THE ELEKTROBUDOWA SA GROUP

Interim consolidated condensed financial statements

for the six months ended 30 June 2014

Index to the consolidated financial statements

(all amounts in PLN thousands unless otherwise stated)

Consolidated statement of financial position

	Note	as at 30.06.2014 (unaudited)	as at 31.12.2013
ASSETS			
Non-current assets		**182 481**	**199 527**
Property, plant and equipment	8	85 936	88 574
Intangible assets	9	44 165	40 791
Investments in associates	10	20 206	24 228
Available-for-sale financial assets	11.1	2 523	2 523
Non-current receivables	12.1	13 694	24 065
Deferred income tax assets	22	14 543	17 768
Non-current prepayments	13	1 414	1 578
Current asssets		**622 504**	**576 137**
Inventories	14	67 002	57 937
Trade and other receivables	13.2	229 642	245 253
Available-for-sale financial assets	11.1	24	24
Financial assets held to maturity		512	500
Current prepayments	16	24 284	32 140
Amounts due from construction contract work	26.2	240 343	159 795
Cash and cash equivalents	15	60 435	80 488
Fixed assets held for sale	17	262	0
Total assets		**804 985**	**775 664**
EQUITY AND LIABILITIES			
Equity		**317 451**	**326 724**
Issued share capital	18	10 003	26 375
Supplementary capital	19.1	305 046	328 630
Capital from valuation of available-for-sale investment	19.2	1 326	1 326
Exchange differences from translating foreign branches		(1 652)	(2 006)
Capital from currency translation differences		(2 792)	(1 412)
Retained earnings		5 071	(27 299)
Total equity attributable to shareholders of the Company		**317 002**	**325 614**
Minority interest in equity		**449**	**1 110**
Liabilities and provisions			
Non-current liabilities and provisions		**19 813**	**19 404**
Deferred income tax liability	22	1 316	1 851
Employee benefits provisions	23	4 954	5 215
Other liabilities	20.1	13 543	12 338
Current liabilities		**467 721**	**429 536**
Trade and other payables	20.2	343 147	338 248
Corporate income tax liabilities		8 399	9 064
Loans, borrowings and debt securities	21	45 677	5 941
Current provisions	23	3 089	5 416
Accrued expenses	24	18 962	25 095
Amounts due to customers for construction contract work	26.2	48 447	45 772
Total liabilities and provisions		**487 534**	**448 940**
Total equity and liabilities		**804 985**	**775 664**

(all amounts in PLN thousands unless otherwise stated)

Consolidated statement of comprehensive income

	Note	six months ended 30 June 2014 (unaudited)	six months ended 30 June 2013 (unaudited)
Continuing operarations			
Revenue from sales of products, goods and materials	26.1	442 342	382 843
Cost of products, goods and materials sold	27	(421 465)	(366 596)
Gross profit on sales		**20 877**	**16 247**
Selling costs		(1 314)	(2 316)
General administrative expenses		(8 668)	(8 183)
Other operating income	28	6 883	5 272
Other operating expenses	29	(13 287)	(9 115)
Operating profit		**4 491**	**1 905**
Finance income	30	56	46
Finance costs	31	(673)	(539)
Share in net profit of associates measured according to equity method		(505)	213
Gross profit before income tax		**3 369**	**1 625**
Income tax expense	22	(1 335)	(768)
Net profit from continuing operations for the year		**2 034**	**857**
Discontinued operations			
Net profit (loss) from discontinued operations for the period		**0**	**0**
Net profit for the period		**2 034**	**857**
of which:			
- attributable to the equity holders of ELEKTROBUDOWA SA		*2 115*	*827*
- attributable to minority holders		*(81)*	*30*
Other comprehensive income		**(1 234)**	**2 409**
of which:			
Other comprehensive income reclassifiable to profit or loss		**(1 234)**	**2 409**
- exchange differences from translating foreign branches		354	2 297
- exchange differences from translation of financial data of subsidiaries and associates allocated to the parent		(1 380)	67
- exchange differences from translation of financial data of subsidiaries and associates allocated to non-controlling interest		(208)	45
Other comprehensive income not reclassifiable to profit or loss		**0**	**0**
Comprehensive income for the period		**800**	**3 266**
of which:			
- attributable to the equity holders of ELEKTROBUDOWA SA		*1 089*	*3 191*
- attributable to minority holders		*(289)*	*75*
Earnings per share from continuing and discontinued operations (in PLN per one share)			
- basic		0,44	0,17
- diluted		0,44	0,17

(all amounts in PLN thousands unless otherwise stated)

Consolidated statement of changes in equity

	Attributable to equity holders of ELEKTROBUDOWA SA							
	Issued share capital	Supplementary capital	Capital from valuation of available-for-sale investment	Currency translation differences of financial data of foreign branches	Retained earnings	Currency translation differences of financial statements of related parties	Non-controlling interests	Total equity
note	**18**	**19.1**	**19.2**					
As at 1 January 2014	**26 375**	**328 630**	**1 326**	**(2 006)**	**(27 299)**	**(1 412)**	**1 110**	**326 724**
Currency translation differences				*354*		*(1 380)*	*(208)*	*(1 234)*
Net profit					*2 115*		*(81)*	*2 034*
Total comprehensive income			**0**	**354**	**2 115**	**(1 380)**	**(289)**	**800**
Distribution of profit		3 811			(3 811)			0
Settlement of prior years' financial result		(25 776)			25 776			0
Settlement of hyperinflationary restatement of capital	(16 372)	(1 619)			17 991			0
Dividend payment					(9 495)			(9 495)
Other changes					(206)		(372)	(578)
As at 30 June 2014 (unaudited)	**10 003**	**305 046**	**1 326**	**(1 652)**	**5 071**	**(2 792)**	**449**	**317 451**

(all amounts in PLN thousands unless otherwise stated)

	Attributable to equity holders of ELEKTROBUDOWA SA							
	Issued share capital	Supplementary capital	Capital from valuation of available-for-sale investment	Currency translation differences of financial data of foreign branches	Retained earnings	Currency translation differences of financial statements of related parties	Non-controlling interests	Total equity
note	**18**	**19.1**	**19.2**					
As at 1 January 2013	**26 375**	**303 628**	**1 896**	**(5 218)**	**(9 396)**	**817**	**780**	**318 882**
Currency translation differences				*3 212*		*(2 229)*	*(42)*	*941*
Net profit					*17 213*		*372*	*17 585*
Valuation of available-for-sale-investments			*(704)*					*(704)*
Deferred tax on valuation of available-for-sale investments			*134*					*134*
Restatement of employee benefits liabilities					*(764)*			*(764)*
Deferred income tax on restatement of employee benefits liabilities					*145*			*145*
Total comprehensive income			**(570)**	**3 212**	**16 594**	**(2 229)**	**330**	**17 337**
Distribution of profit		27 007			(27 007)			0
Dividend payment					(9 495)			(9 495)
Other changes		(2 005)			2 005			0
As at 31 December 2013	**26 375**	**328 630**	**1 326**	**(2 006)**	**(27 299)**	**(1 412)**	**1 110**	**326 724**

(all amounts in PLN thousands unless otherwise stated)

Consolidated statement of cash flows

	six months ended 30 June	
	2014 (unaudited)	**2013 (unaudited)**
Cash flows from operating activities		
Gross profit before taxes	3 369	1 625
Share of net profit of associates measured according to equity method	505	(213)
Depreciation and amortisation	6 772	7 148
Losses on currency exchange differences	(974)	(85)
Interest and share in profit (dividends)	617	493
Profit from/loss on sale of property, plant and equipment (PPE)	270	(20)
Change in inventories	(9 065)	(23 842)
Change in trade and other receivables	32 391	26 613
Change in liabilities, except loans and borrowings	(9 715)	(80 341)
Income tax paid	(988)	(3 422)
Change in other non-financial assets	1 723	5 037
Change in non-current prepayments and accrued expenses	164	(528)
Change in settlements of construction contracts	(77 873)	31 790
Other adjustments	(1 521)	1 723
Net cash used in operating activities	**(54 325)**	**(34 022)**
Cash flows from investing activities		
Sale of intangible assets and PPE	312	139
Dividend and share in profits	1 332	1 219
Other inflows	0	0
Purchase of intangible assets and PPE	(7 377)	(6 902)
Net cash used in investing activities	**(5 733)**	**(5 544)**
Cash flows from financial activities		
Loans and borrowings	51 736	16 252
Repayment of loans and borrowings	(12 000)	(3 035)
Dividends and other payments to owners	0	0
Interest	(568)	(539)
Payments relating to finance lease contracts	(137)	(69)
Net cash generated from financial activities	**39 031**	**12 609**
Net decrease in cash and bank overdrafts	(21 027)	(26 957)
Balance sheet change in cash and bank overdrafts	(20 053)	(26 872)
Change in cash due to currency translation differences	974	85
Cash and bank overdrafts at beginning of period	80 488	45 194
Cash and bank overdrafts at end of period	**60 435**	**18 322**

Additional information

1. General

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

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

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

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

At present the company is entered in the National Court Register (KRS) at the District Court Katowice-Wschód in Katowice, 8th Business Department under KRS reference number: 0000074725.
The parent has the Tax Identification Number /NIP/ 634-01-35-506 and the National Business Registry Number REGON 271173609.

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

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

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

In the six months of 2014 the company carried out its activities in other countries through permanent establishments (branches) registered in Finland, Germany, Luxembourg and the Netherlands. The branches were established in consequence of long-term contracts for works performed outside Poland.
Business of the foreign branches was registered according to the applicable double tax treaties, to which Poland is a party.

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

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

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

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

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

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

A subsidiary - ELEKTROBUDOWA UKRAINE Ltd. with registered office in 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. The new registered address of the entity, city of Zaporizhia, Pivnichne Shose 69-A, 69006 Zaporizhia Oblast, Ukraine, was entered in the Ukrainian Unified State Register of Legal Entities and Individual Entrepreneurs, series AD, No. 152280 on 4 April 2014.

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

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

An associate – 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 30 June 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.

1.2 Changes in the composition of the group and their consequences

As at 30 June 2014, compared with 31 December 2013 the structure of the ELEKTROBUDOWA SA group had not changed.

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.

2. Summary of significant accounting policies

2.1 Basis for 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.
Major accounting standards applied by the group are presented below.

2.2 Consolidation

Subsidiaries

Subsidiaries are all entities controlled by the parent. It is assumed that control occurs when the parent, due to involvement with the subsidiary, is exposed, or has rights, to variable returns from its involvement and has the ability to affect those returns through its power over the 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 lee than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the profit or loss.
There are no entities in the group which would be excluded from consolidation. Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.

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

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.

2.3 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.

(all amounts in PLN thousands unless otherwise stated)

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.

The following exchange rates have been applied in measurement of assets and liabilities as at the balance sheet date and for converting the items of the statement of comprehensive income:

	30.06.2014		**31.12.2013**		**30.06.2013**	
	Statement of financial position	**Statement of comprehensive income**	**Statement of financial position**	**Statement of comprehensive income**	**Statement of financial position**	**Statement of comprehensive income**
Currency	**in PLN**	**in PLN**	**in PLN**	**in PLN**	**in PLN**	**in PLN**
EUR	4.1609	4.1784	4.1472	4.2110	4.3292	4.2140
UAH	0.2562	0.2840	0.3706	0.3887	0.4043	0.3947
RUB	0.0897	0.0867	0.0914	0.0990	0.1013	0.1031
SAR	0.8115	0.8125	0.8031	0.8435	0.8841	0.8582

2.4 Property, plant and equipment

Property, plant and equipment comprise fixed tangible assets and costs of the assets under construction, which the entity is going to use in its operations and for administrative purposes within the period longer than one year, and which will gain future economic benefits for the entity.
The borrowing costs which can be directly associated with purchase, construction or manufacture of the asset that takes a substantial period of time to get ready for its intended use or sale are capitalised until they are released for use. The borrowing costs are capitalised according to IAS 23.
The fixed tangible assets and assets under construction are initially recognized in their purchase costs or manufacture cost.
Depreciation of fixed tangible assets is calculated according to rates which reflect their estimated useful life. The estimated useful lives are reviewed annually. For the purpose of depreciation the straight-line method is applied.

Economic useful lives of groups of the assets are as follows:
- buildings and civil structures 25-40 years;
- plant and machinery 3-15 years;
- vehicles 5-7 years;
- other 4-10 years.

Land owned by the group and the rights of perpetual usufruct of land are not depreciated.
Tangible fixed assets and assets under construction are tested for impairment if there are reasons indicating their loss of value; in the case of tangible fixed assets under construction their possible impairment is measured at each balance sheet date.
As at the balance sheet date, tangible fixed assets other than land and the rights of perpetual usufruct of land or tangible fixed assets under construction are calculated according to cost of manufacture or purchase price less recognized depreciation write-downs and impairment write-offs, if any. Tangible fixed assets under construction are shown in the statement of financial position at manufacture cost less recognized write-downs.

2.5 Intangible assets

The intangibles of the group include those assets which are not physical in nature but are identifiable as separate items, can be reliably measured and which will gain future economic benefits for the company. The intangible assets are recognized initially at purchase cost or cost of their production.
- Costs incurred on development projects relate to the design and testing of new or improved products, if a project fulfils the conditions specified in IAS 38.
- Development costs are amortised on a straight-line basis over the period of useful lives (3 to 5 years).
- Acquired computer software licences are capitalised on the basis of costs incurred to acquire and bring to use.
- The costs are amortised on a straight-line basis over 2 years. The costs associated with maintaining computer software programmes are recognized as an expense as incurred.
- Other property rights are recognized at costs of acquiring and amortised on a straight-line method over their estimated useful lives (up to 10 years).

Intangibles are tested for impairment if there are reasons indicating the possibility of loss in value; in the case of intangible assets in the period of their realization their possible impairment is measured at each balance sheet date.
As at the balance sheet date, the intangible assets are calculated according to cost less recognized impairment loss and possible amortization write-off.

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

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

2.7 Goodwill

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

2.8 Financial instruments and derivative financial instruments

Fair value of the financial instruments

Presented below is a description of fair value of the financial instruments which are possible to estimate:

- Cash and cash equivalents, short-term bank deposits and short-term bank borrowings. The carrying values of the above instruments approximate their fair value, because of their short maturities.
- Trade receivables, other receivables, trade payables. The carrying values of these instruments approximate their fair value, because of their short-term character.
- Received bank borrowings and credits. The carrying values of the above instruments approximate their fair value, because of variable, based on market rates, nature of their rates of interest.
- Equity instruments available for sale. These are shares presented in fair value without transaction costs, with consideration to their market value at the balance sheet date. Shares which are not quoted in financial markets for which there are no alternative methods of fair value verification, are presented at purchase value adjusted by impairment.

Hierarchy of financial instruments measured according to fair value

Financial instruments measured at fair value can be classified into the following measurement models:

- Level 1: quoted prices (unadjusted) in active markets for identical asset or liability,
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets and liabilities, either directly (e.g. as prices) or indirectly (e.g. derived from reserves),
- Level 3: inputs that are not based on observable market prices (unobservable inputs).

Derivative financial instruments

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

2.9 Financial assets

The financial assets are classified as:

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

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

2.9.1 Financial assets at fair value through profit and loss

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

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

2.9.2 Loans and receivables

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

2.9.3 Held-to-maturity financial assets

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

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

2.9.4 Available-for-sale financial assets

Non-derivative financial instruments designated as available for sale or not classified elsewhere are classified as available-for-sale financial assets and recognized at fair value. Gains and losses resulting from changes in their fair value are recognized directly in other comprehensive income.

When the investment is sold or impaired, the accumulated fair value earlier recognised in the capital from valuation of available-for-sale assets is recognized in the statement of comprehensive income for the period. Dividends on available-for-sale equity instruments are recognized in the statement of comprehensive income when the right of the companies of the group to receive payment is established.

