.2 million PLN
8.	supply, installation and commissioning of Frequency Converters, Unit 4, 5 and 6 for the FGD plant in Turów, for Babcock Noell GmbH	3.5 million PLN
9.	cable trays and supports – construction of Line 2 of the Warsaw underground for AGP Metro Polska. ASTALDI Sp.p.A., Gülermak Ağır Sanami İnşaat ve Taahhüt A. Ş., Przedsiębiorstwo Budowy Dróg i Mostów Sp. z o.o.” spółka cywilna	3.5 million PLN
10.	construction of the 110/15 kV SŁAWNÓ station and the double track 110 kV line for PGE Dystrybucja Spółka Akcyjna	3.1 million PLN

The group's gross profit on sales for Q1 2014 was 5 092 thousand PLN, by 41.4% lower than the profit earned in Q1 2013. Higher rate of increase of costs to sell products, goods and materials (13.6%) compared to the increase in sales revenues (10.8%) on the level of 2.8 percentage point, involved a decrease of the gross profit on sales by 3 595 thousand PLN.

Costs of sales for the first quarter of 2014 amounted to 595 thousand PLN and were by 266 thousand PLN lower than in Q1 2013. Level of costs in the reporting periods was correlated with the level of sales revenues. In the comparable periods the share of costs of selling in the sales revenue was 0.3% for Q1 2014 and 0.5% for Q1 2013. The 0.2 percentage point drop of the share of selling costs in the sales revenues was directly connected with the decrease in transport costs.

General administrative expenses after the three months of 2014 rose 1.3% on the same period of 2013. Their share in total revenues was 2.1% in Q1 2014 and 2.2% in Q1 2013, the group recorded its drop by 0.1 percentage point.

The notes presented on pages 8 - 52 are an integral part of these condensed financial statements.

(all amounts in thousands of PLN unless otherwise stated)

Notes to the condensed financial statements

Other operating expenses in Q1 2014 amounted to 3 258 thousand PLN and included:

- fees and charges relating to bank guarantees in the amount of 1 564 thousand PLN,
- fees and charges relating to credits in the amount of 95 thousand PLN,
- legal charges in the amount of 266 thousand PLN
- penalties in the amount of 1 333 thousand PLN.

In Q1 2014, compared to the same period of 2013, total amount of bank charges and fees relating to the contract bonds provided by the group was by 695 thousand PLN (by 80.0%) higher. This is contributed to the dynamic growth in volume of guarantees provided by the group as security for received advance payments, for performance bonds, warranty bonds, and payment guarantees. Total amount of guarantees issued by banks was 422 762 thousand PLN as at 31 March 2014 and was by 185 987 thousand PLN, i.e. by 78.6% higher than in the comparable quarter of 2013.

In Q1 2014, costs of releasing and maintaining lines of credit in the amount of 95 thousand PLN, the charges decreased by 155 thousand PLN (62%) compared to Q1 2013.

On the reporting date the group entities had current account credit lines open for the amount of 46 000 thousand PLN and the working capital loan up to the amount of 64 000 thousand PLN. As at 31 March 2014 the group utilized the amount of 30 125 thousand PLN of the offered credit. The amount of credit utilized by the group's entities to finance their business operations in the first quarter of 2013 totalled 20 677 thousand PLN.

Expenses relating to penalties incurred by the group in Q1 2014 were by 1 316 higher thousand PLN, while legal and other charges by 200 thousand PLN higher than in the comparable period.

Total other operating costs incurred by the group rose by 2 056 thousand PLN, i.e. by 171.0 per cent.

Other net gains for the first quarter of 2014 totalled 1 995 thousand PLN, while in the same period of the previous year it was 919 thousand PLN. Other net gains for the nine months of 2014 are the result of other income that amounted to 3 671 thousand PLN less other expenses in the amount of 1 676 thousand PLN.

Main items of other income:

- positive currency translation differences	1 519	thousand PLN
- reversal of provision for impairment of receivables	991	thousand PLN
- penalties and fines	533	thousand PLN
- recovery of court costs	286	thousand PLN
- interest	165	thousand PLN
- received compensation	104	thousand PLN
- discount of long-term receivables	8	thousand PLN

Main items of other expenses:

- provision for impairment of receivables	674	thousand PLN
- loss on disposal of non-financial fixed assets	404	thousand PLN
- interest	150	thousand PLN
- other expenses relating to employee benefits	145	thousand PLN
- revaluation of non-financial assets	97	thousand PLN
- donations	48	thousand PLN
- damage repair cost	45	thousand PLN

The group generated a loss on operating activity in the first quarter of 2014 which amounted to 561 thousand PLN, compared to the same period of the previous year when profit from operating activity was earned in the amount of 3 798 thousand PLN, a drop by 4 359 thousand PLN in the operating result was recorded.

The notes presented on pages 8 - 52 are an integral part of these condensed financial statements.

Notes to the condensed financial statements

The ELEKTROBUDOWA SA group recorded a 147 thousand PLN worth loss on the financial activities, including costs of interest on credits of 138 thousand PLN and cost of lease interest, 9 thousand PLN.

The share in net profit of associates measured according to the equity method for Q1 2014 is a negative value of 1 035 thousand PLN.

The gross loss before taxes generated by the group in the period from 1 January 2014 to 31 March 2014 was 1 743 thousand PLN, while the net loss amounted to 3 128 thousand PLN. Both gross profit and net profit dropped on the comparable period of 2013, when the group earned the 3 244 thousand PLN profit before taxes and the net profit in the amount of 3 754. The net loss of the reporting period attributable to the equity holders of ELEKTROBUDOWA SA amounted to 3 248 thousand PLN, whereas the profit attributable to minority shareholders amounted to 120 thousand PLN.

In Q1 2014 the entities in the group focused on increasing their competitiveness, through:

- diversification of orders;
- permanent building of their territorial network of customer service;
- systematic increase of share of exports in the revenues.

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

The group is actively seeking new markets for its products and services and increases turnover in its traditional markets.

The parent operates four foreign permanent establishments, through which contract works are performed in Finland, Luxembourg, Germany and the Netherlands. Through its related entities the group provided its products for the Russian, Ukrainian and Saudi Arabian markets.

The performance of the group is undoubtedly influenced by the following factors:

- market situation in the power sector, chemicals, metallurgy and mining, and also in the construction industry;
- prices for electrical materials, electric power equipment and metallurgical products;
- intensification of marketing activities, particularly in Central and Eastern Europe and in Saudi Arabia;
- restructuring processes, particularly in the power industry;
- constant reduction of costs of the group's operation;
- increasing demand for financial security of performed contracts in the energy sector construction;
- financial standing of Investors
- strong competitive environment.

Current political changes in Russia and Ukraine pose considerable risk to business operation of the group in the markets of those countries. Risk factors include general economic situation of the region, threat of economic sanctions likely to be imposed in respect of the entities in the group with which ELEKTROBUDOWA SA cooperates and to which exports its finished goods (import and/or export ban). Other risk factors relate to the change of taxation rules, rapid change in exchange rates of local currencies involving growing inflation, change in duty and tax rates applicable of imported goods and other factors limiting the scope of activity. Despite many hazards which increase the risk of cooperation with the countries situated in the East-European region, ELEKTROBUDOWA SA intends to continue its expansion policy in this geographical area. The identified risk factors were accounted for in the 2014 budget for the group prepared by the parent.

Notes to the condensed financial statements

Earning income by the entities of the group undoubtedly depends on such factors as:

- economic situation in the power, chemical, metallurgic, mining and building trades,
- price level of electrical materials and equipment as well as metallurgic products,
- intensification of marketing activity, particularly in Central and Eastern Europe and Saudi Arabia,
- course of privatization processes, especially in the power industry,
- consistent reducing administration costs,
- increasing requirements for financial security of projects in the segment of power industry construction,
- financial situation of investors
- strongly competitive environment.

The priorities for the entities of the group in further months of the year 2014 include improvement of management of the working capital and cost effectiveness. Except the improvement of effectiveness, the group will focus on improvement of project management process and also on optimization of purchasing processes and financial liquidity. The management of the parent is particularly concerned about increasing the competitive advantage of the group in foreign markets and about growth of exports.

18. Changes in presentation of the financial statements

In the consolidated financial statements prepared as at 31 March 2014 adjustments were made in the presentation of comparable data as at 31 March 2013, relating to:

- the consolidated statement of financial position as at 31 March 2013:

- change in presentation of deferred income tax of Permanent Establishments:

- change in presentation of deferred corporate income tax liabilities of Permanent Establishments:

- trade and other payables (2 059) thousand PLN
- corporate income tax payables 2 059 thousand PLN

- change in presentation of long-term lease commitments

- other long-term payables 43 thousand PLN
- short-term trade and other payables (43) thousand PLN

- statement of cash flow as at 31 March 2013:

- change in presentation of currency exchange differences of paid corporate income tax:

- change in liabilities, except loans and borrowings (38) thousand PLN
- other adjustments 38 thousand PLN

- change in presentation of corporate income tax paid:

- change in liabilities, except loans and borrowings 28 thousand PLN
- income tax paid (28) thousand PLN

The above presentation changes on the balance sheet total or the financial result of the group in the presented reporting periods.

The notes presented on pages 8 - 52 are an integral part of these condensed financial statements.

Notes to the condensed financial statements

19. Expressed in figures information ensuring comparability of data included in the financial statements for the prior year and the statements for the reporting period of the current fiscal year

In 2013, in consequence of an internal audit conducted in the parent, some economic events were disclosed which concerned incorrect settlement and valuation of long-term contracts resulting from wrong assignment of direct costs to them. The events occurred in the period 2011 – 2012 and their disclosure influenced the financial result the company generated in those years.

Because of those events it was necessary to correct the financial result of ELEKTROBUDOWA SA for the years 2011 and 2012 by recognising net losses in the amounts: 8 613 283.00 Polish zlotys for 2011 and 17 162 824.00 Polish zlotys for 2012.

Consequently, in the company's financial statements for 2013 a prior years' net loss was recognised in the aggregate amount of 25 776 107.00 Polish zlotys.

The corrections of errors were recognized the statement of financial position as at 31 December 2013 in the retained earnings item of equity, as the prior years' losses. Also, the 2012 opening balance and the 2013 opening balance were adjusted. Impact of the corrections on the items of the consolidated statements for the comparable reporting period has been shown in the tables below.

(all amounts in thousands of PLN unless otherwise stated)

Notes to the condensed financial statements

Summary of impact of the corrections on the statement of financial position

	as at 31.03.2013		
	before correction	correction	after correction
ASSETS			
Non-current assets	193 779	6 046	199 825
Property, plant and equipment	88 751	0	88 751
Intangible assets	37 907	0	37 907
Investments in associates	25 260	0	25 260
Available-for-sale financial assets	3 228	0	3 228
Non-current receivables	28 458	0	28 458
Deferred income tax assets	8 568	6 046	14 614
Non-current prepayments	1 607	0	1 607
Current assets	423 318	(19 922)	403 396
Inventories	64 188	0	64 188
Trade and other receivables	192 261	0	192 261
Available-for-sale financial assets	24	0	24
Financial assets held to maturity	500	0	500
Current prepayments	9 263	0	9 263
Amounts due from customers for construction contract work	125 871	(19 922)	105 949
Cash and cash equivalents	31 211	0	31 211
Fixed assets held for sale	0	0	0
Total assets	617 097	(13 876)	603 221
EQUITY AND LIABILITIES			
Equity	350 163	(25 776)	324 387
Issued share capital	26 375	0	26 375
Supplementary capital	301 623	0	301 623
Capital from valuation of available-for-sale	1 896	0	1 896
Exchange differences from translating financial statements	(4 494)	0	(4 494)
Capital from currency translation differences	1 809	0	1 809
Retained earnings	22 219	(25 776)	(3 557)
Total equity attributable to shareholders of the company	349 428	0	323 652
Minority interest in equity	735	0	735
Liabilities			
Non-current liabilities	20 518	0	20 518
Deferred income tax liability	3 970	0	3 970
Employee benefit obligations	4 426	0	4 426
Other liabilities	12 122	0	12 122
Current liabilities	246 416	11 900	258 316
Trade and other payables	176 955	0	176 955
Corporate income tax liabilities	2 064	0	2 064
Derivative financial instruments	0	0	0
Loans, borrowings and debt securities	20 677	0	20 677
Provisions	827	0	827
Accrued expenses	11 843	11 900	23 743
Amounts due to customers for construction contract work	34 050	0	34 050
Total liabilities	266 934	11 900	278 834
Total equity and liabilities	617 097	(13 876)	603 221

The corrections produced the following results as at 31 March 2013:

- decreasing the value of assets in the statement of financial position by the amount of 13 876 thousand PLN,
- reduction of retained earnings by the amount of 25 776 thousand PLN.

The notes presented on pages 8 - 52 are an integral part of these condensed financial statements.

(all amounts in thousands of PLN unless otherwise stated)

Notes to the condensed financial statements

Summary of impact of the corrections on the 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	Exchange differences from translating financial statements	Retained earnings	Capital from translation of subsidiaries and associates	Capital attributable to minority holders	Total equity
as at 01.01.2013	26 375	100 676	202 952	1 896	(5 218)	16 380	817	780	344 658
<i>currency translation differences</i>					724		992	35	1 751
<i>net profit</i>						3 834		(80)	3 754
total comprehensive income					724	3 834	992	(45)	5 505
<i>other changes</i>			(2 005)			2 005			0
as at 31.03.2013	26 375	100 676	200 947	1 896	(4 494)	22 219	1 809	735	350 163

correction	Attributable to equity holders of ELEKTROBUDOWA SA								
	Share capital	Supplementary capital from share premium	Other supplementary capita	Capital from valuation of available-for-sale investment	Exchange differences from translating financial statements	Retained earnings	Capital from translation of subsidiaries and associates	Capital attributable to minority holders	Total equity
as at 01.01.2013	0	0	0	0	0	(25 776)	0	0	(25 776)
<i>net profit</i>									0
total comprehensive income									0
as at 31.03.2013	0	0	0	0	0	(25 776)	0	0	(25 776)

The notes presented on pages 8 - 52 are an integral part of these condensed financial statements.

(all amounts in thousands of PLN unless otherwise stated)

Notes to the condensed financial statements

after correction	Attributable to equity holders of ELEKTROBUDOWA SA								Total equity
	Share capital	Supplementary capital from share premium	Other supplementary capita	Capital from valuation of available-for-sale investment	Exchange differences from translating financial statements	Retained earnings	Capital from translation of subsidiaries and associates	Capital attributable to minority holders	
at as 01.01.2013	26 375	100 676	202 952	1 896	(5 218)	(9 396)	817	780	318 882
<i>currency translation differences</i>					724		992	35	1 751
<i>net profit</i>						3 834		(80)	3 754
total comprehensive income					724	3 834	992	(45)	5 505
<i>other changes</i>			(2 005)			2 005			0
at as 31.03.2013	26 375	100 676	200 947	1 896	(4 494)	(3 557)	1 809	735	324 387

The corrections introduced in the books caused the reduction of the amount of consolidated equity as at 1 January 2013 and 31 March 2013 by the amount of 25 776 thousand PLN.

Notes to the condensed financial statements

20. Significant events after the balance sheet date

No events have occurred after the balance sheet date which would significantly impact the assets and the financial result of the group.

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

After the three months of 2014 the ELEKTROBUDOWA SA group generated a net loss amounting to 3 128 thousand PLN (loss attributable to the company's shareholders equal 3 248 thousand PLN), While the sales revenues reached the value of 184 441 thousand PLN. The 2014 annual forecast for the ELEKTROBUDOWA SA group published on 14 April 2014 assumes that the group should generate 1 233 806 thousand PLN of sales revenues and the net profit of 22 976 thousand PLN, of which the profit attributable to the company's shareholders should amount to 22 986 thousand PLN.

The 2014 forecast is carried out according to the assumptions and in the opinion of Management of the parent its fulfillment is not at risk.

22. Information about issuance of debt securities

The group did not issue any debt securities in the first quarter of 2014.

23. Additional information provided by the parent

Pursuant to the Regulation of the Minister of Finance dated 19 February 2009 on current and interim information provided by the issuers of securities and on the conditions of acknowledging the equivalence of information required by laws of a non-member country, we disclose information about most important events occurred in the company in the first quarter of 2014:

21.03.2014 – the company disclosed declaration by the Management of ELEKTROBUDOWA SA concernig payment of dividend in the amount of 2.00 PLN per share.

21.03.2014 - the company informed that its Supervisory Board had chosen Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością spółka komandytowa having its registered office in Warsaw. The auditor was appointed to review the interim half-yearly financial statements in the years 2014 – 2017 and to audit the financial statements of ELEKTROBUDOWA SA and the ELEKTROBUDOWA SA group for the years 2014 - 2017.