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

2.9.5 Impairment of financial assets

Financial assets, except for those measured at fair value through profit and loss, are tested for impairment as at each balance sheet date. Financial assets are impaired if there is objective evidence that events that occurred after the initial recognition of the asset have a negative impact on the estimated future cash flows of the financial asset.
In the case of not listed shares classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is objective evidence that the assets are impaired.
In the case of certain categories of financial assets, such as trade receivables for supplies and services, assets that are assessed as those which have not expired, are tested for impairment jointly. Objective evidence of impairment of the portfolio of receivables include the company's experience in debt collecting, increased number of default payments which are more than 180 days overdue, and also observable changes in the national or local economic conditions that correlate with defaults on the assets.
In the case of financial assets recognized at amortised cost, the amount of provision for impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate for the financial asset.
The carrying amount of the financial asset is reduced by the amount of impairment provision directly for all assets of that type, except for trade receivables, carrying amount of which are reduced through the use of an allowance account adjusting their initial value. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in carrying amounts of the allowance account are recognized in other operating income or expenses in the statement of comprehensive income.
Except for available-for-sale financial assets, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed in the statement of comprehensive income when the carrying amount of investment on the date of reversal of its impairment loss is not greater than amortised cost that would have arisen if the impairment loss had not been recognized.
Impairment loss on securities held for trading previously carried through profit or loss is not reversed through this result. Any increases in fair value occurring after the impairment loss is recognized directly in equity.

2.9.6 Initial recognition and later derecognition of financial assets

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

2.10 Leases

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

2.11 Inventories

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

2.12 Construction contracts

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

2.13 Trade receivables

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

2.14 Cash and cash equivalents

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

2.15 Non-current assets held for sale and discontinued operations

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

2.16 Share capital and supplementary capital

Share capital is recognised in the consolidated statement of financial position at the value specified in the Articles of Association and entered in the court register, with consideration to effects of capital restatement due to hyperinflation as per provisions of IAS 29. Changes in the issued share capital are described in Note 18.
In case of buy back the payment for shares charges the equity and is recognized in the consolidated statement of financial position in the item “treasury shares”.
Additional costs directly attributable to the issue of new shares or options are shown in equity as a deduction from proceeds, net of tax.
Supplementary capital is established as provided for in the Articles of the group entities from retained earnings and through transfer from other reserves. Furthermore, differences between fair value of payment received and the nominal value of shares are recognized in the share premium reserve capital, with consideration to the effect of capital restatement due to hyperinflation as per provisions of IAS 29. Changes in the supplementary capital are described in Note 19.1.
Where any entity in the group purchases the company’s equity share capital (its own shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the entity’s equity holders until the shares are cancelled, reissued or disposed of.
Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company’s equity holders.

2.17 Loans and borrowings

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

2.18 Income taxes

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

2.19 Employee benefits

Pension and retirement obligations

The group operates a pension and retirement benefits scheme. Contributions to the defined retirement plans are recognized as cost after the employees have provided a service in exchange for the benefits to be paid in future.
Post-employment benefits are established using the projected unit credit method and actuarial valuation made for each balance sheet date. Remeasurement, covering actuarial gains and losses, are recognized in the statement of financial position in the charge of other comprehensive income in the period when the changes occurred. Remeasurements recognized in other comprehensive income are reflected in retained earnings and will not be transferred to the profit and loss account.
Costs of defined benefits are divided into the following components:

- employment cost (including costs of current employment, costs of future employment and curtailments of the benefit plan);
- net cost or income from interest;
- remeasurement.

The first two cost components of the defined benefits are recognized in profit or loss in the item “Employee benefits cost”.
Retirement benefit liabilities recognized in the statement of financial position is the present value of deficit or surplus in the defined benefit plan. Any surplus from calculation is limited to the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Termination benefits

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

Bonus plans

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

2.20 Provisions

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

2.21 Trade and other payables

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

2.22 Revenue recognition

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

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

2.23 Government grants

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

3. Significant values based on professional judgements and assumptions

The preparation of the group's interim consolidated financial statements requires the parent's Management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, with associated notes as well as disclosure of contingent liabilities. Assumptions and estimates made on the basis of them are based on historic experience and the analysis of various factors deemed rational, and their outcome is the basis for a Professional judgement on the value of items they refer to. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in future periods.
In the period covered by these interim consolidated financial statements no significant changes of estimated values or methodology of making estimates occurred, which would have impact on the current or future periods, other than those presented below or further in the text of these interim consolidated financial statements.

3.1 Professional judgement

In the process of applying the accounting policies, Management of the entities in the group has made the following judgements, which have the most significant effect on the carrying amounts of assets and liabilities.

Classification of lease agreements where the group is a lessee

The group classifies a lease as operating or financial on the basis of assessment what portion of risks and rewards of ownership is transferred to the lessor and what portion to the lessee. The parent concluded lease agreements for the use of fixed assets qualified to group 7 and 8, their value at the inception was 424 thousand PLN. ELEKTROBUDOWA SA has all substantial risks and rewards of ownership of those vehicles and equipment, basing on the economic content of each transaction. Finance lease liabilities are presented in Note 36.

Impairment of interest in subsidiaries and associates

The parent analyses whether there is any indication that its interest in subsidiaries and associates may be impaired in accordance with IAS 36. In the analysis the indications of impairment loss defines in IAS 39 were applied. The assessment, whether there is any indication that the interest in associates is impaired, is presented in Note 10.

Joint operation arrangements

Each time after signing a construction contract to be performed within a consortium, an entity in the group assesses the nature of the contract in order to establish a method of contract revenue and costs recognition.

3.2 Uncertainty of estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The parent based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the company. Such changes are reflected in the assumptions when they occur.

Impairment of assets, including goodwill and intangible assets

As at each balance sheet date, the group analyses the indicators of impairment of assets and, if required, performs test for impairment. Goodwill is annually tested for impairment. In its analyses carried as at 30 June 2014, the group did not identify any indications for impairment and did not carry out relevant tests

Valuation of employee benefits provision

Employee benefits provision has been assessed using actuarial methods.
Actuarial assumptions adopted at the end of 2013 have not changed. Change in provision for employee benefits during the period results from recognition of benefits that were paid.

Deferred tax asset

The group recognizes a deferred income tax asset basing on the assumption that the taxable profit will be available to allow it to be used. Future deterioration of taxable income could cause that the assumption became unjustified.

Valuation of warranty repair provision

The group creates provisions for warranty repair expenses, as it has to grant its customers warranty for provided services and for manufactured and delivered electrical equipment. As a rule, provisions for warranty repair are created in the amount of 0.2% (for finished products) up to 0.43% (for installation services) of revenue from executed production orders. The amount of provision is the result of analysis of historically incurred costs of warranty repairs in relation to the volume of sales.

Valuation of amounts due from the customers and due to the customers in respect of long-term construction contracts

At the end of each reporting period the group's entities review the estimates of total revenue and costs in respect of construction contracts settled by the stage of completion method, based on contract budgets valid for the date of preparation of the financial statements.
When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, the contract revenue is recognized over the period of the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is immediately recognized in the financial result.
The group uses the percentage of completion method to determine the amounts due to or due from the construction contract customers. The stage of completion is measured by reference to the contract costs incurred up to the balance sheet date as a percentage of total estimated costs for each contract.
Details of revenue and costs relating to the construction contracts for the reporting period are presented in Note 26.2.

Provision for costs of delay in completion of contracts

The company creates a provision for liquidated damages for delay in completion of a contract when it is highly probable that the liquidated damages for delay will be calculated and such delay has been attributable to the company as the contractor. The amount of provision depends on the amount of liquidated damages for a specific period of delay provided for in a contract. Details of estimated provisions are presented in Note 23.

Fair value of financial instruments

Fair value of the financial instruments for which there is no active market is established using appropriate valuation techniques. In selection of appropriate methods and assumptions an entity is guided by professional judgement. The way of establishing fair values of different financial instruments is presented in Note 11.2 and Note 25.

Measurement of inventories

As at the end of the reporting period the entities in the group assessed whether there is an indication that an asset may be impaired. The inspection of stocks and the analysis of data from rotation records showed that the value in use or trading value of inventories impaired (partially or fully). Therefore it is justified to reduce the carrying amount of an asset to its net selling price. An entity determines a reliable net selling price for each group or each item of inventories. The provisions for impairment are presented in Note 14.

Useful lives of fixed tangible assets

The group verifies annually the final value, method of depreciation and expected useful lives of the fixed tangible assets which are subject to depreciation.
The Management assesses that the fixed tangible assets are evenly utilized. Impairment provisions are determined by estimating usage terms and even distribution of the depreciable value.

In order to confirm the correctness of their assumed usage terms, fixed tangible assets are inspected to assess their:
- wear and tear,
- obsolescence,
- intensity of usage to date,
- intensity of current and future usage,
- expected useful lives,
- availability of spare parts and consumables.

Also, consultations are carried with persons responsible for usage of the assets, their users and trade specialists. As at 30 June 2014 the group assesses that the useful lives of the assets assumed for the purpose of depreciation reflect the periods of future economic benefits expected from their use.

4. Financial risk management

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

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

4.1 Foreign exchange risk

The group is exposed to foreign exchange risk arising from buying and selling transactions carried in various currencies.
An essential element of the group's operations exposed to foreign exchange risk is export. The revenue earned in foreign currencies had a 7.3% share in the total revenues gained by the group in H1 2014, of which 4.2% was earned in EUR (mainly from sales in Finland and Turkey), 1.7% of sales revenue was generated in UAH (sales to Ukraine) and 1.4% from the sales in US dollars (most of which were the sales to Russia and Saudi Arabia).
In the case of exports in EUR carried out by the group there is a natural hedging, as most of imports are also carried out in EUR.
As at 30 June 2014 the amounts of receivables in foreign currencies constituted 16.5% of total receivables, payables in foreign currencies constituted 4.7% of total trade payables, and foreign currencies 73.9% of total cash.

Analysis of the impact of changes in currency exchange rates against the average exchange rates announced by the National Bank of Poland:

	period ended 30.06.2014 (unaudited)		period ended 31.12.2013	
	currency		currency	
	USD	EUR	USD	EUR
- amount in foreign currency (receivables and cash less payables) (in USD'000 / in EUR'000)	3 111	14 352	4 702	23 609
- exchange rate	3.0473	4.1609	3.0120	4.1472
- receivables, payables and cash (PLN'000)	9 480	59 717	14 162	97 911
- **exchange rate accounting for 10% change**	**3.3520**	**4.5770**	**3.3132**	**4.5619**
- receivables, payables and cash with exchange rates change considered	10 428	65 689	15 579	107 702
- change in profit before taxes (PLN'000)	948	5 972	1 417	9 791
- change in net profit (PLN'000)	768	4 837	1 148	7 931
- **exchange rate accounting for 25%change of USD and 15% change of EUR**	**3.8091**	**4.7850**	**3.7650**	**4.7693**
- receivables, payables and cash with exchange rates change considered	11 850	68 674	17 703	112 598
- change in profit before taxes (PLN'000)	2 370	8 957	3 541	14 687
- change in net profit (PLN'000)	1 920	7 255	2 868	11 896

4.2 Interest rate risk

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

In H1 2014 the parent, ELEKTROBUDOWA SA had a multi-purpose borrowing limit in Bank PEKAO S.A. up to the total amount 80 million PLN, of which 10 million PLN overdraft on a current account. The bank charges interest on the used amount of the credit according to the floating interest rate calculated daily on the basis of WIBOR 1M benchmark rate and the bank margin. In H1 2014 cost of the credit in the Bank PEKAO S.A. was 3.52% (3.94% in 2013). As at 30 June 2014 the amount of 2 557 thousand PLN was utilized. The interest charged on the utilized amount in H1 2014 amounted to 40 thousand PLN.

In ING Bank Śląski SA the parent, ELEKTROBUDOWA SA had an overdraft facility in the current account amounting to 17 million PLN and working capital credit in the credit account up to 85 million PLN. The working capital credit is bearing the interest according to the floating interest rate calculated by the bank on the basis of the WIBOR rate for one-month interbank deposits plus bank commissions. In H1 2014 average cost of the credit wasn 3.77% (4.21% in 2013). As at 30 June 2014 the amount of 7 857 thousand PLN of credit on the bank account and working capital loan in the amount of 11 000 thousand PLN was utilized. The interest charged on the current account overdraft in H1 2014 amounted to 248 thousand PLN.

As at 30 June 2014 the parent, ELEKTROBUDOWA SA also had an overdraft facility in mBank S.A. available up to 10 million PLN. Interest on the credit is charged according to the floating interest rate calculated on the basis of WIBOR ON plus bank margin. Average cost of credit in mBank S.A. in H1 2014 was 3.78% (4.25% in 2013). As at 30 June 2014 the overdraft in the current account amounted to 3 954 thousand PLN. Interest charged on the utilized amount of credit in H1 2014 amounted to 60 thousand PLN.

As at 30 June 2014 the parent, ELEKTROBUDOWA SA had overdraft facility on the current account in Bank PKO BP S.A., granted up to 5 million PLN. Over the period of credit utilization interest charged by the bank is calculated according to the floating interest rate based on WIBOR 1M benchmark rate plus a margin. Average cost of the credit in the Bank PKO BP S.A. in H1 2014 was 4.22% (4.99% in 2013). In H1 2014 the parent did not use overdraft in the current account in Bank PKO BP S.A.

In Bank Handlowy S.A. the parent, ELEKTROBUDOWA SA had an overdraft facility in the current account amounting to 15 million PLN, a commercial loan with a credit limit up to 52 million PLN and a limit to be used for payment of credit cards up to 200 thousand PLN. Interest charged by the Bank was calculated according to the floating interest rate based on WIBOR 1M benchmark plus bank margin. In H1 2014 the average credit cost in Bank Handlowy S.A. was:

- for current account overdraft: 3.82% (in 2013 average cost of credit was 3.80%),
- for working capital loan: 4.07% (in 2013 average cost of credit was 4.05%).

As at 30 June 2014 the amount of 5 149 thousand PLN of the commercial loan and the amount of 15 160 thousand PLN was used. The interest charged on the utilized amount of the credit used in H1 2014 amounted to 309 thousand PLN.

The subsidiary, ENERGOTEST sp. z o.o. has an overdraft facility up to 1 million PLN in its current account. As of 30 June 2014 the company did not use a credit line.

4.3 Credit risk

4.3.1 Credit risk arising cash and bank deposits

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

As at 30 June 2014 the biggest share of one bank in total resources deposited by the group was 53.3%, while it was 63.1% at 31 December 2013.
High level of monetary resources on the account in Bank PKO BP S.A. as at 30 June 2014 and 31 December 2013 was caused by the receipt on 21 December 2013 the amount of 10 million EUR as payment for rendered services. The amount of 3 million EUR of the foreign exchange assets was used for payment of the company's liabilities expressed in EUR.
Taking into account the above and the short term nature of investment it is considered that the cash and bank deposits credit risk is low.

(all amounts in PLN thousands unless otherwise stated)

Cash in bank and on hand:

	as at	
	30 June 2014 (unaudited)	**31 December 2013**
- Bank PEKAO SA	32 229	50 785
- BANK HANDLOWY w Warszawie SA	11 339	7 163
- mBank SA	5 920	7 519
- GETIN NOBLE BANK SA	4 063	2 050
- BNP PARIBAS POLSKA S.A.	2 351	5 593
- ING BANK ŚLASKI SA	2 213	3 263
- BANK PEKAO S.A.	1 074	1 593
- NORDEA BANK FINLAND PLC	811	464
- Bank "Сбербанк России" SA	134	0
- Avant-Bank PJSC	124	255
- Bank "Пивденный" SA	102	659
- ING Luxembourg S.A.	43	293
- PRIVATBANK SF KB	0	812
- Cash on hand	32	39
TOTAL	**60 435**	**80 488**

4.3.2 Credit risk arising from trade and other receivables

Credit risk is also the risk of contract breach by a customer, which can result in financial losses for a company.
The group's entities operate in different business sectors, so concentration of credit risk in a single industry does not exist.
The companies in the group have long cooperated with a big number of customers, diversified in respect of geographical locations. Vast majority of sales is destined for the domestic market, the Nordic countries market and East-European market.