21.03.2014 – the company informed about revocation of commercial proxy granted to Mr Jerzy Moszczyński.

21.03.2014 – the company informed about granting independent commercial proxy to Mr Mariusz Luto valid from 1 April 2014.

The notes presented on pages 8 - 52 are an integral part of these condensed financial statements.

Notes to the condensed financial statements

Events that occurred after 31 March 2014 but before submitting this annual report:

02.04.2014 - the company disclosed signing an Amendment to the Multiproduct Agreement concluded with ING Bank Śląski SA. By this Amendment the Bank granted the company with the credit limit up to the amount of 113.0 million PLN, through increasing the present limit and providing working capital loan up to 85.0 million PLN.

15.04. 2014 - the company presented the selected items of Forecast of the company's and the group's results for for 2014.

17.04.2014 - the company informed about being awarded further orders from Babcock Noell GmbH. The orders are related to the Flue Gas Desulfurization (FGD) plant for Units 4, 5 and 6 in the Turów Power Plant, Turoszów, Poland, provided by Babcock. ELEKTROBUDOWA SA is Babcock's subcontractor of this project. Total value of orders awarded by Babcock Noell GmbH within the last twelve months to date amounts to 52 565 890 PLN, net. Received on 17 April 2014 order for delivery, erection and commissioning of switchgear, busducts, transformers, frequency converters and cabling in the scope of works performed for Units 4, 5 and 6 in the Turów Power Plant has the biggest price, 32 250 000 PLN, net (say: thirty two million two hundred and fifty thousand Polish zloty only).

24.04.2014 – - the company informed about convening the Annual General Meeting for 22 May 2014, enclosing the announcement of convening the AGM , the agenda and draft resolutions including justifications to be passed by the AGM.

Shareholding as of the date of submitting previous financial statements, i.e. the annual report for 2013, according to information in possession by the company was as follows:

as at 31 December 2013:	Numbers of shares = number of votes	% of votes and % equity
AVIVA OFE AVIVA BZ WBK SA	625 454	13,17%
ING OFE (Open-ended Pension Fund)	472 405	9,95%
OFE PZU „Złota Jesień”	454 446	9,57%
AXA OFE	446 553	9,41%
PKO BP Bankowy OFE	362 730	7,64%
Amplico OFE	289 369	6,10%
Generali OFE	241 640	5,09%
Free float	1 855 011	39,07%
Total number of shares in the share capital	4 747 608	100,00%

Notes to the condensed financial statements

Shareholders holding significant interest in ELEKTROBUDOWA SA at the date of publishing the present quarterly report, according to information in possession by the company:

as at 15 May 2014:	Numbers of shares = number of votes	% of votes and % equity
AVIVA OFE AVIVA BZ WBK SA	625 454	13,17%
ING OFE (Open-ended Pension Fund)	472 405	9,95%
OFE PZU „Złota Jesień”	454 446	9,57%
AXA OFE	446 553	9,41%
PKO BP Bankowy OFE	362 730	7,64%
Amplico OFE	289 369	6,10%
Generali OFE	241 640	5,09%
Free float	1 855 011	39,07%
Total number of shares in the share capital	4 747 608	100,00%

Shares in ELEKTROBUDOWA SA held by its key executives as at the date of publication of this report:

	15 May 2014 shares in ELEKTROBUDOWA SA
Jacek Faltynowicz President	none
Ariusz Bober Management Board Member	none
Janusz Juszczak Management Board Member	none
Arkadiusz Klimowicz Management Board Member	none
Adam Świągowski Management Board Member	none
Sławomir Wołek Management Board Member	35

Since the date of submitting the previous interim financial statements until 15 May 2014 no changes occurred in shareholding of ELEKTROBUDOWA SA shares by the managing persons.

As of the date of publishing the present financial statements the supervising persons do not hold shares of the company. No changes occurred in this respect in the period from publishing the previous financial report to this date.

ELEKTROBUDOWA SA

Condensed Financial Statements

Q1 2014

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(All amounts in thousands of PLN unless otherwise stated)

Statement of Financial Position

	as at		
	31.03.2014 end of 1st quarter 2014	31.12.2013 end of prior year 2013	31.03.2013 end of 1st quarter 2013
ASSETS			
Non-current assets	203 266	217 995	217 184
Property, plant and equipment	81 821	84 304	85 780
Intangible assets	19 223	17 878	14 985
Investments in associates	21 613	21 613	22 613
Interest in subsidiaries	47 901	47 901	47 901
Available-for-sale financial assets	2 215	2 215	2 931
Non-current receivables	12 905	23 895	27 904
Deferred income tax assets	15 017	17 533	13 481
Non-current prepayments	2 571	2 656	1 589
Current assets	538 474	544 413	379 471
Inventories	56 441	55 601	61 684
Trade and other receivables	173 018	231 597	185 921
Available-for-sale financial assets	24	24	24
Current prepayments	27 570	31 775	8 722
Amounts due from customers for construction contract work	184 789	154 516	103 001
Cash and cash equivalents	96 370	70 900	20 119
Non-current assets held for sale	262	0	0
Total assets	741 740	762 408	596 655
EQUITY AND LIABILITIES			
Equity	324 480	324 352	326 425
Share capital (after restatement)	26 375	26 375	26 375
Supplementary capital	330 001	330 001	303 510
Capital from valuation of available-for-sale investment	1 083	1 083	1 662
Currency translation differences	(2 301)	(2 006)	(4 494)
Retained earnings	(30 678)	(31 101)	(628)
Liabilities			
Non-current liabilities	18 479	18 598	19 768
Deferred income tax liabilities	1 309	1 288	3 422
Employee benefit obligations	4 945	5 031	4 230
Other liabilities	12 225	12 279	12 116
Current liabilities	398 781	419 458	250 462
Trade and other payables	293 525	331 117	171 591
Corporate income tax liabilities	8 834	8 836	2 059
Loans and borrowings	30 125	5 941	20 677
Provisions	6 139	5 178	585
Accrued expenses	20 318	23 468	22 646
Amounts owed to customers for construction contract work	39 840	44 918	32 904
Total liabilities	417 260	438 056	270 230
Total equity and liabilities	741 740	762 408	596 655

(All amounts in thousands of PLN unless otherwise stated)

Statement of Comprehensive Income

	Q1/2014 period from 01.01.2014 to 31.03.2014	Q1/2013 period from 01.01.2013 to 31.03.2013
<u>Continuing operations</u>		
Revenue from sales of products, goods and materials	175 868	158 179
Cost of products, goods and materials sold	(170 386)	(149 925)
Gross profit on sales	5 482	8 254
Selling costs	(507)	(777)
General administration expenses	(2 673)	(2 505)
Other operating expenses	(3 247)	(1 192)
Other gains - net	1 256	956
Operating profit	311	4 736
Finance income - net	2 695	2 413
Gross profit before income tax	3 006	7 149
Income tax expense	(2 583)	4
Net profit from continuing operations for the period	423	7 153
<u>Discontinued operations</u>		
Net profit/loss from discontinued operations for the period	0	0
Net profit for the period	423	7 153
Other comprehensive income	(295)	724
of which:		
Other comprehensive income reclassifiable to profit or loss	(295)	724
- financial statements currency translation differences	(295)	724
Other comprehensive income not reclassifiable to profit or loss	0	0
Total comprehensive income for the period	128	7 877
Earnings per share from continuing and discontinued operations		
(in PLN per share)		
- basic	0,09	1,51
- diluted	0,09	1,51

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Q1 2014 Condensed Financial Statements

(All amounts in thousands of PLN unless otherwise stated)

Statement of Changes in Equity

	Share capital after restatement	Supplementary capital from share premium	Other supplementary capital	Capital from valuation of available-for-sale investment	Currency translation differences of valuation	Retained earnings	Total equity
as at 1 January 2014	26 375	100 676	229 325	1 083	(2 006)	(31 101)	324 352
net profit						423	423
currency translation differences					(295)		(295)
total comprehensive income					(295)	423	128
as at 31 March 2014	26 375	100 676	229 325	1 083	(2 301)	(30 678)	324 480

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(All amounts in thousands of PLN unless otherwise stated)

	Share capital after restatement	Supplementary capital from share premium	Other supplementary capital	Capital from valuation of available-for-sale investment	Currency translation differences of valuation	Retained earnings	Total equity
as at 1 January 2014	26 375	100 676	202 834	1 662	(5 218)	(7 781)	318 548
<i>net profit</i>						13 306	13 306
<i>currency translation differences</i>					3 212		3 212
<i>valuation of available-for-sale-investments</i>				(716)			(716)
<i>deferred tax on valuation of available-for-sale investments</i>				137			137
<i>remeasurement of employee benefits liabilities</i>						(790)	(790)
<i>deferred income tax from remeasurement of employee benefits liabilities</i>						150	150
total comprehensive income				(579)	3 212	12 666	15 299
distribution of profit			26 491			(26 491)	0
dividend payment						(9 495)	(9 495)
as at 31 December 2013	26 375	100 676	229 325	1 083	(2 006)	(31 101)	324 352

	Share capital after restatement	Supplementary capital from share premium	Other supplementary capital	Capital from valuation of available-for-sale investment	Currency translation differences of valuation	Retained earnings	Total equity
as at 1 January 2013	26 375	100 676	202 834	1 662	(5 218)	(7 781)	318 548
<i>net profit</i>						7 153	7 153
<i>currency translation differences</i>					724		724
total comprehensive income					724	7 153	7 877
as at 31 March 2013	26 375	100 676	202 834	1 662	(4 494)	(628)	326 425

The notes presented on pages 7 - 30 are an integral part of these condensed financial statements.

(All amounts in thousands of PLN unless otherwise stated)

Statement of Cash Flows

	Q1/2014 period from 01.01.2014 to 31.03.2014	Q1/2013 period from 01.01.2013 to 31.03.2013
Cash flows from operating activities		
Gross profit before taxes	3 006	7 149
Depreciation and amortisation	2 908	3 334
Losses on currency translation differences	(1 863)	(153)
Interest and share in profit (dividends)	(2 695)	(2 413)
Profit from/loss on sale of property, plant and equipment (PPE)	446	(20)
Change in inventories	(840)	(14 237)
Change in trade and other receivables	72 413	66 939
Change in liabilities, except loans and borrowings	(36 591)	(100 915)
Income tax paid	(99)	(28)
Change in current prepayments and accrued expenses	1 055	(5 188)
Change in non-current prepayments and accrued expenses	85	(50)
Change in settlements of construction contracts	(35 351)	19 084
Other adjustments	(156)	762
Net cash generated from/used in operating activities	2 318	(25 736)
Cash flows from investing activities		
Sale of intangible assets and PPE	3	85
Purchases of intangible assets and PPE	(2 748)	(2 898)
Net cash used in investing activities	(2 745)	(2 813)
Cash flows from financial activities		
Loans and borrowings	24 184	9 476
Interest	(141)	(233)
Finance lease payments	(9)	(13)
Net cash generated from financial activities	24 034	9 230
Net increase/decrease in cash, cash equivalents and bank overdrafts	23 607	(19 319)
Balance sheet change in cash and bank overdrafts	25 470	(19 166)
Change in cash due to currency translation differences	1 863	153
Cash, cash equivalents and bank overdrafts at beginning of period	70 900	39 285
Cash, cash equivalents and bank overdrafts at end of period	96 370	20 119

Notes to the condensed financial statements (continued)

1. Selected explanatory information

ELEKTROBUDOWA SA has implemented and applied the accounting standards based on the International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU), applying the same principles for the current period and comparable periods since 1 January 2005. The present condensed financial statements have been prepared in compliance with IAS 34 (Interim Financial Reporting).

In these interim financial statements the same accounting principles (policies) and calculation methods have been followed as in the latest annual financial statements prepared as at 31 December 2013.

The presented condensed financial statements for Q1 2014 have been prepared pursuant to the Regulation of the Minister of Finance dated 19 February 2009 on current and interim information provided by the issuers of securities and on the conditions of acknowledging the equivalence of information required by laws of a non-member country.

As a parent in the group, ELEKTROBUDOWA SA also prepared the condensed consolidated financial statements as at 31 March 2014, which conform to the International Financial Reporting Standards adopted by the EU, to which the same principles for the current period and comparable periods were applied. The condensed separate report of ELEKTROBUDOWA SA is attached to the condensed consolidated financial statements for Q1 2014.

It can be supposed from market analyses that the year 2014 will be a groundbreaking period for the building sector. Recent findings of the construction business activity research show a growing trend. Despite seasonality of building industry, the 1st quarter of 2014 recorded a five-point growth of the business index compared to the 4th quarter of 2013. In the period January - March building and construction output was 10.6% higher than in the same period of the previous year. Favourable assessment of the production activity of the industry in the 1st quarter of 2014 is correlated with the improvement of general economic situation and allows optimistic forecasts for the coming months. A substantial change should be expected in the volume of output and the financial situation of construction companies and also in the volume of orders, domestic and foreign.

In the 1st quarter of 2014 the company received orders for the total amount of 159.6 million PLN. Compared to the 1st quarter of 2013, when orders received totaled 655.1 million PLN, it is a drop in value of the concluded contracts by 75.6%, but it must be remembered that at the same time the order backlog at 31 March 2014, including contracts being performed and pending performance, reached the level of 1 773.7 million PLN, by 38.4% higher than on 31 March 2013 when it totalled 1 281.5 million PLN. The volume of order backlog at the end of the first quarter corresponds to the values assumed in the company budget for 2014. It must be explained that the considerably high volume of orders received in Q1 2013 was the effect of signing the contracts for the supply of electrical substations SE Byczyna and Skawina for the total price exceeding 430 million PLN in that period.

Revenue from the sales of products, goods and materials generated by the company in Q1 2014 amounted to 175.9 million PLN, which accounts for 14.9% of the revenues budgeted for 2014. Compared with the same period of 2013 the sales revenue rose 11.2%. Exceptionally mild winter created favourable conditions for work on construction sites. Seasonality of the building industry did not deteriorate production activity of the building companies during the winter, however, periodization of sales has always been an inherent attribute of the construction sector. After a tough beginning of the year, the company's sales revenue rose markedly in further months.

The significant growth in revenue in Q1 2014 concerned mainly the supply of finished products to the domestic market. Revenue from sale of products, goods and materials in February 2014 exceeded the revenue generated in January 2014 by 68.3%, while in March 2014 by 67.4%. The impact of seasonality on performance of construction and erection services was accounted for as early as at the stage of preparation of the 2014 company budget, which also considered the schedules of contractual works included in the contracts.

(All amounts in thousands of PLN unless otherwise stated)

Notes to the condensed financial statements (continued)

The growth rate of revenue is correlated with the growth rate of prime cost of products, goods and materials sold. The incurred prime cost after the first quarter of 2014 amounted to 173.6 million PLN, equivalent to 15.3% of costs budgeted for 2014. Cost of goods sold after the three months of 2014 was 13.3% higher than in the same period of the previous year. The growth rate of cost of goods sold in the reporting period was by 2 percentage points higher than the growth rate of revenue. The company's profit on sales earned for Q1 2014 amounted to 2.3 million PLN. After having considered the gains from other operating activities and financing activities, profit before taxes amounted to 3.0 million PLN, which is a 4.1 million PLN drop on Q1 2013. The net profit earned in the period from January through March 2014 was 0.4 million PLN and decreased by 6.7 million PLN compared to the same period of the previous year. The net profit after the 1st quarter of 2014 accounted for 1.8% of the 2014 budget earnings.

The company's priorities of the coming months include further improvement of operational effectiveness, improvement of project management process and optimization of purchase processes and financing of operating activity.

2. Segmental information

Primary reporting format – business segments

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

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

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

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

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

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

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

(All amounts in thousands of PLN unless otherwise stated)

Notes to the condensed financial statements (continued)

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

Business segment results for Q1 2014

	Power Generation Division	Industry Division	Power Distribution Division	All other Segments	Total
Continuing operations					
Sales revenue	80 213	31 754	70 736	2 747	185 450
of which:					
Revenue from external customers	79 784	31 754	63 785	545	175 868
Inter-segment sales	429	0	6 951	2 202	9 582
Operating profit	3 202	(8 845)	5 370	584	311
Financial activities result	0	(10)	2 705	0	2 695
Profit before income tax	3 202	(8 855)	8 075	584	3 006
Income tax	(853)	(787)	(713)	(230)	(2 583)
Net profit from continuing operations for the period	2 349	(9 642)	7 362	354	423
Discontinued operations					
Net profit (loss) from discontinued operations for the period	0	0	0	0	0
Net profit for the period	2 349	(9 642)	7 362	354	423

In 2014 ELEKTROBUDOWA SA continued the repair actions concerning the Industry Division, which in previous years generated substantial loss on the operating activity in result of performance of several unprofitable projects carried out on a general contracting basis. At the stage of preparing the 2014 budget and performance forecast the company assumed that the existing unprofitable contracts left from that period will be completed and settled during the first half of 2014. The projects are either in the final stage of completion or in the stage of settlement with the purchasers.