Geographical concentration of credit risk arising from trade and other receivables is the following:

	as at	
	30 June 2014 (unaudited)	**31 December 2013**
Poland	85.2%	76.8%
Finland	6.4%	14.3%
Ukraine	2.1%	1.8%
Luxembourg	1.1%	1.5%
Russia	1.1%	1.4%
Turkey	1.8%	1.3%
Saudi Arabia	0.9%	0.8%
Switzerland	0.7%	0.2%
Other countries	0.7%	1.9%

(all amounts in PLN thousands unless otherwise stated)

In the consolidated statement of financial position the group presents the non-current assets in the amount of 322 thousand PLN and the current assets in the amount of 3 704 thousand PLN of ELEKTROBUDOWA UKRAINE Ltd. (including monetary assets held in Ukrainian banks in the amount of 360 thousand PLN and trade receivables from other entities in the amount of 3 056 thousand PLN). Because of social and political situation of the Eastern region of Ukraine, stability of the Ukrainian economy depending on politics and governmental measures in respect of administrative, taxation, law and economy reforms, conducting business in this market is associated with risks that are not encountered in developed countries. It is bound with a potential uncertainty to which the assets located in Ukraine are exposed. In the opinion of the Management based on the carried out review, there is no risk of loss in value of the above assets.

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

The parent hedges some of its receivables with promissory notes, bank guarantees, assignment of receivables, down payments and advance payments. As at 30 June 2014 the above security constitutes about 7.3% of the company's order backlog.

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

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

Current trade receivables	**as at 30 June 2014 (unaudited)**	**as at 31 December 2013**
1. current	152 232	177 740
2. overdue:	44 233	35 659
a) up to 1 month	22 404	9 089
b) over 1 month up to 3 months	5 716	3 344
c) over 3 months up to 6 months	1 506	10 556
d) over 6 months up to 1 year	2 523	1 465
e) over 1 year	12 084	11 205
TOTAL	**196 465**	**213 399**

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

- at 30 June 2014 13 915 thousand PLN,
- at 31 December 2013 17 576 thousand PLN.

W H1 2014 a provision for impairment of trade receivables was created in the amount of 7 395 thousand PLN while the provision established in 2013 amounted to 9 673 thousand PLN. As at the balance sheet date the company impaired 6.6% of its short-term trade receivables.
In the opinion of the group, not impaired part of trade receivables is not exposed to the risk of being uncollectible, taking into account current financial position of the customers and past experience.

The biggest volume of balance of overdue debt as at 30 June 2014 was contributed to ALPINE Construction Polska Sp. z o.o. and amounted to 8 255 thousand PLN (i.e. 14.2% of total overdue debtors), of which 7 391 thousand PLN of receivables related to performance of the project concerning the construction of the National Stadium in Warsaw (i.e. 12.7% of total overdue debtors). The second biggest overdue debtor was HYDROBUDOWA S.A, whose debt amounted to 7 422 thousand PLN (12.8% of total overdue debtors), of which 7 422 thousand PLN (i.e. 12.8% of total overdue debtors) were the receivables related to execution of the Warsaw National Stadium project. Together, overdue receivables due from the above two companies as at 31 December 2013 amounted to 19 521 thousand PLN .
Together, overdue receivables due from the above two entities as at 30 June 2014 amounted to 15 677 thousand PLN (that is 27.0% of their total). Total debt concerning the works performed on the National Stadium amounted to 14 813 thousand PLN thousand PLN (25.5% of total prescribed debt).
The parent, ELEKTROBUDOWA SA in the consortium with QUMAK – SEKOM S.A. and Przedsiębiorstwo “AGAT” S.A. was a subcontractor of works relating to the project “The supply of overall electrical, small current, automation and BMS installations for Stage 2 of Construction of the National Stadium, Warsaw”. On 30 August 2012 Narodowe Centrum Sportu Sp. z o.o. (NCS) carried out final acceptance of works performed by the consortium, the acceptance certificate was a basis for invoicing the works.
The parent made regular attempts to reach agreement on payment by the NCS of the due amounts. following the refusal to pay the whole amount of debt, ELEKTROBUDOWA SA together with the other consortium partners instituted the legal procedures (summary in note 42 – paragraph 2) against the State Treasury which is, together with the general contractor, a debtor to the consortium.

As at 30 June 2014 the outstanding debt in respect of the contractual works performed by the consortium amounted to 18 760 thousand PLN, of which 6 442 thousand PLN were the receivables of ELEKTROBUDOWA SA. The receivables included overdue debt in the amount of 14 813 thousand PLN (in this 2 984 thousand PLN owed to ELEKTROBUDOWA SA) and long-term contract retentions in the amount of 3 947 thousand PLN (in this 3 458 thousand PLN for ELEKTROBUDOWA SA).
Because of high risk involved in receiving payment for the works performed at the site of the National Stadium in Warsaw, in 2013 an impairment provision was created in the amount of 3.0 million PLN, equivalent to 100% of the overdue debt payable to ELEKTROBUDOWA SA.

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

4.4 Financial liquidity risk

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

(all amounts in PLN thousands unless otherwise stated)

Essential from the point of view of liquidity is also the use of trade credit allowed by suppliers, and thus settling the liabilities with extended payment terms.
Investing free resources depends on maturity dates of liabilities, to reduce maximum liquidity risk.

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

Undiscounted trade and other liabilities with maturities at:	1 month or less	1 -3 months	3-6 months	6-12 months	over 1 year	Total
30 June 2014 (unaudited)	179 674	37 777	125 638	58	14 310	**357 457**
31 December 2013	191 523	43 780	102 886	59	13 200	**351 448**

The above table does not include sureties and guarantees described in Note 36.

At 30 June 2014 the banks cooperating with the group's entities provided them with the borrowing limit on current accounts available up to the total amount of 195 000 thousand PLN, of which the amount of 45 677 thousand PLN was used as at the balance sheet date.

At 31 December 2013 the banks cooperating with the group's entities had allowed them the borrowing limit on current accounts available up to the total amount of 145 000 thousand PLN, of which the amount of 5 941 thousand PLN was used as at the balance sheet date.

Details of credits granted to the group, their collaterals and utilization are provided in Note 21.

If the market conditions deteriorated and the necessity of additional financing of operations or refinancing of debt through borrowings from external sources appeared, liquidity risk might increase.
Liquidity risk management in the group has the form of maintaining suitable reserve capital, reserve credit lines, constant monitoring of predicted and actual cash flows and adjustment of assets and financial liabilities maturities profiles.

4.5 Price risk

The group is exposed to price risk which arises from current economic situation in the power industry, chemical, building and metallurgy sectors, mainly from prices of electrical materials and equipment and steel products.
Adequate policy, organisational structure and procedures as well as actions related to risk management support the process of negotiating and establishing prices at optimum level.
Period of executing a trade contract, from order acceptance to contract completion, is not long (1 year at average), so adequate average selling prices formation is possible.
Price risk particularly concerns contracts for investment projects in new areas which are difficult to investigate. Estimated prices are often based on pricing made according to own assumptions and concepts and the level of complexity of facilities to be built. Such pricing often involves risk of exceeding the scheduled costs or completion time.
The ELEKTROBUDOWA SA group is exposed to price risk, particularly the one caused by extending time of performance of contractual works for the reasons beyond the group's control. The extended period of a contract performance generates additional fixed costs which can be predicted at the moment of submitting a quotation.

(all amounts in PLN thousands unless otherwise stated)

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

4.6 Capital risk management

The group's objective when managing the capital is to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.
Consistently with others in the industry, the group monitors capital on the basis of the gearing ratio. The ratio is calculated as net debt divided by total capital. Net debt is calculated as total trade liabilities and bank borrowings less cash and cash equivalents. Total capital is calculated as equity plus net debt. The group's strategy was to maintain the gearing ratio on the level not exceeding 30%.
In H1 2014 the effective debt ratio was 52% and was by 5 percentage points higher than in 2013. Exceeding the preferred level of the ratio by 22 percentage points in H1 2014 was the result of increased employment of foreign capital to finance current business operations. The used amount of overdraft and working capital loan as at 30 June 2014 totalled 45 677 thousand PLN and was by 39 736 thousand PLN higher than as at 31 December 2013. It must be underlined that the order portfolio of the parent includes big contracts with PSE S.A., in respect of which substantial work milestones are to be invoiced, what additionally increases the demand for financing the operating activity. On the other hand, the Purchaser is a reliable payer, therefore relevant current and future receivables are not burdened with the risk of non-payment. The expenditure of the current reporting period allows the group entities to generate additional cash flows from operating activity after the production cycle is completed.

The gearing ratios in the reporting periods were as follows:

	as at	
	30.06.2014 (unaudited)	**31.12.2013**
trade and other payables	356 690	350 586
corporate income tax liability	8 399	9 064
bank borrowings	45 677	5 941
cash and cash equivalents	(60 435)	(80 488)
net financial debt	350 331	285 103
equity	317 451	326 724
total capital	667 782	611 827
gearing ratio (effective debt ratio)	52%	47%

5. New accounting standards and IFRIC interpretations

Standards and Interpretations applied for the first time in 2014

The following amendments to the existing standards issued by the International Accounting Standards Board and endorsed by the EU are effective as of 1 January 2014:

- **IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements**

  IFRS 10 replaces a portion of the previous IAS 27 "Consolidated and Separate Financial Statements" in the scope of consolidated financial statements and introduces a new definition of control. IFRS 10 may cause changes within a consolidated group in respect of possibility to consolidate entities which had not been subject to consolidation so far, or vice versa, does not introduce changes to consolidation procedures and methods of transaction settlement in the consolidated financial statements.

- **IFRS 11 Joint Arrangements and IAS 28 Investments in Associates and Joint Ventures**

  IFRS 11 refers to joint arrangements. It introduces two categories of joint arrangements: joint operations and joint ventures and their methods of accounting. Application of this standard may involve a change in accounting of joint arrangements (e.g. the arrangements classified earlier as jointly controlled entities using the proportionate method of accounting may now be classified as joint ventures, therefore measured by the equity method).
  IAS 28 has been changed and includes guidelines for application of the equity method to joint ventures.

- **IFRS 12 Disclosure of Interests in Other Entities**

  IFRS 12 provides a wide range of disclosures about an entity's interests in subsidiaries, associates or jointly controlled. Application of this standard may involve wider disclosures in the financial statements, such as:
  - key financial information, including risks involved with the entity's investments,
  - disclosing the interest in unconsolidated special entities and risks involved in such ventures,
  - informing abort each ventures where there are significant non-controlling interests,
  - disclosing significant judgements and assumptions adopted for classification of the investment entities as subsidiaries, joint arrangements or associates.

- **Investment entities – amendments to IFRS 10, IFRS 12 and IAS 27**

  The amendments introduce a definition of investment entities which are exempted from the requirement to consolidate subsidiaries, instead requiring the use of the fair value through profit or loss to measure those investments.

- **Offsetting Financial Assets and Financial Liabilities - amendments to IAS 32**

  The amendments to IAS 32 clarify the meaning and consequences of legally enforceable right to offset a financial asset and liability as well prescribes offsetting rules for the gross clearing (such as clearing houses).

- **Recoverable amount disclosures for non-financial assets – revised IAS 36**

  The changes removed the unintended consequences of IFRS 13 regarding disclosures required by IAS 36. The changes also introduce a requirement of additional disclosures of recoverable value of assets or cash generating units (CGU) with impairment loss recognized or reversed in a given period, and whose recoverable value is determined as fair value less costs of disposal.

- **Novation of derivatives and continuation of hedge accounting – amendments to IAS 39)**

  The changes to MSR 39 regarding hedge accounting when a derivative is novated and allow the continuation of hedge accounting when a derivative meets certain conditions.

The aforementioned standards, interpretations and revised standards have not exerted a significant effect on the group's accounting policy.

Standards and interpretations adopted by the International Accounting Standards Board but not endorsed by the EU

- **IFRS 9 Financial Instruments** (issued on 24 July 2014) effective for financial years beginning on or after 1 July 2018 – not yet endorsed by EU till the date of approval of these financial statements, approval by EU project postponed as at the date of approval of these financial statements,
- **IFRIC 21 Levies** (issued on 20 May 2013) – effective for financial years beginning on or after 1 January 2014, in EU effective at the latest for financial years beginning on or after 17 June 2014,
- **Amendments to IAS 19 Defined Benefit Plans: Employee Contributions** (issued on 21 November 2013) – effective for financial years beginning on or after 1 July 2014 – not yet endorsed by EU till the date of approval of these financial statements,
- **Annual Improvements to IFRSs 2010-2012** (issued on 12 December 2013)– some amendments effective for financial years beginning on or after 1 July 2014 and some effective prospectively for transactions occurring on or after 1 July 2014 – not yet endorsed by EU till the date of approval of these financial statements,
- **Annual Improvements to IFRSs 2011-2013** (issued on 12 December 2013) – effective for financial years beginning on or after 1 July 2014 – not yet endorsed by EU till the date of approval of these financial statements,
- **IFRS 14 Regulatory Deferral Accounts** (issued on 30 January 2014) – effective for financial years beginning on or after 1 January 2016 – decision about terms of performing particular steps resulting in endorsement of the Standard has not yet been made by EFRAG – not yet endorsed by EU till the date of approval of these financial statements,
- **Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations** (issued on 6 May 2014) – effective for financial years beginning on or after 1 January 2016 **-** not yet endorsed by EU till the date of approval of these financial statements,
- **Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortization** (issued on 12 May 2014) – effective for financial years beginning on or after 1 January 2016 – not yet endorsed by EU till the date of approval of these financial statements,
- **IFRS 15 Revenue from Contracts with Customers** (issued on 28 May 2014) – effective for financial years beginning on or after 1 January 2017 – not yet endorsed by EU till the date of approval of these financial statements,
- **Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants** (issued on 30 June 2014) - effective for financial years beginning on or after 1 January 2016 – not yet endorsed by EU till the date of approval of these financial statements.

The group did not decide to apply earlier any other standards, interpretations or amendments that had been published but which had not yet entered into force in the light of the EU legislation.
The group has not assessed the impact of the amended standards, interpretations on its financial statements. The Management is trying to identify an impact of those changes on the financial statements of the group.

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

No operation was discontinued by the group entities in H1 2014 and no such discontinuation is planned in the next period.

7. Segment information

Primary reporting format – business segments

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

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

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

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

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

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

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

(all amounts in PLN thousands unless otherwise stated)

Inter-segment transfers or transactions are entered into under the normal commercial terms, as available also to third parties.
Revenues from transactions between segments are eliminated on the level of the group.
Presented below is the analysis of revenues and results of the group's reportable segments.

Business segments results for H1 2014 (unaudited)

	Power Generation Division	Industry Division	Power Distribution Division	Automation Division	All other segments	Total Group
Continuing operations						
Sales revenue	179 424	113 123	150 135	25 757	5 458	**473 897**
of which:						
Revenue from external customers	178 580	113 100	128 084	21 575	1 003	**442 342**
Inter-segment sales	844	23	22 051	4 182	4 455	**31 555**
Operating profit	**6 623**	**(16 019)**	**12 322**	**100**	**1 465**	**4 491**
Financial activities result	0	(100)	(573)	56	0	**(617)**
Share of net profit of associates measured according to equity method	0	0	(505)	0	0	**(505)**
Profit before income tax	**6 623**	**(16 119)**	**11 244**	**156**	**1 465**	**3 369**
Income tax expense	(1 894)	3 017	(2 262)	(75)	(121)	**(1 335)**
Net profit from continuing operations for the period	**4 729**	**(13 102)**	**8 982**	**81**	**1 344**	**2 034**
Discontinued operations						
Net profit (loss) on discontinued operations for the period	**0**	**0**	**0**	**0**	**0**	**0**
Net profit for the period	**4 729**	**(13 102)**	**8 982**	**81**	**1 344**	**2 034**
of which:						
net profit of equity holders of ELEKTROBUDOWA SA	*4 729*	*(13 102)*	*9 063*	*81*	*1 344*	***2 115***
- net profit of minority shareholders	*0*	*0*	(81)	*0*	*0*	***(81)***

Recovery measures implemented in the Industry Division in order to recover its profitability are described in the Management's review of operations of the ELEKTROBUDOWA SA group for H1 2014.

Other items of business segments recognized in the consolidated statement of comprehensive income for H1 2014 (unaudited)

	Power Generation Division	Industry Division	Power Distribution Division	Automation Division	All other segments	Total Group
depreciation	1 682	506	1 041	299	1 362	**4 890**
amortisation	269	194	1 139	173	107	**1 882**

(all amounts in PLN thousands unless otherwise stated)

Segment items recognized in the consolidated statement of financial position as at 30 June 2014 (unaudited)

	Power Generation Division	Industry Division	Power Distribution Division	Automation Division	All other segments	Total Group
Assets	234 677	174 168	243 876	53 369	98 895	**804 985**
Liabilities	174 251	170 868	115 102	11 128	16 185	**487 534**
Investment outlays	1 100	249	4 976	502	568	**7 395**

Business segment results for H1 2013 (unaudited)

	Power Generation Division	Industry Division	Power Distribution Division	Automation Division	All other segments	Total Group
Continuing operations						
Sales revenue	166 389	95 594	112 976	23 663	5 626	**404 248**
of which:						
Revenue from external customers	165 706	95 023	100 639	20 419	1 056	**382 843**
Inter-segment sales	683	571	12 337	3 244	4 570	**21 405**
Operating profit	**7 304**	**(10 369)**	**4 877**	**259**	**(166)**	**1 905**
Financial activities result	(131)	(219)	(189)	46	0	**(493)**
Share of net profit of associates measured according to equity method	0	0	213	0	0	**213**
Profit before income tax	**7 173**	**(10 588)**	**4 901**	**305**	**(166)**	**1 625**
Income tax expense	(1 298)	1 714	(1 061)	(113)	(10)	**(768)**
Net profit from continuing operations for the period	**5 875**	**(8 874)**	**3 840**	**192**	**(176)**	**857**
Discontinued operations						
discontinued operations for the period	**0**	**0**	**0**	**0**	**0**	**0**
Net profit for the period	**5 875**	**(8 874)**	**3 840**	**192**	**(176)**	**857**
of which:						
net profit of equity holders of ELEKTROBUDOWA SA	*5 875*	*(8 874)*	*3 810*	*192*	*(176)*	***827***
- net profit of minority shareholders	*0*	*0*	30	*0*	*0*	***30***

(all amounts in PLN thousands unless otherwise stated)

Other items of business segments recognized in the consolidated statement of comprehensive income for H1 2013 (unaudited)

	Power Generation Division	Industry Division	Power Distribution Division	Automation Division	All other segments	Total Group
depreciation	1 970	673	967	328	1 398	**5 336**
amortisation	117	90	1 403	122	80	**1 812**

Segment items recognized in the consolidated statement of financial position as at 31 December 2013

	Power Generation Division	Industry Division	Power Distribution Division	Automation Division	All other segments	Total Group
Assets	234 677	174 168	243 876	53 369	98 895	**804 985**
Liabilities	174 251	170 868	115 102	11 128	16 185	**487 534**
Investment outlays	1 100	249	4 976	502	568	**7 395**

Provisions for impairment of receivables of segments

	Power Generation Division	Industry Division	Power Distribution Division	Automation Division	All other segments	Total Group
as at 30.06.2014	4 624	16 976	6 233	221	22	**28 076**
as at 31.12.2013	2 340	16 828	4 690	262	7	**24 127**

Amount of created provisions for impairment of receivables of segments

	Power Generation Division	Industry Division	Power Distribution Division	Automation Division	All other segments	Total Group
in H1 2014	2 584	5 177	2 316	7	15	**10 099**
in 2013	555	10 308	1 922	99	5	**12 889**

Reversal and use of provisions for impairment of receivables of segments

	Power Generation Division	Industry Division	Power Distribution Division	Automation Division	All other segments	Total Group
in H1 2014	300	5 029	773	48	0	**6 150**
in 2013	69	1 548	3 289	0	0	**4 906**

(all amounts in PLN thousands unless otherwise stated)

Secondary reporting format – geographical segments

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

	six months ended 30 June	
	2014 (unaudited)	**2013 (unaudited)**
Revenue from sales of products, goods and materials		
- Poland	410 000	256 314
- foreign countries	32 342	126 529
	442 342	**382 843**

The difference in proportions between domestic and export sales results primarily from the fact, that in 2013 a substantial stage of works at the site of NPP OLKILUOTO 3 in Finland was completed. The Power Generation Division, which was performing the works, in 2014 started a crucial stage of contract for the 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, what has a significant impact on the said proportions. It must be pointed out that the company does not select orders basing on the "Poland / foreign countries" criterion – decisions in this respect are based on the evaluation of technical and economical factors referring to the orders.

Information about key customers

The revenue from direct sales generated by the Industry Division amounting to 113.1 million PLN (95.0 million PLN in H1 2013) includes the 41.5 million PLN income from the contract with the group's biggest customer (in H1 2013 it was 48.5 million PLN). In H1 2014 the revenue accounted for 9.4% while in H1 2013 for 12.7% of total revenues generated by the group.
The revenue from direct sales generated by the Power Distribution Division amounting to 128.1 million PLN (100.6 million PLN in H1 2013) includes the 31.9 million PLN income from the contract with the company's second biggest customer (in H1 2013 it was 16.5 million PLN). In H1 2014 the revenue accounted for 7.2% while in H1 2013 for 4.3% of total revenues generated by the group.

The H1 2014 revenue from the two leading customers accounted for 16.6% of total group's revenues, against 17.0% in H1 2013.

8. Property plant and equipment

In accordance with IAS 16, as at 30 June 2014 the parent disclosed as PPE (in "land" item) the perpetual usufructary right to land in the amount of 957 thousand PLN which in previous years was disclosed in the off-balance sheet records. ELEKTROBUDOWA SA has become a perpetual user of the land until 2089 pursuant to the Decision issued by the Voivodship Office in Konin and the Decision issued by the Voivode of Katowice. The group did not make any corrections of comparable data as the amount was irrelevant.

(all amounts in PLN thousands unless otherwise stated)

In 2014 the group, in order to provide consistent presentation, reclassified the perpetual usufructary right to land from accruals to fixed tangible assets in the amount of 1 086 thousand PLN. The group made a change in presentation of the related comparable data (presentation changes are described in Note 40). This does not have a significant influence on the comparability of financial data of the periods presented in the statements.

The group does not have any property, plant or equipment with restricted right of use.

As at 30 June 2014 the group used fixed assets of initial value 424 thousand PLN against a finance lease agreement (of which vehicles 296 thousand PLN and other fixed assets 128 thousand PLN). Depreciation of leased fixed assets as of the balance sheet date amounted to 44 thousand PLN (of which vehicles 4 thousand PLN and other fixed assets 40 thousand PLN).
As at 30 June 2014 the net value of investment in third party's fixed assets amounted to 1 026 thousand PLN for the group.

As at 30 June 2014 the repayment of bank borrowings and guarantees was collaterized by the parent's immovables up to the amount of 316 275 thousand PLN and registered pledges were established on movable property for the value 59 400 thousand PLN.
As at 30 June 2014 there were no provisions for impairment of fixed assets.

	six months ended 30 June	
	2014 (unaudited)	**2013 (unaudited)**
Depreciation of fixed tangible assets is charged to the consolidated statement of comprehensive income in the items:		
- cost of products, goods and material sold	4 577	4 945
- costs to sell	16	177
- general administrative expenses	297	180
- other operating expenses	0	34
	4 890	**5 336**

(all amounts in PLN thousands unless otherwise stated)

	land	buildings, civil engineering facilities	machinery and technical equipment	vehicles	other fixed assets	fixed assets under construction	advances for fixed tangible assets	property, plant & equipment
Gross value of fixed tangible assets at 1 January 2014	4 035	67 676	48 633	26 740	16 074	4 703	7	167 868
Additions (of which):	957	58	460	1 331	373	221	(7)	3 393
- purchase	0	0	460	1 027	373	256	23	2 139
- takeover from investment	0	58	0	7	0	(58)	(7)	0
- takeover from advances	0	0	0	0	0	23	(23)	0
- other	957	0	0	297	0	0	0	1 254
Reductions (of which):	(22)	(836)	(232)	(1 556)	(183)	0	0	(2 829)
- selling	0	(29)	(60)	(1 556)	(55)	0	0	(1 700)
- liquidation	0	(807)	(172)	0	(128)	0	0	(1 107)
- other	(22)	0	0	0	0	0	0	(22)
Changes due to currency translation differences	0	0	(166)	(73)	(52)	(1)	0	(292)
Other changes	0	0	(518)	0	(335)	0	0	(853)
Gross value of fixed tangible assets at 30 June 2014	4 970	66 898	48 177	26 442	15 877	4 923	0	167 287
Accumulated depreciation at 1 January 2014	0	(14 037)	(33 426)	(19 615)	(12 216)	0	0	(79 294)
Current depreciation charge for the period	0	(1 201)	(1 737)	(1 333)	(619)	0	0	(4 890)
Reduction due to selling, liquidation	0	388	202	1 488	157	0	0	2 235
Changes due to currency translation differences	0	0	46	23	28	0	0	97
Other changes	0	0	283	0	218	0	0	501
Accumulated depreciation at 30 June 2014	0	(14 850)	(34 632)	(19 437)	(12 432)	0	0	(81 351)
Net tangible fixed assets at 30 June 2014 (unaudited)	**4 970**	**52 048**	**13 545**	**7 005**	**3 445**	**4 923**	**0**	**85 936**

(all amounts in PLN thousands unless otherwise stated)

	land	buildings, civil engineering facilities	machinery and technical equipment	vehicles	other fixed assets	fixed assets under construction	advances for fixed tangible assets	property, plant & equipment
Gross value of fixed tangible assets at 1 January 2013	4 050	68 072	47 236	24 801	15 447	2 394	0	162 000
Additions (of which):	0	849	2 381	3 109	700	2 309	7	9 355
- purchase	0	72	2 269	2 856	663	3 269	19	9 148
- internally manufactured	0	29	0	0	0	0	0	29
- takeover from investment	0	748	112	100	0	(960)	0	0
- takeover from advances	0	0	0	12	0	0	(12)	0
- other	0	0	0	141	37	0	0	178
Reductions (of which):	(15)	(1 245)	(966)	(1 160)	(68)	0	0	(3 454)
- selling	0	(1 245)	(347)	(1 123)	(6)	0	0	(2 721)
- liquidation	0	0	(619)	(37)	(62)	0	0	(718)
- other	(15)	0	0	0	0	0	0	(15)
Changes due to currency translation differences	0	0	(18)	(10)	(5)	0	0	(33)
Gross value of fixed tangible assets at 31 December 2013	4 035	67 676	48 633	26 740	16 074	4 703	7	167 868
Accumulated depreciation at 1 January 2013	0	(12 198)	(30 679)	(17 728)	(10 891)	0	0	(71 496)
Current depreciation charge for the period	0	(2 477)	(3 694)	(2 940)	(1 397)	0	0	(10 508)
Reduction due to selling, liquidation	0	638	945	1 050	69	0	0	2 702
Changes due to currency translation differences	0	0	2	3	3	0	0	8
Accumulated depreciation at 31 December 2013	0	(14 037)	(33 426)	(19 615)	(12 216)	0	0	(79 294)
Net tangible fixed assets at 31 December 2013	**4 035**	**53 639**	**15 207**	**7 125**	**3 858**	**4 703**	**7**	**88 574**

(all amounts in PLN thousands unless otherwise stated)

	land	buildings, civil engineering facilities	machinery and technical equipment	vehicles	other fixed assets	fixed assets under construction	advances for fixed tangible assets	property, plant & equipment
Gross value of fixed tangible assets at 1 January 2013	2 949	68 072	47 236	24 801	15 447	2 394	0	160 899
Additions (of which):	0	55	1 517	980	205	2 251	0	5 008
- purchase	0	55	1 517	791	168	2 322	0	4 853
- internally manufactured	0	0	0	0	0	29	0	29
- takeover from investment	0	0	0	100	0	(100)	0	0
- other	0	0	0	89	37	0	0	126
Reductions (of which):	0	0	(107)	(317)	(37)	0	0	(461)
- selling	0	0	(20)	(294)	(16)	0	0	(330)
- liquidation	0	0	(87)	(23)	(21)	0	0	(131)
Changes due to currency translation differences	0	0	17	7	8	3	0	35
Transfer to held for sale	0	(1 099)	(217)	0	0	0	0	(1 316)
Gross value of fixed tangible assets at 30 June 2013	2 949	67 028	48 446	25 471	15 623	4 648	0	164 165
Accumulated depreciation at 1 January 2013	0	(12 198)	(30 679)	(17 728)	(10 891)	0	0	(71 496)
Current depreciation charge for the period	0	(1 249)	(1 818)	(1 547)	(722)	0	0	(5 336)
Reduction due to selling, liquidation	0	0	107	287	37	0	0	431
Changes due to currency translation differences	0	0	(5)	(1)	(4)	0	0	(10)
Transfer to held for sale	0	566	197	0	0	0	0	763
Accumulated depreciation at 30 June 2013	0	(12 881)	(32 198)	(18 989)	(11 580)	0	0	(75 648)
Net tangible fixed assets at 30 June 2013 (unaudited)	**2 949**	**54 147**	**16 248**	**6 482**	**4 043**	**4 648**	**0**	**88 517**

(all amounts in PLN thousands unless otherwise stated)

9. Intangible assets

As at 30 June 2014 and 30 June 2013:
- there were no provisions for impairment of intangible assets within the group,
- the group does not have any intangible assets with restricted right of use,
- the group does not have bank loans or any other liabilities secured against intangible assets.

The entities in the group regularly verify the value of finished development work costs; no indications of impairment of the value have been identifies.

	as at	
	30.06.2014 (unaudited)	**31.12.2013**
Amortization of intangible assets is recognized in the following items of statement of comrehensive income:		
- cost of products, goods and material sold	1 783	1 731
- general administrative expenses	99	81
	1 882	**1 812**

Measurement of goodwill

According to paragraph 10, IAS 36 the parent should perform an impairment test for goodwill annually regardless of whether or not there is any indication of impairment. Goodwill of the entity is not quoted at any moment on the active market, so its recoverable value has been measured basing on the procedure for calculation of value in use, under the assumption that ENERGOTEST sp. z o. o. is the cash flow generating unit. The test, ordered by ELEKTROBUDOWA SA, was performed as at 31 December 2013 by an independent expert.
Basing on the obtained results it has been determined that the fair value was not impaired as at 31 December 2013.
Considering the financial performance of the company in H1 2014 it must be assumed that no indicators for impairment of goodwill occurred as at the reporting date.

Unfinished development works

Outlays for development work principally concerned implementation to production a new product developed by the parent, high voltage switchgear type OPTIMA 145. The SF6 gas insulated HV switchgear OPTIMA 145 is the first Polish high-voltage gas-insulated switchgear intended for serial production. Costs of the project in H1 2014 reached 3 835 thousand PLN, costs incurred since the project commencement totaled 16 697 thousand PLN.
The group regularly verifies economic value in use of development works presented in the intangible assets. As at the date of the consolidated financial statements no indicators of their impairment were identified.