Current improvement actions cover two basic areas: redefinition of market strategy and changing the organizational structure of the Industry Division.

In the scope of its market activity, the Industry Division segment is currently focused on being awarded and performing contracts in the area in which it has and will be developing its key competence, that is overall supply of electrical installations, small current systems, automation and control systems in buildings. An assumption has been made that the gradual recovery that is being observed in the industrial investment market, both in the area of new investments and also in the area of extension and modernization of the existing industrial plant, will provide the possibility to return soon to a satisfying level of revenues from the market segment which provides much higher margins than residential and commercial building industry.

This creates opportunities for the segment, for which industrial construction is to be the main source of income, to obtain projects with such material and financial scope that will allow higher margins and to benefit from the effect of synergy with the other segments, particularly in the scope of automation systems and equipment manufactured by the Power Distribution Division, Power Generation Division and ENERGETEST sp. z o.o.

(All amounts in thousands of PLN unless otherwise stated)

Notes to the condensed financial statements (continued)

As at 31 March 2014 the Industry Division had an order backlog amounting to 230 237 thousand PLN, and in Q1 2014 the Division received orders for the amount of 31 207 thousand PLN, whereas in the same period of the previous year the orders received amounted to 25 641 thousand PLN (growth by 21.7%). The 9 642 thousand PLN net loss generated by the Industry Division in the 1st quarter of 2014 includes the change of the amount of provisions for expected increase of costs to perform contractual services. As at 31 March 2014, provisions for the unprofitable contracts in the Industry Division amounted to 5 522 thousand PLN. The main items of recognized and accounted losses on contracts performed by the Industry Division are principally connected with significant postponement of completion dates of two projects, "Turnkey site engineering and construction of the Integrated Transport Centre at Poznań Główny railway station" for Poznań City Center I Sp. z o.o. and "Civil works and other services required for the completion of project - construction of the Franowo tramway depot in Poznań" for Miejskie Przedsiębiorstwo Komunikacyjne w Poznaniu Sp. z o.o. The works still continued on these projects are in their final stage and include the acceptance and financial settlement of works, but yet again the deadlines have been postponed, what substantially increases fixed construction costs which are not sure to be collectable from the investor. A list of projects for which the provisions have been created is presented in the table below.

Industrial construction sector is marked with grater reliability and financial strength of investors. In previous years the Industry Division faced considerable problems concerning payment gridlocks relating to the orders carried out for the customers, investors or general contractors in the civil building industry and developers. Financial condition of companies in this segment is still bad and is the reason of delays in payment for the performed works. As at 31 March 2014 overdue receivables of the Industry Division segment amounted to 32 091 thousand PLN compared to 24 390 thousand PLN at 31 March 2013, which is a 31.6% growth. In Q1 2014 the provisions for impairment of receivables were created in the Industry Division in the amount of 167 thousand PLN, while in Q1 2013 it was 1167 thousand PLN. A drop in accrual of bad debt is a definitely positive phenomenon. Provisions for receivables created by the Industry Division segment in the reportable period accounted for 25.1% of total provisions created by the company. As at 31 March 2014 the amount of provisions for impairment of the Industry Division receivables was 16 775 thousand PLN, while total impairment provisions of the company amounted to 23 570 thousand PLN. The Industry Division had a 71.2% share in total impairment provisions of the company.

Modification of the organisational structure of the Industry Division, mentioned earlier, covers the actions associated with formation and development of competence of teams responsible for implementation of projects and also review and modification of processes to streamline the organizational structure of the Division, including liquidation of one of the organizational levels (project realization offices), what should lead to significant decrease of indirect expenses. The first financial effects of the cost-cutting actions are planned to be seen as early as in the end of Q2 and beginning of Q3 2014, the aimed results should be achieved in the fourth quarter of the year. The above actions are correlated with the parallel measures focused on processes to support operational activity across the whole company, including centralization of selected functions, first of all within logistics, human resources and finance management and also modification of tools applied in managing the flow of information and controlling.

(All amounts in thousands of PLN unless otherwise stated)

Notes to the condensed financial statements (continued)

Recognised losses in the reportable period have been principally generated by the following contracts:

Contract title	Provisions as at 31.12.2013	Provisions created in Q1 2014	Release of provisions in Q1 2014	Provisions as at 31.03.2014
Overall engineering and construction of the investment project related to the Integrated Transport Centre at the site of Poznań central station for Poznan City Center Sp. z o.o.	758	1 729	0	2 487
Civil works and other services required for the completion of the project - construction of the Franowo tram depot in Poznań for MPK Poznaniu Sp. z o.o.	5 030	0	3 711	1 319
The Stanislaw Moniuszko Filharmonic in Koszalin – construction of a concert hall for the Koszalin municipal commune	859	0	318	541
Supply, installation, testing and putting to operation of electrical services at the site of Złota 44 Tower, Warsaw for INSO Sistemi per le Infrastrutture Sociali S.p.A.	0	480	2	478
Civil works relating to modernization of railway Line 9, section from KM184,800 to KM 236.920 in the area of Local Control Centre LCS Iława for BUDIMEX S.A	218	0	3	215
Construction of the Kaufland shopping facility on the plot located in Gryfice for Kaufland Polska Markety Sp. z o.o. Sp. K.	571	186	620	137

(All amounts in thousands of PLN unless otherwise stated)

Notes to the condensed financial statements (continued)

Other items of business segments recognized in the statement of comprehensive income for Q1 2014

	Power Generation Division	Industry Division	Power Distribution Division	All other Segments	Total
depreciation	850	261	487	677	2 275
amortisation	72	37	498	26	633

Business segment results for Q1 2013

	Power Generation Division	Industry Division	Power Distribution Division	All other Segments	Total
<u>Continuing operations</u>					
Sales revenue	74 960	43 458	43 998	2 868	165 284
of which:					
Revenue from external customers	74 954	43 430	39 160	635	158 179
Inter-segment sales	6	28	4 838	2 233	7 105
Operating profit	2 064	1 989	811	(128)	4 736
Financial activities result	(63)	(106)	2 544	38	2 413
Profit before income tax	2 001	1 883	3 355	(90)	7 149
Income tax	342	918	(1 243)	(13)	4
Net profit from continuing operations for the period	2 343	2 801	2 112	(103)	7 153
<u>Discontinued operations</u>					
Net profit (loss) from discontinued operations for the period	0	0	0	0	0
Net profit for the period	2 343	2 801	2 112	(103)	7 153

Other items of business segments recognized in the statement of comprehensive income for Q1 2013

	Power Generation Division	Industry Division	Power Distribution Division	All other Segments	Total
depreciation	988	347	443	694	2 472
amortisation	68	54	704	36	862

(All amounts in thousands of PLN unless otherwise stated)

Notes to the condensed financial statements (continued)

Assets and liabilities of business segments at 31 March 2014

	Power Generation Division	Industry Division	Power Distribution Division	All other Segments	Total
Assets	197 850	127 310	234 883	181 697	741 740
Liabilities	164 884	133 406	150 840	(31 870)	417 260
Capital expenditure	257	100	1 841	375	2 573

Assets and liabilities of business segments at 31 December 2013

	Power Generation Division	Industry Division	Power Distribution Division	All other Segments	Total
Assets	247 163	137 168	228 000	150 077	762 408
Liabilities	172 288	138 243	120 595	6 930	438 056
Capital expenditure	2 602	791	9 537	3 185	16 115

Assets and liabilities of business segments at 31 March 2013

	Power Generation Division	Industry Division	Power Distribution Division	All other Segments	Total
Assets	200 318	140 392	132 948	122 997	596 655
Liabilities	99 318	106 667	58 774	5 471	270 230
Capital expenditure	263	146	1 279	1 099	2 787

Impairment of receivables by business segments

	Power Generation Division	Industry Division	Power Distribution Division	All other Segments	Total
at 31 March 2014	2 500	16 775	4 280	15	23 570
at 31 December 2013	2 340	16 828	4 690	7	23 865
at 31 March 2013	2 120	9 210	6 231	7	17 568

(All amounts in thousands of PLN unless otherwise stated)

Notes to the condensed financial statements (continued)

Secondary reporting format – geographical segments

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

Geographical segmentation, based on location of final customers, is as follows:

	Q1/2014 period from 01.01.2014 to 31.03.2014	Q1/2013 period from 01.01.2013 to 31.03.2013
Revenue from sales of products, goods and materials		
- domestic market	158 190	107 465
- East-European market	6 931	10 327
- Nordic countries market	5 177	24 364
- Turkish market	3 123	1 036
- Southwestern Asia	1 219	6 327
- Western Europe	799	8 660
- Central Asia	375	0
- African market	54	0
	175 868	158 179

In Q1 2014 the company operated principally in the domestic market (90% of the sales revenues), East-European market (4%) the Nordic countries market (3%) and the Turkish market (2%).