(all amounts in PLN thousands unless otherwise stated)

	Cost of finished development works	Concessions, patents, licenses and software	Cost of unfinished development works	Goodwill	Intangible assets not put to use	Advances for intangibles	Total intangible assets
Gross value of intangible assets at 1 January 2014	15 999	10 186	13 821	22 164	0	0	62 170
Additions, of which:	80	845	4 331	0	0	0	5 256
- purchase	0	845	0	0	0	0	845
- internally generated	0	0	4 411	0	0	0	4 411
- takeover from investments	0	0	(80)	0	0	0	(80)
- charged to the cost of unfinished development works	80	0	0	0	0	0	80
Changes due to currency translation differences	0	(5)	0	0	0	0	(5)
Gross value of intangible assets at 30 June 2014	16 079	11 026	18 152	22 164	0	0	67 421
Accumulated amortisation at 1 January 2014	(12 561)	(8 818)	0	0	0	0	(21 379)
Current amortisation charge	(823)	(1 059)	0	0	0	0	(1 882)
Reduction due to the grant received	0	0	0	0	0	0	0
Changes due to currency translation differences	0	5	0	0	0	0	5
Accumulated amortisation at 30 June 2014	(13 384)	(9 872)	0	0	0	0	(23 256)
Net intangible assets at 30 June 2014 (unaudited)	**2 695**	**1 154**	**18 152**	**22 164**	**0**	**0**	**44 165**

(all amounts in PLN thousands unless otherwise stated)

	Cost of finished development works	Concessions, patents, licenses and software	Cost of unfinished development works	Goodwill	Intangible assets not put to use	Advances for intangibles	Total intangible assets
Gross value of intangible assets at 1 January 2013	15 330	8 979	7 418	22 164	57	0	53 948
Additions, of which:	669	1 207	6 403	0	(57)	0	8 222
- purchase	0	1 151	570	0	(1)	0	1 720
- internally generated	0		6 502	0	0	0	6 502
- takeover from investments	0	56	0	0	(56)	0	0
- charged to the cost of unfinished development works	669	0	(669)	0	0	0	0
Gross value of intangible assets at 31 December 2013	15 999	10 186	13 821	22 164	0	0	62 170
Accumulated amortisation at 1 January 2013	(9 242)	(6 962)	0	0	0	0	(16 204)
Current amortisation charge	(1 767)	(1 855)	0	0	0	0	(3 622)
Reduction due to the grant received	(1 552)	0	0	0	0	0	(1 552)
Changes due to currency translation differences	0	(1)	0	0	0	0	(1)
Accumulated amortisation at 31 December 2013	(12 561)	(8 818)	0	0	0	0	(21 379)
Net intangible assets at 31 December 2013	**3 438**	**1 368**	**13 821**	**22 164**	**0**	**0**	**40 791**

(all amounts in PLN thousands unless otherwise stated)

	Cost of finished development works	Concessions, patents, licenses and software	Cost of unfinished development works	Goodwill	Intangible assets not put to use	Advances for intangibles	Total intangible assets
Gross value of intangible assets at 1 January 2013	15 330	8 979	7 418	22 164	57	0	53 948
Additions, of which:	0	433	1 867	0	(21)	10	2 289
- purchase	0	433	72	0	(21)	10	494
- internally generated	0	0	1 795	0	0	0	1 795
Changes due to currency translation differences	0	1	0	0	0	0	1
Gross value of intangible assets at 30 June 2013	15 330	9 413	9 285	22 164	36	10	56 238
Accumulated amortisation at 1 January 2013	(9 242)	(6 962)	0	0	0	0	(16 204)
Current amortisation charge	(1 126)	(686)	0	0	0	0	(1 812)
Changes due to currency translation differences	0	(1)	0	0	0	0	(1)
Accumulated amortisation at 30 June 2013	(10 368)	(7 649)	0	0	0	0	(18 017)
Net intangible assets at 30 June 2013	**4 962**	**1 764**	**9 285**	**22 164**	**36**	**10**	**38 221**

(all amounts in PLN thousands unless otherwise stated)

10. Investments in associates

	The Power Equipment Production Vector Ltd. Votkinsk, Russia	SAUDI ELEKTROBUDOWA LLC Riyadh, the Kingdom of Saudi Arabia
- stake in the share capital as at 30 June 2014	49%	33%
- purchase price	13 805	97
- share capital increase in 2009	7 711	-
- measurement of stake in the share capital	(1 172)	(235)
- investments in associates as at 30 June 2014 (unaudited)	20 344	(138)
- value os assets	56 967	564
- laibilities	15 448	982
- revenues from the sales of products, goods and materials	28 947	0
- net loss	(1 264)	(119)

11. Financial assets

11.1 Available-for-sale financial assets

	as at	
	30.06.2014 (unaudited)	31.12.2013
Available-for-sale financial assets		
- non-current	2 523	2 523
- current	24	24
	2 547	**2 547**

Non-current financial assets available for sale include shareholding in PI Biprohut Sp. z o.o. based in Gliwice.
As at 30 June 2014 ELEKTROBUDOWA SA had 23.07% share in the equity of PI Biprohut Sp. z o.o. while the share in total voting rights in the General Meeting was 22.79%. The share of ELEKTROBUDOWA SA in the equity of PI Biprohut Sp. z o.o. rose by 0.05 percentage point compared with 31 December 2013, while the share of ELEKTROBUDOWA SA in the total number of votes and in dividend increased by 0.19 percentage point. As at 30 June 2014 the strategic investor of Biprohut held 62.95% stake which entitled him to 54.14% of voting rights in the general meeting of shareholders. The remaining shares were held by individual shareholders. Considering the investor relations of Biprohut, ELEKTROBUDOWA SA does not have significant influence on operating or financial policy of Biprohut and does not control the entity.

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

Długoterminowe aktywa finansowe obejmują również 17 udziałów reprezentujących 17% kapitału Energotest - Diagnostyka Sp. z o.o. i tyle samo udziałów w ogólnej liczbie głosów na Zgromadzeniu Wspólników. W związku z tym, że grupa nie ma wpływu na kierowanie polityką operacyjną i finansową spółki Energotest - Diagnostyka, Zarząd jednostki dominującej nie zakwalifikował spółki jako jednostki stowarzyszonej. Udziały grupy kapitałowej w spółce wyceniono w wartości księgowej.

As of 30 June 2014 the carrying amount of non-current assets available for sale was:

- PI Biprohut Sp. z o.o. Gliwice 2 215 thousand PLN,
- Energotest - Diagnostyka Sp. z o.o. 308 thousand PLN.

and did not change compared with the values on 31.12.2013.

Current financial assets include shares in Famak S.A. based in Kluczbork. The shares are not quoted on the stock exchange, therefore their fair value was estimated according to their offered price to buy.
As of 30 June 2014 the carrying amount of current assets available for sale was 24 thousand PLN and did not change compared to the value recognised in books as at 31 December 2013. Fair value of shares is classified to Level 3 of the fair value hierarchy.

(all amounts in PLN thousands unless otherwise stated)

11.2 Classification of assets by groups of financial instruments

Type of financial instrument	method of measurement as at 30 June 2014	as at 30 June 2014 (unaudited)	as at 31 Dec 2013	amount charged to revaluation capital in H1 2014	amount charged to profit or loss in H1 2014
1. Loans extended and own receivables		**238 904**	**266 701**	**0**	**(3 591)**
a) long-term receivables due to sale of non-current assets	amortised cost	803	959	0	4
b) long-term receivables due to retentions	amortised cost	12 891	23 106	0	394
c) short-term trade and other receivables	amortised cost	225 210	242 636	0	(3 989)
2. Available-for-sale investments		**2 547**	**2 547**	**0**	**0**
a) shares of PI Biprohut Sp. z o.o.	fair value	2 215	2 215	0	0
b) shares of Energotest - Diagnostyka Sp. z o.o.	book value	308	308	0	0
c) shares of Famak S.A.	market price	24	24	0	0
3. Financial assets held to maturity		**512**	**500**	**0**	**12**
a) deposit in PEKAO S.A.	amortised cost	512	500	0	12
4. Cash and cash equivalents	amortised cost	**60 435**	**80 488**	**0**	**2 941**
Total financial assets		**302 398**	**350 236**	**0**	**(638)**

Fair value of shares in PI Biprohut Sp. z o.o. based in Glwice is classified to Level 3 of the financial instruments hierarchy.
PI Biprohut Sp. z o.o. is not quoted in the stock exchange so valuation of fair value of shares held by ELEKTROBUDOWA SA was based on the measurement made by an independent expert. The measurement was done by a method of discounted cash flows based on the consolidated financial projection of the company's performance. Estimated fair value of shares in PI Biprohut Sp. z o.o. owned by ELEKTROBUDOWA SA, with consideration to preference shares, was 2 215 thousand PLN as at 31 December 2013. As at 30 June 2014 there were no indicators of impairment of the shares of PI Biprohut Sp. z o.o. held by ELEKTROBUDOWA SA compared with their measurement at 31.12.2013, and their fair value approximates the value at 31.12.2013.

(all amounts in PLN thousands unless otherwise stated)

12. Trade and other receivables

12.1 Receivables recognised in non-current assets

	as at	
	30.06.2014 (unaudited)	**31.12.2013**
Long-term receivables		
- disposal of property, plant and equipment	803	959
- contract retentions	12 891	23 106
Long-term receivables - net	**13 694**	**24 065**
Discount of receivables	759	1 157
Long-term receivables - gross	**14 453**	**25 222**

Fair value of long-term trade and other receivables approximates their carrying amount.

12.2 Receivables recognised in current assets

	as at	
	30.06.2014 (unaudited)	**31.12.2013**
Current trade and other receivables		
- for supplies and services	196 465	213 399
- other	33 177	31 854
Total trade and other receivables, net	**229 642**	**245 253**
Receivables impairment charge	28 076	24 127
Total trade and other receivables, gross	**257 718**	**269 380**

Fair value of short-term trade and other receivables approximates their carrying amount.

	as at	
	30.06.2014 (unaudited)	**31.12.2013**
Other current receivables		
- receivables due to statutory settlements	4 432	2 617
- retentions	24 815	25 376
- receivables due to dividend	1 961	1 434
- other	1 969	2 427
	33 177	**31 854**

(all amounts in PLN thousands unless otherwise stated)

	6 months ended 30.06.2014 (unaudited)	12 months ended 31.12.2013
Provisions for impairment of receivables from supplies and services and other receivables		
Impairment provision at beginning of period	24 127	16 144
Creating a provision	10 099	12 889
Reversal	(6 150)	(4 906)
of which:		
- paid receivables and interest	(1 638)	(3 830)
- reversed provision for written-off receivables	(48)	0
- used amount of provision for impairment of receivables	(1 140)	(97)
- reversed provision for impairment of interest	(3 324)	(979)
Impairment provision at end of period	**28 076**	**24 127**
of which:		
- for receivables from supplies and services	13 915	17 576
- for other receivables	14 161	6 551

Changes in provisions for impairment of receivables in the statement of comprehensive income are described in Note 29.

13. Non-current prepayments

	as at	
	30.06.2014 (unaudited)	31.12.2013
non-current prepayments		
- construction insurance policies	999	1 229
- other	415	349
	1 414	**1 578**

14. Inventories

	as at	
	30.06.2014 (unaudited)	31.12.2013
Inventories		
- materials	24 431	29 314
- semi-finished products and work in progress	36 336	22 695
- finished goods	1 802	2 129
- merchandise	4 433	3 799
	67 002	**57 937**
of which:		
- inventory write-down	(659)	(407)

(all amounts in PLN thousands unless otherwise stated)

The increase in volume of products and products under construction resulted from the manufacturing cycle of finished products in the Power Distribution Division segment.
Created in H1 2014 provisions for impairment of inventories charged in the financial result amounted to 258 thousand PLN, while used (reversed) provisions charged in the financial result amounted to 7 thousand PLN.
The group has no credit or other liabilities collaterized by the inventories.

The group regularly reviews the value of inventories and the possibility to use them; as at 30 June 2014 no need was identified to change the value of the above provision.

15. Cash and cash equivalents

	as at		
	30.06.2014 (unaudited)	**31.12.2013**	**30.06.2013 (unaudited)**
Cash at bank and on hand			
- cash at bank	60 404	80 435	16 904
- cash on hand	31	39	43
- other cash	0	14	1 375
	60 435	**80 488**	**18 322**
Use of overdraft	19 517	541	10 418

Average effective interest rate for bank deposits was 1.0% in H1 2014, 1.7% in 2013 and 1.9% in H1 2013.

16. Other non-finance assets

	as at	
	30.06.2014 (unaudited)	**31.12.2013**
Other non-finance assets		
- future periods expenses (subscriptions, fees, insurance)	2 001	2 204
- prepayments for supplies	21 197	29 936
- charges to the Company Social Benefits Fund	1 086	0
	24 284	**32 140**

(all amounts in PLN thousands unless otherwise stated)

17. Non-current assets held for sale

	as at 30.06.2014 (unaudited)	as at 31.12.2013
Fixed assets held for sale		
- buildings, civil engineering facilities	145	0
- technical equipment and machinery	117	0
	262	**0**

In the consolidated statement of financial situation prepared as at 30 June 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":

- **machinery and equipment**
- initial value 518 thousand PLN,
- depreciation (283) thousand PLN,
- **other fixed tangible assets**
- initial value 335 thousand PLN,
- depreciation (218) thousand PLN.

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.

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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 expert. As the items to be measured are technical means for which there is an active secondary market, their market value was established with the use of a direct comparison approach.

18. Issued share capital

	Issued share capital registered	Issued share capital from hyperinflationary restatement	Issued share capital from restatement at the date of transition of the Group to IFRS
As at 1 January 2014	**10 003**	**16 372**	**26 375**
Coverage of results of restatement of the issued share capital recognized in retained earnings pursuant to Resolution 8/2014 of the Annual General Meeting of ELEKTROBUDOWA SA of 22.05.2014		(16 372)	(16 372)
As at 30 June 2014 (unaudited)	**10 003**	**0**	**10 003**

In previous years, in accordance with IAS 29 Financial Reporting in Hyperinflationary Economies, the issued share capital of the parent recognised in the consolidated financial statements as at the date of adoption of the International Financial Reporting Standards was restated in correspondence with retained earnings / losses by the amount 16 371 629.00 PLN and amounted to 26 374 919.00 PLN. The restated amount of the issued share capital was only a book value recognised in the financial statements of ELEKTROBUDOWA SA and differed from the value of share capital disclosed in the Articles of Association and in the register of companies, the National Court Register.

(all amounts in PLN thousands unless otherwise stated)

On 22 May 2014 the Annual General Meeting of ELEKTROBUDOWA SA adopted a resolution on allocation of the amounts from restatement of capitals in hyperinflationary economy to cover the prior years' losses generated in result of hyperinflationary restatement.

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

Ordinary shares, fully paid, of nominal value 2.00 PLN, each equal to a single vote in the General Meeting of shareholders, are eligible to dividend. All shares were acquired for cash.

ELEKTROBUDOWA SA has no treasury shares. The subsidiaries and associates do not hold shares in ELEKTROBUDOWA SA.

As at 30 June 2014, to the best knowledge of the parent, the structure of shareholders holding significant interest in ELEKTROBUDOWA SA was as below:

Shareholders of ELEKTROBUDOWA SA as at 30 June 2014:	**Numbers of shares = number of votes**	**Percentage**
AVIVA OFE AVIVA BZ WBK SA	625 454	13.17
ING OFE (Open-end 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
PTE Allianz Polska SA *	299 730	6.31
Amplico OFE	289 369	6.10
Generali OFE	241 640	5.09
Free float	1 555 281	32.76
Total number of shares in the share capital	**4 747 608**	**100.00**

* according to the notification by PTE Allianz Polska SA dated 27.05.2014, received by ELEKTROBUDOWA SA on 2 June 2014.

(all amounts in PLN thousands unless otherwise stated)

19. Other capital

19.1 Supplementary capital

	as at	
	30.06.2014 (unaudited)	**31.12.2013**
Supplementary capital:		
- share premium	100 676	100 676
- created as required by law	3 334	3 334
- created acc. to the Articles of Association, over (minimum) value required by law	196 845	218 810
- other (including transfer from reserves)	4 191	5 810
	305 046	**328 630**

In accordance with IAS 29 Financial Reporting in Hyperinflationary Economies – the supplementary capital from share premium, recognised in the financial statements as at the date of adoption of the International Financial Reporting Standards, was restated in correspondence with retained earnings / losses by the amount 1 618 750.00 PLN.
On 22 May 2014 the Annual General Meeting of ELEKTROBUDOWA SA adopted a resolution on allocation of the amounts from restatement of capitals in hyperinflationary economy to cover the prior years' losses generated in result of hyperinflationary restatement.

19.2 Capital from valuation of available-for-sale investments

	as at	
	30.06.2014 (unaudited)	**31.12.2013**
Capital from valuation of available-for-sale investments		
- valuation of available-for-sale investments	1 636	1 636
- deferred tax related to investment valuation	(310)	(310)
	1 326	**1 326**

Capital from valuation of investment is the outcome of restatement of available-for-sale assets, described in Note 11.1. In the case of selling a restated financial asset the effectively realized value of the capital associated with this asset is recognized in the statement of comprehensive income for the period.