Information about key customers

The revenue from direct sales generated by the Power Generation Division in the amount of 79.8 million PLN (75.0 million PLN in Q1 2013) includes the 16.4 million PLN revenue from the contract with the company's biggest customer (in Q1 2013 it was 24.2 million PLN). In Q1 2014 the revenue accounted for 9.3% while in Q1 2013 for 15.3% of total revenues generated by the company.

The revenue from direct sales generated by the Power Distribution Division in the amount of 63.8 million PLN (39.24 million PLN in Q1 2013) includes the 12.8 million PLN revenue from the contract with the company's second biggest customer (in Q1 2013 it was 8.5 million PLN). In Q1 2014 the revenue accounted for 7.3% while in Q1 2013 for 5.4% of total revenues generated by the company.

The Q1 2014 revenue from the two biggest customers accounted for 16.6% of total company's revenues, against 20.7% in Q1 2013.

(All amounts in thousands of PLN unless otherwise stated)

Notes to the condensed financial statements (continued)

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

	as at		
	31.03.2014 end of 1st quarter 2014	31.12.2013 end of prior year 2013	31.03.2013 end of 1st quarter 2013
Non-current assets held for sale			
a) fixed tangible assets, including:			
- technical equipment and machines	145	0	0
- other fixed tangible assets	117	0	0
	262	0	0

In Q1 2014 ELEKTROBUDOWA SA commenced actions in order to liquidate some items of fixed tangible assets, as there is no longer a demand for their continuous use. Estimation of the market value of assets which are held to sale was commissioned to an independent appraiser. As the items to be measured are technical means for which there is an active market, their market value was established with the use of a direct comparison approach.

In the statement of financial situation prepared as at 31 March 2014 ELEKTROBUDOWA SA separated the tangible property items and presented them in the Statement of Financial Position in the line "Non-current assets held for sale". Non-current assets classified as held to sale were measured at the lower of initial carrying amount and fair value. Results of the measurement in the amount of 90 thousand PLN were charged to other net loss in the statement of comprehensive income.

4. Investments in associates

	as at		
	31.03.2014 end of 1st quarter 2014	31.12.2013 end of prior year 2013	31.03.2013 end of 1st quarter 2013
Investments in associates	21 613	21 613	22 613

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.

On 8 August 2013 the Russian Ministry of Finance Federal Tax Service, the Office for Sankt Petersburg issued a notice of removing a Russian entity, the limited liability company KRUELTA from the records kept by the taxation body, following the information about the cease of activity by a legal entity announced by the Russian State Register of Legal Entities, excerpt no. 7137847788764 of 8 August 2013.

On the day of winding up ELEKTROBUDOWA SA owned 49% of KRUELTA's share capital. By resolution of the General Meeting of KRUELTA Shareholders the remaining assets were distributed among the shareholders, pro rata to the shares owned.

In the statement of comprehensive income prepared for the period from 1 January 2013 to 31 December 2013 a 213 thousand PLN net loss was recognised in the financial gains (losses), net. The loss is the outcome of settlement of a share held by ELEKTROBUDOWA SA in KRUELTA as at the date of liquidation.

(All amounts in thousands of PLN unless otherwise stated)

Notes to the condensed financial statements (continued)

5. Construction contracts

Amounts due from customers for construction contract work

	as at		
	31.03.2014	31.12.2013	31.03.2013
	end of	end of prior	end of
	1st quarter 2014	year 2013	1st quarter 2013
Amounts due from customers for construction contract work	184 789	154 516	103 001

ELEKTROBUDOWA SA presents in assets 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.

As at 31 March 2014 compared with 31 December 2013 the amount due from customers for construction contract work increased by 30 273 thousand PLN.

Construction contracts with significant amounts due from contractors for construction work are presented in the table.

Amounts owed to customers for construction contract work

	as at		
	31.03.2014	31.12.2013	31.03.2013
	end of	end of prior	end of
	1st quarter 2014	year 2013	1st quarter 2013
Amounts owed to customers for construction contract work	39 840	44 918	32 904

ELEKTROBUDOWA SA presents in liabilities 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).

(All amounts in thousands of PLN unless otherwise stated)

Notes to the condensed financial statements (continued)

Construction contracts with significant amounts due from contractors for construction work as at 31 March 2014

	as at			
	31.03.2014	31.12.2014	31.03.2013	
- „design and build” execution of the project „Extension of the Słupsk 400/110kV Substation” – Stage 1 and 2 in order to connecting Słupsk 240MW wind farm, Potęgowo 320MW wind farm, including installation of 400/110kV autotransformer to the ENERGA - OPERATOR S.A. grid for PSE Operator S.A.	49 093	48 545	6 708	A contract with a high level of works at 31.03.2014. According to the material and financial schedule, the settlements of investments will be done in two stages. Prepared investment project does not enable completion of Stage 1 of investment without performing a significant part of work connected with Stage 2. The provisions of the agreements not allow partial invoicing, therefore until the balance sheet date, the invoicing of any of completed parts of I stage specified in the objective and financial schedule was not be made. Invoicing of the I stage the company plans in the first half of 2014.
- construction of a new heat generation unit with fluidized bed boiler, heating and condensing turbine and associated plants in TAURON Ciepło SA Zakład Wytwarzania Tychy for TAURON Ciepło Spółka Akcyjna	31 528	10 478	0	At 31.03.2014 it was extensive involvement of works on contract carried out by subcontractors (mainly works of SKODA company and Foster Wheeler company). According to the objective and financial schedule the sale of works will take place in June and in August 2014. For the time being, there is no risk to the invoicing deadlines.
- civil works with all other works and tasks required and necessary for the complete execution of the project of construction of the Franowo tram depot for Miejskie Przedsiębiorstwo Komunikacyjne w Poznaniu Sp. z o.o.	22 451	22 139	33 165	Completion date of investment, thus also the final settlement of the contract, has been postponed. Originally the contract provided completing the investment by 12.07.2013, regarding to the agreement of 30.08.2013 the investment completion term has been extended until February 2014. In view of the further rescheduling caused by number of factors (design changes, additional works, delays in implementation a scope of the works of a consortium leader), this deadline has not been met and has postponed further. As at 31.03.2014 account of the work of ELEKTROBUDOWA SA was nearing completion, however, consortium leader ZUE company, still not performed its scope of works. According to the contract, final 20% of the works, what constitute amount per ELEKTROBUDOWA SA over 20 million PLN, can be invoiced after completion of the whole investment and obtaining a permit for use. It is estimated that it will be possible at the end of June 2014.
- extension and modernization of 220/110kV electrical substation Skawina, including connection of the 2x2x400kV line, for PSE S.A.	13 278	9 459	0	Progress of works on the contract conforms to the material and financial schedule annexed to the contract. At the reporting date there is no risk of failing to meet the deadline of completion of the investment. Planned date for issuing the first invoice – 30.09.2014, deadlines of completion of the investment – 31.12.2017.
- “design and build” execution of the project „Construction of the 400 kV electrical substation Łomża” for PSE Operator S.A.	12 228	4 572	368	The contract was signed in April 2012. The closure date 30.09.2014. As of 31.03.2014 progress of works on contract about 50 %. Sale of the component II.A.3 is expected in May, and sale of the component II.A.5 in June, the total value of the components about 16 million PLN. As of today, there is no risk that the deadline not be met.