19.3 Retained earnings

(all amounts in PLN thousands unless otherwise stated)

	as at	
	30.06.2014 (unaudited)	**31.12.2013**
Retained earnings		
of which:		
- restatement of share capital due to hyperinflation	0	(17 991)
- actuarial gains / losses	(619)	(619)
- prior years' gains / losses	3 575	(25 902)
- net profit for the period attributable to shareholders of ELEKTROBUDOWA SA	2 115	17 213
	5 071	**(27 299)**

On 22 May 2014 the Annual General Meeting of ELEKTROBUDOWA SA adopted resolutions on:

- allotting the whole amount 17 990 379.00 PLN resulting from the restatement of the share capital and supplementary capital in the hyperinflationary economy to cover the prior years' losses generated in effect of the hyperinflationary restatement,
- covering the whole prior years' net loss recognized in the statement of financial position as at 31 December 2013 in the total amount 25 776 107.00 PLN from the supplementary capital.

20. Trade and other payables

20.1 Non-current other payables

	as at	
	30.06.2014 (unaudited)	**31.12.2013**
Other non-current payables		
- long-term retention amounts	13 317	12 240
- other	226	98
Other non-current payables - net	**13 543**	**12 338**
Discount of payables	993	960
Other non-current payables - gross	**14 536**	**13 298**

(all amounts in PLN thousands unless otherwise stated)

20.2 Current trade and other payables

	as at 30.06.2014 (unaudited)	as at 31.12.2013
Current trade and other payables		
- for supplies and services	178 429	202 079
- advances received for supplies	125 638	102 900
- taxes, duties, insurance and other contributions	11 114	15 911
- remunerations	7 024	7 606
- other (by titles)	20 942	9 752
of which:		
a) retentions from subcontracts	8 639	7 945
b) purchase of fixed assets	1 002	943
c) employee obligations	50	133
d) dividend	9 740	0
e) deductions from payroll	442	472
f) other	1 069	259
	343 147	**338 248**

As at 30 June 2014 the advances received for supplies were secured by bank guarantees in the amount of 171 476 thousand PLN.

Fair value of current trade and other payables approximates their carrying value.

	as at 30.06.2014 (unaudited)	as at 31.12.2013
Liabilities due to taxes, duties, social insurance and other contributions		
- personal income tax	2 003	2 303
- VAT	1 330	5 543
- social insurance	7 767	7 866
- National Fund for the Rehabilitation of the Disabled PFRON	14	199
	11 114	**15 911**

21. Credits, borrowings and debt securities

Current liabilities due to credits, borrowings and debt securities as at 30 June 2014 (unaudited)

Lender	Registered office	Contractual loan amount PLN'000	curr	Amount to be repaid PLN'000	curr	Rate of interest	Contract validity		Collateral
ING BANK ŚLĄSKI S.A.	Katowice								assignment of receivables from contracts = 150% engagement due to guarantees and overdraft; registered charges including assignment of rights to insurance policy: 1) on the punching machine TRUPUNCH, 2) on the line in Konin, 3) on four machines in Konin; first charge up to 3 000 thousand PLN (Dąbrowa G.) KW No.KA1D/00018183/0, incl. assignment of rigths to insurance policy; enforcement title up to 171 900 thousand PLN; assignment of receivables from a contract with PSE (Byczyna)
overdraft		17 000	PLN	7 857	PLN	WIBOR 1M + bank margin	30.01.2016	*	
working capital loan		85 000	PLN	11 000	PLN	WIBOR 1M + bank margin	30.01.2016		
BANK HANDLOWY S.A.	Warsaw								assignment of receivables from contracts = 80% engagement; first charge up to 50 000 thousand PLN (Tychy) KW No. KA1T/00060238/5 incl. assignment of rights to insurance policy; 2 blank bills (no. 1 and no. 2) up to 50 000 thousand PLN collaterized by the said charge, 1 blank bill secured by the first charge up to 4 375 thousand PLN (Mikołów) KW No. KA1M/00065708/0 incl. assignment of rights to insurance policy, assignment of receivables from a contract (PSE SA - OSP/DI/INW/14/2013 SKAWINA)
overdraft		15 000	PLN	5 149	PLN	WIBOR 1M + bank margin	14.10.2014	*	
working capital loan		52 000	PLN	15 160	PLN	WIBOR 1M + bank margin	31.12.2017		
limit for credit cards		200	PLN		PLN				
BANK PEKAO S.A. overdraft	Cracow	10 000	PLN	2 557	PLN	WIBOR 1M + bank margin	30.04.2015	*	assignment of receivables from contracts = 100% engagement due to guarantees and current account overdraft; first charge up to 11 504.88 thousand PLN (Konin) KW No.KN1N/00013390/8, incl. assignment of rights to insurance policy; 1 blank bill up to 80 000 thousand PLN; a deposit equal to 50% of the guarantee amount as additional security for the guarantee, valid over 5 to 10 years in case of utilization of the limit (15.0 million PLN) over 10.0 million PLN
PKO BP S.A. overdraft	Warsaw	5 000	PLN	0	PLN	WIBOR 1M + bank margin	20.02.2015	*	assignment of receivables from contracts = 100% engagement due to guarantees and current account overdraft; 2 blank bills; first charge up to 232 500 thousand PLN (Katowice) KW No. KA1K/00043349/3 incl. assignment of rights to insurance policy
mBank S.A. (former BRE BANK S.A.) overdraft	Warsaw	10 000	PLN	3 954	PLN	WIBOR ON + bank margin	30.09.2014	*	assignment of receivables from contracts = 100% engagement ; first charge up to 4 000 thousand PLN (Płock) KW No. PL1P/00119678/5 incl. assignment of rights to insurance policy; 1 blank bill up to 120 000 thousand PLN (enforcement right)
BNP PARIBAS BANK POLSKA S.A. overdraft	Warsaw	1 000	PLN	0		WIBOR 1M + bank margin	13.08.2014	*	blank bill, general assignment of the existing and future receivables from debtors, declaration of submission to enforcement
		195 200		**45 677**					

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

Current liabilities due to credits, borrowings and debt securities as at 31 December 2013

Lender	Registered office	Contractual loan amount PLN'000	curr	Amount to be repaid PLN'000	curr	Rate of interest	Contract validity	Collateral
ING BANK ŚLĄSKI S.A.	Katowice							assignment of receivables from contracts = 150% engagement due to guarantees and overdraft; registered charges including assignment of rights to insurance policy: 1) on the punching machine TRUPUNCH, 2) on the line in Konin, 3) on four machines in Konin; first charge up to 3 000 thousand PLN (Dąbrowa G.) KW No.KA1D/00018183/0, incl. assignment of rigths to insurance policy; enforcement title up to 96 900 thousand PLN; assignment of receivables from a contract (PSE SA - OSP/DI/INW/102/2012 SŁUPSK)
overdraft		5 000	PLN	0	PLN	WIBOR 1M + bank margin	18.12.2015 *	
working capital loan		47 000	PLN	0	PLN	WIBOR 1M + bank margin	30.06.2014	
BANK HANDLOWY S.A.	Warsaw							assignment of receivables from contracts = 80% engagement; 1 blank bill, mortgage secured up to 4 375 thousand PLN (Mikołów) KW No. KA1M/00065708/0 incl. assignment of rights to insurance policy; 2 blank bills (no. 1 and no. 2) collaterized by mortgage up to 50 000 thousand PLN (Tychy) KW No. KA1T/00060238/5 including assignment of rights to insurance policy; enforcement right up to 63 360 thousand PLN; monthly average receipts during a quarter = 15 000 thousand PLN; enforcement right up to 18 000 thousand PLN, assignment of receivables from a contract (PSE SA - OSP/DI/INW/14/2013 SKAWINA); enforcement right up to 62 400 thousand PLN.
overdraft		15 000	PLN	0	PLN	WIBOR 1M + bank margin	14.10.2014 *	
working capital loan		52 000	PLN	5 400	PLN	WIBOR 1M + bank margin	31.12.2017	
limit for credit cards		200	PLN		PLN			
BANK PEKAO S.A. overdraft	Cracow	10 000	PLN	541	PLN	WIBOR 1M + bank margin	30.04.2014 *	assignment of receivables from contracts = 100% engagement due to guarantees and current account overdraft; mortgage up to 11 504.88 thousand PLN (Konin) KW No.KN1N/00013390/8, incl. assignment of rights to insurance policy; 1 blank bill up to 80 000 thousand PLN; a deposit equal to 50% of the guarantee amount as additional security for the guarantee, valid over 5 to 10 years in case of utilization of the limit (15.0 million PLN) over 10.0 million PLN; monthly average turnover on accounts in the amount of 10 000 thousand PLN; enforcement right up to 120 000 thousand PLN.
PKO BP S.A. overdraft	Warsaw	5 000	PLN	0	PLN	WIBOR 1M + bank margin	20.02.2015 *	assignment of receivables from contracts = 100% engagement due to guarantees and current account overdraft; 2 blank bills; mortgage up to 232 500 thousand PLN (Katowice) KW No. KA1K/00043349/3 incl. assignment of rights to insurance policy; enforcement right up to 430 800 thousand PLN.
mBank S.A. (former BRE BANK S.A.) overdraft	Warsaw	10 000	PLN	0	PLN	WIBOR ON + bank margin	30.09.2014 *	assignment of receivables from contracts = 20% engagement ; monthly average turnover on accounts in the amount of 10 000 thousand PLN; Mortgage up to 4 000 thousand PLN (Płock) KW No. PL1P/00119678/5 incl. assignment of rights to insurance policy; 1 blank bill up to 120 000 thousand PLN (enforcement right), enforcement right up to 15 000 thousand PLN - for liabilities from current account overdraft agreement.
BNP PARIBAS BANK POLSKA S.A. overdraft	Warszawa	1 000	PLN	0		WIBOR 1M + bank margin	13.08.2014 *	blank bill, general assignment of the existing and future receivables from debtors, declaration of submission to enforcement
		145 200		**5 941**				

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

(all amounts in PLN thousands unless otherwise stated)

Movements in working capital loans in the reporting period

		date of change	amount released	amount repaid	credit balance
Working capital credits as at 31 December 2013					**5 400**
ING Bank Śląski S.A.	**as at 31.12.2013**				**0**
	changes during the reporting period	02.01.2014	12 000		12 000
		07.05.2014	4 000		16 000
		23.05.2014	6 000		22 000
		04.06.2014	1 000		23 000
		17.06.2014		12 000	11 000
	as at 30.06.2014 (unaudited)		**23 000**	**12 000**	**11 000**
Bank Handlowy S.A.	**as at 31.12.2013**				**5 400**
	changes during the reporting period	27.01.2014	2 715		8 115
		25.02.2014	1 586		9 701
		06.03.2014	3 945		13 646
		14.04.2014	290		13 936
		26.05.2014	784		14 720
		04.06.2014	440		15 160
	as at 30.06.2014 (unaudited)		**9 760**	**0**	**15 160**
Working capital credits as at 30.06.2014 (unaudited)					**26 160**

22. Income tax

22.1 Tax charge

	six months ended 30 June	
	2014 (unaudited)	**2013 (unaudited)**
Income tax recognized in the statement of comprehensive income		
- current year tax	62	1 735
- deferred tax	1 079	(6 901)
- tax of foreign branches	201	5 932
- other settlements	(7)	2
	1 335	**768**

Tax settlements and other business areas which are subject to regulations (such as duty or foreign currency matters) may be inspected by administrative bodies authorized to impose severe penalties and sanctions. Lack of reference to well established law provisions in Poland is the cause of ambiguities and inconsistence in the regulations in force. Frequent differences of opinions concerning legal interpretation of tax regulations, both inside the government bodies and between the government bodies and enterprises, give rise to areas of uncertainty and conflicts. For these reasons tax risk in Poland is much greater than in the countries with more developed taxation systems.

Tax settlements are subject to inspection within the period of five years after the end of the year in which the tax was paid. In result of the carried inspections the tax amounts already paid by the group might be increased by additional tax liability. In the opinion of the group as at 30 June 2014 suitable amount of provision / liability was created for recognized and calculable tax risk.

(all amounts in PLN thousands unless otherwise stated)

22.2 Calculation of the effective tax rate

	six months ended 30 June	
	2014 (unaudited)	**2013 (unaudited)**
Profit before taxes	3 369	1 625
Tax amount calculated according to 19% rate	640	309
Permanent differences	(825)	(4 888)
Differences relating to different tax rates for foreign branches and foreign subsidiaries	1 520	5 347
Income tax	**1 335**	**768**
Effective tax rate (%)	**39,6**	**47,3**

22.3 Deferred income tax

	as at	
	30.06.2014 (unaudited)	**31.12.2013**
Deferred income tax assets	61 527	49 211
Provisions for deferred income tax	(46 984)	(31 443)
Deferred corporate income tax assets recognized in assets in the statement of financial position	**14 543**	**17 768**
Provisions for deferred income tax of foreign branches	(1 316)	(1 851)
Provisions for deferred corporate income tax recognized in liabilities in the statement of financial position	**(1 316)**	**(1 851)**
Total deferred income tax	**13 227**	**15 917**

(all amounts in PLN thousands unless otherwise stated)

Deferred income tax:

period ended 30 June 2014		Construction contracts	Provisions, prepayments and accrued expenses	Fixed tangible assets	Revaluation of assets	Tax on tax loss	Other	Total
Assets	**beginning of period 1 January 2014**	**8 910**	**7 811**	**468**	**2 120**	**0**	**29 902**	**49 211**
	- changes credited/charged to financial result	11 421	(1 853)	49	407	2 247	1 656	**13 927**
	- changes charged to capital	0	0	0	0	0	0	**0**
	- other changes	0	0	0	0	0	(1 611)	**(1 611)**
	end of period 30 June 2014 (unaudited)	**20 331**	**5 958**	**517**	**2 527**	**2 247**	**29 947**	**61 527**
Provisions	**beginning of period 1 January 2014**	**(30 457)**	**(5)**	**(617)**	**(651)**	**0**	**(1 564)**	**(33 294)**
	- changes credited/charged to financial result	(15 308)	0	(35)	572	0	(235)	**(15 006)**
	- changes charged to capital	0	0	0	0	0	0	**0**
	end of period 30 June 2014 (unaudited)	**(45 765)**	**(5)**	**(652)**	**(79)**	**0**	**(1 799)**	**(48 300)**
End of period, total		**(25 434)**	**5 953**	**(135)**	**2 448**	**2 247**	**28 148**	**13 227**

period ended 31 December 2013		Construction contracts	Provisions, prepayments and accrued expenses	Fixed tangible assets	Revaluation of assets	Tax on tax loss	Other	Total
Assets	**beginning of period 1 January 2013**	**6 177**	**6 608**	**426**	**1 646**	**0**	**22 366**	**37 223**
	- changes credited/charged to financial result	2 733	1 053	42	474	0	7 536	**11 838**
	- changes charged to capital	0	150	0	0	0	0	**150**
	end of period 31 December 2013	**8 910**	**7 811**	**468**	**2 120**	**0**	**29 902**	**49 211**
Provisons	**beginning of period 1 January 2013**	**(24 632)**	**0**	**(584)**	**(1 122)**	**0**	**(1 021)**	**(27 359)**
	- changes credited/charged to financial result	(5 825)	0	(33)	337	0	(543)	**(6 064)**
	- changes charged to capital	0	(5)	0	134	0	0	**129**
	end of period 31 December 2013	**(30 457)**	**(5)**	**(617)**	**(651)**	**0**	**(1 564)**	**(33 294)**
End of period, total		**(21 547)**	**7 806**	**(149)**	**1 469**	**0**	**28 338**	**15 917**

(all amounts in PLN thousands unless otherwise stated)

23. Provisions for liabilities and other charges

	Provision for warranty repair works	Provision for employee benefits	Provision for expected penalties and compensations	Total provisions
As at 1 January 2014	919	5 535	4 177	**10 631**
creation of provision	573	0	2 096	**2 669**
payment of benefits	0	(496)	0	**(496)**
reversal of provision	(584)	0	(4 177)	**(4 761)**
As at 30 June 2014 (unaudited)	**908**	**5 039**	**2 096**	**8 043**
of which:				
- long-term	0	4 954	0	**4 954**
- short-term	908	85	2 096	**3 089**

Change in provisions for penalties and compensations is the outcome of changes in the parent's Management estimates and assumptions concerning reasons for expected penalties to be charged due to delay in completion of construction contract works or defects in their performance.

	Provision for warranty repair works	Provision for employee benefits	Provision for expected penalties and compensations	Total provisions
As at 1 January 2013	764	4 576	0	**5 340**
creation of provision	1 675	1 452	4 177	**7 304**
payment of benefits	0	(481)	0	**(481)**
reversal of provision	(1 520)	(12)	0	**(1 532)**
As at 31 December 2013	**919**	**5 535**	**4 177**	**10 631**
of which:				
- long-term	0	5 215	0	**5 215**
- short-term	919	320	4 177	**5 416**

(all amounts in PLN thousands unless otherwise stated)

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

According to the Regulations for Remuneration employees are eligible for post-employment benefits. The employees taking disability pension or retirement pension are eligible to a single severance pay in the amount established according to the internal regulations in force in each group's entity. Current value of such liabilities is calculated by an independent actuary for the last day of a financial year. Measurement as at 31 December 2013 was made using the projected unit credit method. The calculated liability is equal to the discounted payments to be made in future, with accounting for employment turnover, and they concern the period from the balance sheet date. Demographic information and information about employment turnover are based on the historic data. Change in provisions for employee benefits was connected with recognition of the paid benefits.

Created by the parent provisions for future penalties and compensation concerned mainly the company's future liabilities to the contractors in respect of delayed completion of contractual works.

24. Accrued expenses

	as at	
	30.06.2014 (unaudited)	**31.12.2013**
Accrued expenses, of which:		
- unused holidays	5 928	4 412
- annual bonuses	3 414	6 076
- services	2 696	1 728
- provision for expected losses on contracts	4 924	10 879
- grant received	0	0
- provision for disputed employee claims	2 000	2 000
	18 962	**25 095**

The group created provisions for expected losses, as it is probable that costs of performance may exceed the proceeds from a contract.

In the opinion of Management of the parent, provisions created as at 30 June 2014 for expected losses on contracts being performed account for the identified risk of generating losses until the completion of these contracts.

Provisions for expected losses by segments

	Power Generation Division	**Industry Division**	**Power Distribution Division**	**Automation Division**	**All other segments**	**Total Group**
As at 30 June 2014 (unaudited)	0	4 426	498	0	0	**4 924**
As at 31 December 2013	29	7 757	3 093	0	0	**10 879**

(all amounts in PLN thousands unless otherwise stated)

25. Classification of financial instruments recognised in liabilities

Type of financial instrument	method of measurement as at 30 June 2014	as at 30 June 2014 (unaudited)	as at 31 Dec 2013	amount charged to revaluation capital in H1 2014	amount charged to profit or loss in H1 2014
1. Other financial liabilities					
a) other long-term liabilities	amortised cost	13 543	12 338	0	17
b) short-term trade and other payables	amortised cost	199 371	211 831	0	(2 722)
c) borrowings	amortised cost	45 677	5 941	0	(657)
Financial instruments recognised in liabilities - total		**258 591**	**230 110**	**0**	**(3 362)**

Value of the above financial instruments recognised in the consolidated statement of financial position is equal to their fair value.

(all amounts in PLN thousands unless otherwise stated)

26. Sales revenue and construction contracts

26.1 Sales revenue

	six months ended 30 June	
	2014 (unaudited)	**2013 (unaudited)**
Revenue from sales of products, goods and materilas		
- construction and installation services	357 371	276 361
- electrotechnical products	75 233	94 611
- other services	7 554	8 937
- sale of materials	2 184	2 934
	442 342	**382 843**

26.2 Construction contracts

	6 months ended 30 June 2014 (unaudited)	**12 months ended 31 Dec 2013**	**6 months ended 30 June 2013 (unaudited)**
Estimated revenues from contracts in progress (cumulative)	1 381 945	1 178 357	1 142 889
Estimated costs incurred on contracts in progress (cumulative)	1 344 498	1 147 542	1 112 349
Recognized profits less recognized losses (planned margin)	**37 447**	**30 815**	**30 540**
Revenues from contracts for the period	359 724	625 619	290 387
Costs of contracts for the period	353 292	600 496	279 473
Profits less recognized losses for the period	**6 432**	**25 123**	**10 914**
Advances received for contracts in progress	122 978	101 322	3 485
Retentions kept by customers	26 367	34 776	35 559
Gross amounts due from customers for contract work	240 343	159 795	101 730
Gross amounts due to customers for contract work	48 447	45 772	44 382

The parent recognizes revenues from contracts in progress using the percentage of costs incurred in total costs, measured as the share of costs incurred from the contract date to the date of establishing the revenue in total costs assumed in the updated global budget for the contract. Contract budgets are regularly updated, based on current information about the contract progress.

The group analyses each contract in respect of possible losses, which are immediately recognized as cost according to IAS 11.36. Within the calculation of a construction contract price, according to IAS 11.11 – 15 the company recognizes estimates of penalties due to late completion of contracts. Estimates of amounts of penalties are carried based on the source documents related to acknowledged delays in contract completion, basing on contract assumptions and the estimate by the management of the risk of their occurrence. The level of estimated risk depends to a large extent on external factors which are partially beyond control, and may change in further periods.

(all amounts in PLN thousands unless otherwise stated)

27. Cost of products, goods and materials sold

	six months ended 30 June	
	2014 (unaudited)	**2013 (unaudited)**
Expenses by nature		
- depreciation and amortisation	6 772	7 114
- materials and energy	174 847	150 670
- third party services	181 574	123 902
- taxes and charges	2 184	2 031
- salaries and wages	63 658	74 483
- social security and benefits	16 941	19 374
- other expenses by nature, of which:	6 997	9 461
a) representative and advertising expenses	880	947
b) business travels	3 890	5 708
c) property and personal insurance	1 345	1 640
d) other	882	1 166
Total expenses by nature	**452 973**	**387 035**
Change in inventories of products and accrued expenses	(19 360)	(10 602)
Cost of products manufactured for own needs (negative value)	(4 411)	(1 824)
Selling costs (negative value)	(1 314)	(2 316)
General administrative expenses (negative value)	(8 668)	(8 183)
Cost of materials sold	2 245	2 486
Manufacture costs of products sold	**421 465**	**366 596**

In the period from January to June 2014, compared with the same period of the previous year, significant changes in expenses by nature concerned:

- third party services, 46.5% growth is principally attributable to the contract for the 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 – since 2014 a crucial stage of the contract performance began, where third party services have a substantial share;
- wage and salary costs, 14.5% drop is attributable to 2014 reducing of the scope of works relating to the contract for supply of erection & precomissioning of electrical and I&C components and systems for NPP OLKILUOTO 3 in Finland – in consequence of completion of a substantial stage in 2013, there was a significant reduction of the number of employees whose average monthly remuneration was much higher than the wages of staff employed in Poland, therefore the cost of employment abroad decreased.

Manufacture cost of products made for own needs concerned the outlays for development work, performed with the use of the group's own resources.

(all amounts in PLN thousands unless otherwise stated)

28. Other operating income

	six months ended 30 June	
	2014 (unaudited)	**2013 (unaudited)**
Other operating income		
- profit from disposal of non-finance fixed assets	0	16
- interest on delayed payments	1 070	1 876
- interest on money sources on bank accounts	207	262
- currency exchange differences	26	646
- penalties and compensations	3 950	1 245
- recognized PPE (land)	957	0
- legal expenses	326	174
- compensation received from insurance	211	634
- other	136	419
	6 883	**5 272**

In H1 2014, penalties and compensations received by the group were generally related to performance of construction contracts. Those items included:

- returned of penalties unjustly paid in previous years 420 thousand PLN,
- charged and paid penalties relating to performance of construction services 541 thousand PLN,
- unused provision for expected losses 2 989 thousand PLN.

29. Other operating expenses

	six months ended 30 June	
	2014 (unaudited)	**2013 (unaudited)**
Other operating expenses		
- loss on disposal of non-finance fixed assets	(311)	0
- donations	(101)	(158)
- provisions for impairment of receivables	(5 089)	(5 872)
- inventory write-down	(259)	(14)
- fees and charges	(3 181)	(2 038)
- court fees and penalties	(3 266)	(259)
- other	(1 080)	(774)
	(13 287)	**(9 115)**

The group created provision for impairment of receivables past due over 180 days.

The group creates impairment provisions for receivables for which probability that they will not to be paid is high. They include receivables:

- from customers in the state of bankruptcy,
- from customers against whom court proceedings are pending,
- for which the company has binding court verdicts and the measures were taken to initiate court execution proceedings,
- other receivables whose recoverability is at risk.

(all amounts in PLN thousands unless otherwise stated)

In H1 2014 the impairment provisions referred to the following receivables:

- in bankruptcy proceedings	(510)	thousand PLN,
- in court proceedings	239	thousand PLN,
- other overdue debts	(4 818)	thousand PLN.

In the period from January through June 2014 the company incurred costs of bank fees and charges:

- on provided bank guarantees	(2 640)	thousand PLN,
- on released credits	(541)	thousand PLN.

Court fees and penalties in H1 2014 included:

- environmental fees	(23)	thousand PLN,
- costs of court fees	(317)	thousand PLN,
- penalties for breach of regulations	(12)	thousand PLN,
- Penalties relating to performance of construction contracts	(818)	thousand PLN,
- provision for expected penalties and compensations	(2 096)	thousand PLN.

The group creates provisions for future payables which maturities or amounts are not certain.
The provisions created for future penalties and compensation concerned mainly the company's future liabilities to the contractors in respect of delayed completion of contractual works.

30. Finance income

	six months ended 30 June	
	2014 (unaudited)	**2013 (unaudited)**
Financial income		
- dividends and share in profit of related parties	56	46

31. Finance costs

	six months ended 30 June	
	2014 (unaudited)	**2013 (unaudited)**
Financial costs		
- interest on credits	(657)	(521)
- interest on leases	(16)	(18)
	(673)	**(539)**

32. Dividend per share of the parent

Pursuant to Resolution No. 5/2014 of the Annual General Meeting of ELEKTROBUDOWA SA held on 22 May 2014 on distribution of 2013 profit amounting to 13 306 194.28 PLN, the sum of 9 495 216.00 PLN was allocated for dividend to be paid in the amount of 2 PLN per share. The remaining 3 810 978.28 PLN will be added to the supplementary capital.
The dividend record date is 22 July 2014, the date of dividend payment is 5 August 2014.

33. Selected consortium agreements

The parent is a party to the following consortium agreements:

Construction of Steam&Gas Units for KGHM Polska Miedź S.A.

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

The percentage share in the joint venture is as follows:

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

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

On 4 December 2012 the District Court in Katowice declared bankruptcy by liquidation of Katowickie Przedsiębiorstwo Budownictwa Przemysłowego "BUDUS" S.A. As BUDUS S.A. ceased to perform its contractual obligations, the other consortium members (ENERGOINSTAL S.A. and ELEKTROBUDOWA SA), in order to avoid liquidated damages and other penalties for failure to meet the contractual obligations of the consortium, on 28 December 2012 signed a mutual agreement to take over the remaining scope of works of BUDUS SA and agreed on its division. In consequence of the agreement, 50% of taken over works were transferred to ENERGOINSTAL S.A. and 50% to ELEKTROBUDOWA SA. The purpose of the agreement is to complete the investment and to fulfill obligations of the consortium against the investor.

After the agreement, the percentage share of the parties in the joint venture is as follows:

a) Steam&Gas Unit in KGHM Polska Miedź S.A. Polkowice:
   - ELEKTROBUDOWA SA - 49%;
   - ENERGOINSTAL S.A. - 51%;

b) Steam&Gas Unit in KGHM Polska Miedź S.A. Głogów:
   - ELEKTROBUDOWA SA - 49%;
   - ENERGOINSTAL S.A. - 51%.

In H1 2014 ELEKTROBUDOWA SA earned 13 913 thousand PLN income in the joint venture.

(all amounts in PLN thousands unless otherwise stated)

Sales invoiced until 30 June 2014:

	6 months ended 30.06.2014 (unaudited)	**12 months ended 31.12.2013**	**6 months ended 30.06.2013 (unaudited)**
- Steam&Gas Unit in KGHM Polska Miedź S.A. Polkowice	40 392	40 388	29 066
- Steam&Gas Unit in KGHM Polska Miedź S.A. Głogów	70 606	56 697	49 872
	110 998	97 085	78 938

The consortium agreement is in force until completion of the investment, including the periods of validity of guarantees and warranties, until all and any claim under the contract expire.

As at 30 June 2014 performance of the contract for Construction of Steam&Gas Units in EC Polkowice was secured by the following bank guarantees:

- performance bond, up to the amount of 1 472 thousand PLN, valid until 28 December 2014,
- defect liability bond up to the amount of 631 thousand PLN, valid from 29.12. 2014 to 27.01.2020,
- performance bond, up to the amount of 3 012 thousand PLN, valid until 30.04.2019.

The contract for Construction of Steam&Gas Units in EC Polkowice was secured by the performance bond up to the amount of 1 395 thousand PLN, valid until 05.12.2018.

Construction of the Franowo tram depot in Poznań

On 11 April 2011 the parent, ELEKTROBUDOWA SA entered into a consortium agreement with ZUE S.A. for joint bidding in the public procurement tender for "Construction of the Franowo tram depot in Poznań". As the bid was successful, the Parties cooperate also in execution of the project.
ZUE S.A. was selected a consortium leader; the company is entitled to conduct negotiations and represent the consortium before the Purchaser and before third parties. On 13 July 2011 the Consortium concluded a contract for the supply of civil works and other services necessary for the successful completion of the project – construction of the Franowo tramway depot in Poznań.
The contract price of works provided by entities included in the Consortium was 208 806 thousand PLN as at 30 June 2014.

The percentage share in the joint venture is as follows:

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

In H1 2014 ELEKTROBUDOWA SA earned 2 214 thousand PLN income in the joint venture.

(all amounts in PLN thousands unless otherwise stated)

Sales invoiced until 30 June 2014:

	6 months ended 30.06.2014 (unaudited)	12 months ended 31.12.2013	6 months ended 30.06.2013 (unaudited)
- Construction of the Franowo tram depot in Poznań	80 954	78 740	69 589

The consortium agreement is in force until completion of the investment, including the periods of validity of guarantees and warranties, until all and any claim under the contract expire.
As at 30 June 2014, the contract was secured by the following guarantees issued by an insurance company:
– performance bond, up to the amount of 12 408 thousand PLN, valid until 30.06.2014,
– defect liability bond up to the amount of 3 722 tys. zł valid from 01.07.2014 roku to 15.07.2018.

In respect of the above consortium agreements, the construction contracts are settled only in respect of that portion of works that are to be performed by ELEKTROBUDOWA SA.

34. Joint ventures where the company is a partner

The group does not have any joint ventures.

35. Related party transactions

Transactions with related parties were carried out on arm's length basis.
The transactions between the parent and its subsidiaries who are related parties for ELEKTROBUDOWA SA have been eliminated in consolidation and are not shown in this note.

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

	period 01.01.2014 - 30.06.2014 (unaudited)	period 01.01.2013 - 30.06.2013 (unaudited)
a) sales:		
- sales of goods – the Power Equipment Production Plant VECTOR Ltd.	4 003	16 008
- sales of materials - the Power Equipment Production Plant VECTOR Ltd.	264	535
b) purchase:		
- purchase of services – the Power Equipment Production Plant VECTOR Ltd.	1	0
- purchase of services – KRUELTA Ltd.	0	17
- purchase of services - SAUDI ELEKTROBUDOWA LLC	0	57

(all amounts in PLN thousands unless otherwise stated)

Mutual balances between the parent and the associates:

	as at 30.06.2014 (unaudited)	**as at 31.12.2013**
- payables of ELEKTROBUDOWA SA to the Power Equipment Production Plant VECTOR Ltd.	0	9
- receivables of ELEKTROBUDOWA SA from the Power Equipment Production Plant VECTOR Ltd.	2 932	4 242
- receivables of ELEKTROBUDOWA SA from SAUDI ELEKTROBUDOWA LLC	0	241
- downpayment by ELEKTROBUDOWY SA to SAUDI ELEKTROBUDOWA Sp. z o.o.	138	0

As at 30 June 2014, the parent, ELEKTROBUDOWA SA created a provision for the default receivables from SAUDI ELEKTROBUDOWA LLC in the amount of 80 thousand USD (100% of unpaid debt).
In respect of other associates, costs relating to doubtful or bad debts associated with the transactions with related parties were not recognized. Unsettled balances of receivables and payables are not collaterized and will be settled in cash in their due payment dates.
The parent, ELEKTROBUDOWA SA did not provide any guarantees or sureties to the associates.