(All amounts in thousands of PLN unless otherwise stated)

Notes to the condensed financial statements (continued)

6. Changes in provisions for and impairment of receivables

	as at		
	31.03.2014 end of 1st quarter 2014	31.12.2013 end of prior year 2013	31.03.2013 end of 1st quarter 2013
Provisions for future liabilities and expenses	11 084	10 209	4 815
of which:			
- for long-term retirement benefits	4 945	5 031	4 230
- for short-term retirement benefits	77	300	48
- for warranty repair works	701	701	537
- for expected penalties and compensation	5 361	4 177	0

	as at		
	31.03.2014 end of 1st quarter 2014	31.12.2013 end of prior year 2013	31.03.2013 end of 1st quarter 2013
Provisions for impairment of receivables	23 570	23 865	17 568
of which:			
- in bankruptcy proceedings	5 241	5 241	2 994
- receivables vindicated in court	3 332	3 432	626
- other overdue debtors	14 997	15 192	13 948

7. Deferred income tax assets and liabilities

	as at		
	31.03.2014 end of 1st quarter 2014	31.12.2013 end of prior year 2013	31.03.2013 end of 1st quarter 2013
Deferred income tax assets	51 863	47 861	33 020
- to be recovered after more than 12 months	1 578	1 643	1 435
- to be recovered within 12 months	50 285	46 218	31 585
Deferred income tax liabilities	(36 846)	(30 328)	(19 539)
- to be recovered after more than 12 months	(484)	(489)	(589)
- to be recovered within 12 months	(36 362)	(29 839)	(18 950)
Deferred corporate income tax assets recognised in the balance sheet	15 017	17 533	13 481

(All amounts in thousands of PLN unless otherwise stated)

Notes to the condensed financial statements (continued)

	as at		
	31.03.2014	31.12.2013	31.03.2013
	end of	end of prior	end of
	1st quarter 2014	year 2013	1st quarter 2013
Liabilities due to deferred income tax of foreign			
Establishments	(1 309)	(1 288)	(3 422)
- deferred income tax liability to be paid within 12 months	(1 309)	(1 288)	(3 422)
Deferred corporate income tax liabilities recognised in the balance sheet	(1 309)	(1 288)	(3 422)

(All amounts in thousands of PLN unless otherwise stated)

Notes to the condensed financial statements (continued)

8. Current liabilities due to loans and borrowings

Current liabilities due to loans and borrowings, as at 31 March 2014

Lender	Registered office	Contractual loan amount		Amount to be repaid		Rate of interest	Contract validity
		PLN'000	curr	PLN'000	curr		
ING BANK ŚLĄSKI S.A. overdraft	Katowice	5 000	PLN	1 328	PLN	WIBOR 1M +bank commission	18.12.2015
working capital loan		12 000	PLN	12 000	PLN	WIBOR 1M +bank commission	30.06.2014
BANK HANDLOWY S.A. overdraft	Warsaw	15 000	PLN	707	PLN	WIBOR 1M +bank commission	14.10.2014
working capital loan		52 000	PLN	13 646	PLN	WIBOR 1M +bank commission	31.12.2017
limit for credit cards		200	PLN		PLN		
BANK PEKAO S.A. overdraft	Cracow	10 000	PLN	0	PLN	WIBOR 1M +bank commission	30.04.2014
PKO BP SA overdraft	Warsaw	5 000	PLN	0	PLN	WIBOR 1M +bank commission	20.02.2015
mBank S.A. overdraft	Warsaw	10 000	PLN	2 444	PLN	WIBOR ON +bank commission	30.09.2014
		109 200		30 125			

The notes presented on pages 7 - 30 are an integral part of these condensed financial statements.

(All amounts in thousands of PLN unless otherwise stated)

Notes to the condensed financial statements (continued)

Current liabilities due to loans and borrowings, as at 31 December 2013

Lender	Registered office	Contractual loan amount		Amount to be repaid		Rate of interest	Contract validity
		PLN'000	curr	PLN'000	curr		
ING BANK ŚLĄSKI S.A. overdraft	Katowice	5 000	PLN	0	PLN	WIBOR 1M	18.12.2015
working capital loan		47 000	PLN	0	PLN	+bank commission WIBOR 1M	30.06.2014
BANK HANDLOWY S.A. overdraft	Warsaw	15 000	PLN	0	PLN	WIBOR 1M	14.10.2014
working capital loan		52 000	PLN	5 400	PLN	+bank commission WIBOR 1M	31.12.2017
limit for credit cards		200	PLN		PLN		
BANK PEKAO S.A. overdraft	Cracow	10 000	PLN	541	PLN	WIBOR 1M	30.04.2014
						+bank commission	
PKO BP S.A. overdraft	Warsaw	5 000	PLN	0	PLN	WIBOR 1M	20.02.2015
						+bank commission	
mBank S.A. (former BRE BANK S.A.) overdraft	Warsaw	10 000	PLN	0	PLN	WIBOR ON	30.09.2014
						+bank commission	
		144 200		5 941			

(All amounts in thousands of PLN unless otherwise stated)

Notes to the condensed financial statements (continued)

Current liabilities due to loans and borrowings, as at 31 March 2013

Lender	Registered office	Contractual loan amount		Amount to be repaid		Rate of interest	Contract validity
		PLN'000	curr	PLN'000	curr		
ING BANK ŚLĄSKI S.A. overdraft	Katowice	5 000	PLN	1 349	PLN	WIBOR 1M + bank commission	18.12.2015
working capital loan		20 000	PLN	4 465	PLN	WIBOR 1M + bank commission	30.06.2014
BANK PEKAO S.A. overdraft	Cracow	10 000	PLN	9 651	PLN	WIBOR 1M + bank commission	30.04.2014
PKO BP S.A. overdraft	Warsaw	4 900	PLN	3 887	PLN	WIBOR 1M + bank commission	20.02.2015
mBank S.A. overdraft	Warsaw	10 000	PLN	1 325	PLN	WIBOR ON + bank commission	30.09.2013
		49 900		20 677			

(All amounts in thousands of PLN unless otherwise stated)

Notes to the condensed financial statements (continued)

9. Changes in contingencies

	as at		
	31.03.2014 end of 1st quarter 2014	31.12.2013 end of prior year 2013	31.03.2013 end of 1st quarter 2013
Contingent liabilities	486 258	481 682	301 542
of which:			
guarantees	465 492	461 028	279 377
promissory notes	20 766	20 654	22 165

In the period from January through March 2014 security in the form of guarantees was provided in the total amount of 35.5 million PLN.

In Q1 2014 ELEKTROBUDOWA SA did not provide any guarantee whose total amount concerning one customer would exceed 10% of the equity. Main beneficiaries of the guarantees submitted by the company were:

- c) ANWIL S.A. – total amount of guarantees was 15.4 million PLN and included:
 - advance payment bond 13.5 million PLN;
 - contract performance bond 1.4 million PLN;
 - defect liability bond 0.5 million PLN.
- d) Babcock Noell GmbH - total amount of guarantees was 5.9 million PLN and included:
 - contract performance bond 1.7 million PLN;
 - advance payment bond 4.2 million PLN.

10. Earnings per share

Calculation of earnings per share for Q1 2014:

	Earnings	Shares	Earnings per share
Net profit for the period (in PLN)	423 018		
Weighted average number of shares		4 747 608	
Basic earnings per share (in PLN)			0,09
Diluted earnings per share (in PLN)			0,09

Calculation of earnings per share for Q1 2013:

	Earnings	Shares	Earnings per share
Net profit for the period (in PLN)	7 153 225		
Weighted average number of shares		4 747 608	
Basic earnings per share (in PLN)			1,51
Diluted earnings per share (in PLN)			1,51

(All amounts in thousands of PLN unless otherwise stated)

Notes to the condensed financial statements (continued)

11. Book value per share

	as at		
	31.03.2014 end of 1st quarter 2014	31.12.2013 end of prior year 2013	31.03.2013 end of 1st quarter 2013
shareholders' equity	324 480	324 352	326 425
number of shares (pcs)	4 747 608	4 747 608	4 747 608
book value per share (in PLN)	68,35	68,32	68,76

12. Dividend paid (or declared) per share

The Management Board of ELEKTROBUDOWA SA proposes to pay dividend from the 2013 profit in the amount of 9 495 216.00 PLN, that is 2.00 PLN per share. The dividend is subject to the shareholders' approval at the AGM and was not recognized in liabilities in the present Financial statements.