36. Contingent liabilities and bills payable

a) guarantees

As of 30 June 2014 and 31 December 2013 the ELEKTROBUDOWA SA group provided guarantees, which included contract performance bonds, advance payment bonds, bid bonds, warranty bonds, and also guarantees to secure claims brought to court against the company and to secure due payment of receivables, through:

	as at 30.06.2014 (unaudited	**as at 31.12.2013**
PKO BP S.A.	152 922	154 717
mBank SA	53 889	53 721
Bank PEKAO S.A.	43 963	51 927
Bank Handlowy w Warszawie S.A.	21 582	30 292
T.U. ALLIANZ POLSKA S.A.	36 154	33 948
PZU S.A.	17 475	2 177
ING Bank Śląski S.A.	3 976	6 734
BNP PARIBAS BANK POLSKA S.A.	2 045	1 822
Towarzystwo Ubezpieczeń Euler Hermes S.A.	3 143	3 143
Towarzystwo Ubezpieczeń i Reasekuracji S.A.	1 173	1 433
HDI Asekuracja Towarzystwo Ubezpieczeń S.A.	1 133	1 133
Total amount of guarantees	**337 455**	**341 047**

The above guarantees generally include contract bonds and the security for amounts claimed by the Finnish Electrical Workers' Union in the lawsuit filed in the District Court of Satakunta in Rauma, for the guaranteed sum of 2 900 thousand EUR effective until 30 September 2015.

In the period from January within June 2014 the company provided its customers with guarantees issued by banks or insurance companies for the total amount of 40 326 thousand PLN, to secure:
- contract performance and defect liability 25 974thousand PLN,
- payments 2 796 thousand PLN,
- bid bond 11 556 thousand PLN.

b) bills

As of 30 June 2014 the ELEKTROBUDOWA SA group issued promissory notes to secure performance bonds, timely debt payment and to secure the repayment, for the total amount 20 712 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 blank 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 December 2013 the group issued promissory notes to secure performance bonds, timely debt payment and to secure the repayment, for the total amount 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 blank promissory notes, incl. agreement, in favour of HDI Gerling Polska SA issued as security for the contract bonds agreement,

(all amounts in PLN thousands unless otherwise stated)

- 1 blank promissory note in favour of BNP PARIBAS BANK POLSKA S.A. as security for contract bonds.

Other contingent liabilities concerning the issues of: pending lawsuits, performance of construction contracts, with description of their nature, are presented in Note 22.1, Note 26.2 and Note 42, respectively.

37. Finance lease liabilities

	stan na 30.06.2014 (niebadany)		stan na 31.12.2013	
	Opłaty minimalne	**Wartość bieżąca opłat**	**Opłaty minimalne**	**Wartość bieżąca opłat**
W okresie 1 roku	103	95	65	47
W okresie 1 do 5 lat	238	226	119	99
Minimalne opłaty leasingowe ogółem	**341**	**321**	**184**	**146**
Minus koszty finansowe	20		38	
Wartośc bieżąca minimalnych opłat leasingowych	**321**		**146**	
- krótkoterminowe		95		47
- długoterminowe		226		99

38. Employment

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

	average number of employees in H1 2014	**average number of employees in 2013**	**average number of employees in H1 2013**
Total number of employees	**2 037**	**2 125**	**2 146**
of which:			
Manual jobs	1 047	1 097	1 116
White-collar jobs	985	1 025	1 027
Persons on child care leaves or unpaid leaves	5	3	3

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

(all amounts in PLN thousands unless otherwise stated)

39. The Management Board and the Supervisory Board

Composition of Management Boards of the parent and the subsidiaries as at 30 June 2014

Management Board
ELEKTROBUDOWA SA

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

Management Board
KONIP Sp. z o.o.

Lamch Tadeusz	-	President

Management Board
ENERGOTEST sp. z o.o.

Klimowicz Arkadiusz	-	President

Executive Body
ELEKTROBUDOWA UKRAINE Ltd.

Karnaushenko Oleksandr	-	Director

Composition of the Management Boards of the parent and the subsidiaries as at 30 June 2014 did not change compared with 31 December 2013.

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

	period from 1 January 2014 to 30 June 2014			
	Remuneration paid			
	Basic salary	Bonus for 2013	Total remuneration	Extra benefits *
Management Board ELEKTROBUDOWA SA	926	305	1 234	42
Management Board KONIP Sp. z o.o.	48	30	78	0
Management Board ENERGOTEST sp. z o.o.	180	90	270	1
Executive Body ELEKTROBUDOWA UKRAINE Ltd.	16	0	16	0

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

(all amounts in PLN thousands unless otherwise stated)

	period from 1 January 2013 to 30 June 2013			
	Remuneration paid			
	Basic salary	**Bonus for 2012**	**Total remuneration**	**Extra benefits ***
Management Board ELEKTROBUDOWA SA	975	1 171	2 146	47
Management Board KONIP Sp. z o.o.	48	30	78	0
Management Board ENERGOTEST sp. z o.o.	180	360	540	1
Executive Body ELEKTROBUDOWA UKRAINE Ltd.	20	188	208	0

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

Composition of the Supervisory Board of the parent at 30 June 2014

Supervisory Board
Żbikowski Karol - Chairman
Karski Eryk - Vice-Chairman
Dreżewski Jacek - Member
Małek Artur - Member
Mosiek Tomasz - Member
Rafalski Ryszard - Member
Tarnowski Paweł - Member

Composition of the Supervisory Board of the parent at 31 December 2013

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

(all amounts in PLN thousands unless otherwise stated)

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

	period from 1 January 2014 to 30 June 2014 Remuneration paid			
	Basic salary	Bonus for 2013	Total remuneration	Extra benefits*
Supervisory Board	**376**	**0**	**376**	**21**

** Extra benefits include civil liability insurance premium for members of company's governing bodies, reimbursement of business travel expenses.*

	period from 1 January 2013 to 30 June 2013 Remuneration paid			
	Basic salary	Bonus for 2012	Total remuneration	Extra benefits*
Supervisory Board	**366**	**0**	**366**	**15**

** Extra benefits include civil liability insurance premium for members of company's governing bodies, reimbursement of business travel expenses.*

Members of Supervisory Boards of other subsidiaries do not receive remuneration for their duties as members of the company's governing bodies.

40. Changes in presentation of the consolidated financial statements

In the consolidated financial statements prepared as at 30 June 2014 the following changes were made in presentation of comparable data disclosed therein:

a) referring to the consolidated statement of financial position as at 31 December 2014, in order to provide consistent presentation of the perpetual usufructary right, within property, plant and equipment items:

- change in presentation of perpetual usufructary right to land (Note 8)
  - property, plant and equipment 1 086 thousand PLN,
  - non-current prepayments (1 086) thousand PLN.

b) referring to the consolidated statement of comprehensive income for the six months ended 30 June 2014, in order to present suitable items according to IAS 1.82:

- before the change in presentation of other operating income and expenses
  - other operating expenses 2 297 thousand PLN,
  - other profit (loss) - net 1 546 thousand PLN,
  - finance income (cost) - net 493 thousand PLN,
- after the change in presentation of other operating income and expenses
  - other operating income 5 272 thousand PLN,
  - other operating expenses (9 115) thousand PLN,
  - finance income 46 thousand PLN,
  - finance cost (539) thousand PLN.

c) referring to the consolidated statement of cash flows for the six months ended 30 June 2014, because of presentation errors:

- change in presentation loans and borrowings
  - loans and borrowings 3 035 thousand PLN,
  - repayment of loans and borrowings (3 035) thousand PLN,
- change in presentation of perpetual usufructary right to land
  - change in non-current prepayments (8) thousand PLN,
  - other adjustments 8 thousand PLN.

The above presentation changes did not have significant influence on the analysis of the financial position of the group.
The comparable data presented in the consolidated statement of financial position, the consolidated statement of comprehensive income and the consolidated statement of cash flows include the above corrections.

41. Remuneration for the entity authorized to audit the financial statements prepared by the parent

A contract for reviewing the interim financial statements of ELEKTROBUDOWA SA and the ELEKTROBUDOWA SA group for the six months ended 30 June of the years 2104 to 2017 as well as the annual financial statements of ELEKTROBUDOWA SA and the Consolidated Financial Statements of the ELEKTROBUDOWA SA group for the years 2014 to 2017 was concluded with ERNST & YOUNG Audyt Polska sp. z o.o. sp. k having their registered office in Warsaw on 08.08.2014.
The remuneration for the review and auditing of the above mentioned statements for 2014 was agreed as 113 in thousands of PLN, VAT excluded.

The review of the interim financial statements for the period from 01.01.2013 to 30.06.2013 and the audit of 2013 annual financial statements of ELEKTROBUDOWA SA and the Consolidated Financial Statements of the ELEKTROBUDOWA SA group were performer by Deloitte Polska Spółka z ograniczoną odpowiedzialnością sp. k. z based in Warsaw.
The remuneration for the review and auditing of the above mentioned statements for 2014 was agreed as 125 in thousands of PLN, VAT excluded

42. Litigations, court proceedings

Presented below are the litigations and court proceedings brought by the parent as at the balance sheet date:

1. In August 2011 and in January 2012 the Finnish Electrical Workers' Trade Union filed suits against ELEKTROBUDOWA SA as an employer employing its workers at the site of Olkiluoto Nuclear Power Plant for payment of total amount of EUR 4 725 643.91 with due interests. The claim concerns additional payments from ELEKTROBUDOWA SA to supplement remuneration paid to the employees for work in the period of their employment at the site of Olkiluoto NPP, Finland. After the TU had acknowledged Elektrobudowa's arguments of violation of the EU legislation, total amount of claim was reduced to 4 360 299.41 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, the 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 by the Finnish Electrical Workers' Trade Union submitted on 14 June 2013, 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.
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 has a right to submit pleadings or written comments to the Court of Justice. The stance of ELEKTROBUDOWA SA in this case was prepared by a team of Polish employees in cooperation with a Finnish lawyer who represents ELEKTROBUDOWA SA before the Court in Finland. Written comments prepared by ELEKTROBUDOWA SA were submitted to the European Court of Justice Office on 12 December 2013.
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 Office of the ECJ decided to review the case described above and to rule the oral submissions on 11 June 2014. The letter from the EJC Office also included details of procedure of the proceedings and questions addressed to the parties of litigation. The European Court of Justice examined the case on the hearing on 11 June 2014 in Luxembourg. The parties haven not been informed yet by the European Court of Justice about the date of delivering the decision (answers to the questions for preliminary ruling).

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 euros valid until 30 September 2015. 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.

Having in mind the assessment of legitimacy and amount of the claim, the Management of ELEKTROBUDOWA SA estimated the risk relating to the proceedings and decided to create, in 2011 books, a 2 million PLN provision for future liabilities arising from the operating activity of the company (presented in note 24). As at 30 June 2014, the estimate by the Management did not change.

2. Litigations relating to performance by the consortium of ELEKTROBUDOWA SA, QUMAK - SECOM S.A. and Przedsiębiorstwo „AGAT" S.A. (further: "EQA") of the project: "the supply of overall electrical, small current, automation and BMS installations for Stage 2 of Construction of the National Stadium, Warsaw". In the second quarter of 2012 the General Contractor appointed by the State Treasury for this project stopped making payments to the subcontractors, including EQA. Consequently, EQA applied to the State Treasury, which was a joint and several debtor for EQA, for the payment of outstanding debt. After the refusal to pay the whole amount of debt, EQA started the following legal actions:
   - A lawsuit for payment of remuneration from the Main Contract (contract No.109011/151/2009 of 15.12.2009)
     a) claimed amount: 16 582 thousand PLN,
     b) date of filing the suit: 26.11.2013,
     c) the first hearing was Schedule for 18.07.2014.
   - A lawsuit for payment of remuneration from Contract Amendments (amendment No. 109011/567/2011 of 30.12.2011 and No. 109011/577/2011 of 30.12.2011)
     a) claimed amount: 3 522 thousand PLN,
     b) date of filing the suit: 20.01.2014,
     c) on 5.05.2014 the Lawyers' Office Maruta i Wspólnicy received an answer to the suit. On 22.05.2014 the Lawyers' Office applied for order to prepare an answer to the defense. The date of hearing has not been scheduled yet.
   - Application for appending the enforcement clause to the arrangement of 19.12.2012
     a) Claimed amount: 713 thousand PLN,
     b) Date of filing the suit: 27.09.2013,
     c) On 5.05.2014 the Lawyers' Office received a ruling of the District Court concerning the complaint to the refusal to append the writ of execution to the arrangement. The District Court dismissed the complaint submitted on behalf of EQA, therefore finally the arrangement of 19.12.2012 was not appended with the writ of execution. A further step will be to file a suit for payment.
   - Litigation between General Contractor and the National Sports Centre limited liability company (NCS) with the State Treasury
     a) claimed amount: 461 312 thousand PLN,
     b) Date of joining the litigation by EQA: 31.01.2014 as a third-party plaintiff (on the side of General Contractor),
     c) The parties have exchanged preparatory documents. The Court ordered taking of evidence obtained from witnesses relating to concluding the arrangement of June 2011. At present the case hearings have been called off and the proceedings suspended due to incomplete composition of governing bodies of Alpine Construction Polska Sp. z o.o., disabling conducting of business by the Company.
   - A summons to a conciliation hearing concerning additional costs of project connected with organization of events by Investor
     a) claimed amount: 18 971 thousand PLN,
     b) date of motion: 1.07.2013 and 13.09.2013.
     c) The summons to a conciliation hearing was rejected. The lawyers' office filed a complaint to the decision to reject the motion. On 19.12.2013 the complaint was dismissed. On 23.03.2014 the Court ordered to translate the decision to reject the motion into German, in order to deliver it to Alpine Bau Deutschland AG and Alpine Bau GmbH.
   - A summons to a conciliation hearing concerning the performed works for which formal order was not received
     a) claimed amount: 2 590 thousand PLN,
     b) date of motion: 6.06.2014,
     c) no decision has been issued in the case. The date of hearing has not been scheduled.

- A complaint concerning dismissal of objection from the list of debts by the Creditor, ELEKTROBUDOWA SA
  a) date of filing the complaint by the Lawyers' Office: 24 .06.2014,
  b) The complaint has to been considered yet.
- A lawsuit for payment of statutory interest brought by ELEKTROBUDOWA SA
  a) claimed amount: 304 thousand PLN,
  b) The proceedings have been suspended since 24.04.2014, for the absence of management of Alpine Construction Polska sp. z o.o. (one of defendants).

43. Additional information

Legal claims against the parent or subsidiaries

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

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

As at 30 June 2014 and 31 December 2013, the group did not have any contractual commitments due to the acquisition of fixed tangible assets or intangible assets.

Significant events after the balance sheet date

On 22 July 2014 an Amendment to the loan agreement in the form of multi-purpose credit limit, with Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna based in Warsaw was signed.
By this Amendment the limit of the multipurpose credit facility was increased up to the amount of 307 194 thousand PLN.
Within the limit, PKO BP SA has provided the lender a possibility to use:

- overdraft in the current account up to the amount of 25 000 thousand PLN to finance current liabilities resulting from the company's business operations,
- bank guarantees provided in national and foreign markets, against applications for guarantee issue or based on trade contracts, up to the amount of 120 000 thousand PLN,
- documentary letters of credit in national and foreign markets, up to the amount of 5 000 thousand PLN to secure commercial transactions and the concluded contracts,

furthermore, within the Limit, the Bank has issued two guarantees in the national market, whose beneficiary is TAURON Ciepło SA, based on the contract for "Construction of a New Heating Unit in EC Tychy", up to the amount of 182 194 thousand PLN.
The multi-purpose limit shall be available until 20 February 2015.

No other events, except for the above, after the balance sheet date, not disclosed in the consolidated financial statements, have occurred.

Representation by the Management Board

The Management Board of ELEKTROBUDOWA SA declare that on 29 August 2014 they approve the present consolidated financial statements of the ELEKTROBUDOWA SA group for H1 2014.