13. Related party transactions

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

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

	Q1 2014 period 01.01.2014 - 31.03.2014	Q1 2013 period 01.01.2013 - 31.03.2013
a) sales:		
- sales of goods – the Power Equipment Production Plant VECTOR Ltd.	1 565	8 186
- sales of materials - the Power Equipment Production Plant VECTOR Ltd.	88	295
- sales of services – KONIP Sp. z o.o.	22	22
- sales of materials – KONIP Sp. z o.o.	5	0
- sales of services – ENERGO TEST sp. z o.o.	9	0
- sales of goods - ELEKTROBUDOWA UKRAINE Ltd.	4 631	961
b) purchases:		
- purchase of services – VECTOR Ltd.	1	0
- purchase of services - KRUELTA Ltd.	0	17
- purchase of services – KONIP Sp. z o.o.	314	283

(All amounts in thousands of PLN unless otherwise stated)

Notes to the condensed financial statements (continued)

- purchase of services – ENERGETEST sp. z o.o.	437	997
- purchases of materials – ENERGETEST sp. z o.o.	519	505

Mutual balances were the following as at 31 March 2014:

	as at 31.03.2014	as at 31.12.2013	as at 31.03.2013
- payables of ELEKTROBUDOWA SA to KONIP Sp. z o.o.	138	113	139
- payables of ELEKTROBUDOWA SA to ENERGETEST sp. z o.o.	1 840	2 309	2 290
- payables of ELEKTROBUDOWA SA to VECTOR Ltd.	1	9	0
- receivables of ELEKTROBUDOWA SA from "VECTOR" Ltd.	3 083	4 242	5 528
- receivables of ELEKTROBUDOWA SA from SAUDI ELEKTROBUDOWA LLC	243	241	0
- receivables of ELEKTROBUDOWA SA from ELEKTROBUDOWA UKRAINE Ltd.	2 803	2 010	224
- receivables of ELEKTROBUDOWA SA from KONIP Sp. z o.o.	9	0	38
- receivables of ELEKTROBUDOWA SA from ENERGETEST sp. z o.o.	0	310	0
- downpayment by ELEKTROBUDOWA SA to SAUDI ELEKTROBUDOWA LLC	133	0	261

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

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

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

14. Changes in presentation of the financial statements

In the financial statements prepared as at 31 March 2014 changes were made in presentation of comparable data at 31 March 2013 concerning the following:

- statement of financial position 31 March 2013:
 - change in presentation of deferred income tax of Permanent Establishments::
 - change in presentation of deferred corporate income tax liabilities of Permanent Establishments
 - trade and other payables (2 059) thousand PLN

(All amounts in thousands of PLN unless otherwise stated)

Notes to the condensed financial statements (continued)

▪ deferred corporate income tax liabilities	2 059 thousand PLN
- change in presentation of long-term liabilities due to lease	
▪ long-term other liabilities	43 thousand PLN
▪ Short-term trade and other liabilities	(43) thousand PLN
➤ the statement of cash flow for the period ended 31 March 2013:	
- change in presentation of currency translation differences of paid corporate income tax:	
▪ change in liabilities, except loans and borrowings	(38) thousand PLN
▪ other adjustments	38 thousand PLN
- change in presentation of deferred income tax paid	
▪ change in liabilities, except loans and borrowings	28 thousand PLN
▪ income tax paid	(28) thousand PLN

The above presentation changes did not impact the carrying amount or the financial result of the company.

15. Expressed in figures information ensuring comparability of data included in the financial statements for the prior year and the statements for the reporting period of the current fiscal year

In 2013, in consequence of an internal audit conducted in the company, some economic events were disclosed which concerned incorrect settlement and valuation of long-term contracts resulting from wrong assignment of direct costs to them. The events occurred in the period 2011 – 2012 and their disclosure influenced the financial result the company generated in those years.

Because of those events it was necessary to correct the company's financial result for the years 2011 and 2012 by recognising net losses in the amounts: 8 613 283.00 Polish zlotys for 2011 and 17 162 824.00 Polish zlotys for 2012.

Consequently, in the company's financial statements for 2013 a prior years' net loss was recognised in the aggregate amount of 25 776 107.00 Polish zlotys.

The corrections of errors were recognized the statement of financial position as at 31 December 2013 in equity in the retained earnings item, as the prior years' losses. Also, the 2012 opening balance and the 2013 opening balance were adjusted. Impact of the corrections on the items of statements for the comparable reporting period has been shown in the tables below.

(All amounts in thousands of PLN unless otherwise stated)

Notes to the condensed financial statements (continued)

Summary of impact of the corrections on the statement of financial position

as at 31 March 2013

	before correction	correction	after correction
ASSETS			
Non-current assets	211 138	6 046	217 184
Property, plant and equipment	85 780	0	85 780
Intangible assets	14 985	0	14 985
Investments in associates	22 613	0	22 613
Interest in subsidiaries	47 901	0	47 901
Available-for-sale financial assets	2 931	0	2 931
Non-current receivables	27 904	0	27 904
Deferred income tax assets	7 435	6 046	13 481
Non-current prepayments	1 589	0	1 589
Current assets	399 393	(19 922)	379 471
Inventories	61 684	0	61 684
Trade and other receivables	185 921	0	185 921
Available-for-sale financial assets	24	0	24
Current prepayments	8 722	0	8 722
Amounts due from customers for construction contract work	122 923	(19 922)	103 001
Cash and cash equivalents	20 119	0	20 119
Non-current assets held for sale	0	0	0
Total assets	610 531	(13 876)	596 655
EQUITY AND LIABILITIES			
Equity	352 201	(25 776)	326 425
Share capital (after restatement)	26 375	0	26 375
Supplementary capital	303 510	0	303 510
Capital from valuation of available-for-sale investment	1 662	0	1 662
Currency translation differences	(4 494)	0	(4 494)
Retained earnings	25 148	(25 776)	(628)
Liabilities			
Non-current liabilities	19 768	0	19 768
Deferred income tax liabilities	3 422	0	3 422
Employee benefit obligations	4 230	0	4 230
Other liabilities	12 116	0	12 116
Current liabilities	238 562	11 900	250 462
Trade and other payables	171 591	0	171 591
Corporate income tax liabilities	2 059	0	2 059
Loans and borrowings	20 677	0	20 677
Provisions	585	0	585
Accrued expenses	10 746	11 900	22 646
Amounts owed to customers for construction contract work	32 904	0	32 904
Total liabilities	258 330	11 900	270 230
Total equity and liabilities	610 531	(13 876)	596 655

The corrections produced the following results as at 31 March 2013:

- decreasing the value of assets in the statement of financial by the amount of 13 876 thousand PLN,
- reduction of retained earnings by the amount of 25 776 thousand PLN.

(All amounts in thousands of PLN unless otherwise stated)

Notes to the condensed financial statements (continued)

Summary of impact of the corrections on the statement of changes in equity

	Share capital	Supplementary capital from share premium	Other supplementary capital	Capital from valuation of available-for-sale investment	Exchange differences from translating financial statements	Retained earnings	Total equity
before correction							
as at 1 January 2013	26 375	100 676	202 834	1 662	(5 218)	17 995	344 324
net profit						7 153	7 153
exchange differences					724		724
total comprehensive income					724	7 153	7 877
as at 31 March 2013	26 375	100 676	202 834	1 662	(4 494)	25 148	352 201
correction							
as at 1 January 2013	0	0	0	0	0	(25 776)	(25 776)
net profit						0	0
total comprehensive income				0	0	0	0
as at 31 March 2013	0	0	0	0	0	(25 776)	(25 776)

(All amounts in thousands of PLN unless otherwise stated)

Notes to the condensed financial statements (continued)

after correction	Share capital	Supplementary capital from share premium	Other supplementary capital	Capital from valuation of available-for-sale investment	Exchange differences from translating financial statements	Retained earnings	Total equity
as at 1 January 2013	26 375	100 676	202 834	1 662	(5 218)	(7 781)	318 548
<i>net profit</i>					<i>0</i>	<i>7 153</i>	<i>7 153</i>
<i>exchange differences</i>					<i>724</i>	<i>0</i>	<i>724</i>
total comprehensive income as at 31 March 2013	26 375	100 676	202 834	1 662	(4 494)	(628)	326 425

In result of corrections introduced in the books the amount of equity as at 1 January 2013 and 31 March 2013 was reduced by 25 776 thousand PLN.

Notes to the condensed financial statements (continued)

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

After the three months of 2014 the company earned net profit amounting 423 thousand PLN and generated sales revenues of 175 868 thousand PLN. The 2014 annual forecast for ELEKTROBUDOWA SA published on 14 April 2014 assumes that the company will generate 1 180 376 thousand PLN of sales revenues and the net profit of 23 578 thousand PLN. Orders received for 2014 were budgeted on the level of 1 001 492 thousand PLN. The company enters the second quarter of 2014 with an impressive backlog of orders amounting to 1 773 677 thousand PLN, whereas orders received during the first three months of the year total 159 601 thousand PLN. It is enough to ensure that the annual sales will be accomplished according to forecast assumptions.

The 2014 forecast is carried out according to the assumptions and in the opinion of Management its fulfillment is not at risk.

17. Significant events after the balance sheet date

No events have occurred after the balance sheet date which would significantly impact the assets and the financial result of the company.