

ELEKTROBUDOWA SA

Interim condensed financial statements

for the six months ended 30 June 2014

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(all amounts in PLN thousands unless otherwise stated)

Statement of financial position

		as at	
		30.06.2014	31.12.2013
		(unaudited)	
Note			
ASSETS			
Non-current assets			
		205 231	217 995
	Property, plant and equipment	7 83 009	85 390
	Intangible assets	8 21 338	17 878
	Investments in associates	9 21 516	21 613
	Interest in subsidiaries	10 47 901	47 901
	Available-for-sale financial assets	2 215	2 215
	Non-current receivables	13 694	23 895
	Deferred income tax assets	19 14 146	17 533
	Non-current prepayments	11 1 412	1 570
Current assets		597 192	544 413
	Inventories	12 64 283	55 601
	Trade and other receivables	222 279	231 597
	Available-for-sale financial assets	24	24
	Other non-finance assets	14 24 033	31 775
	Amounts due from customers for construction contract work	15 232 823	154 516
	Cash and cash equivalents	53 488	70 900
	Non-current assets held for sale	16 262	0
Total assets		802 423	762 408
EQUITY, LIABILITIES AND PROVISIONS			
Equity			
		323 082	324 352
	Issued share capital	17 10 003	26 375
	Supplementary capital	18.1 306 417	330 001
	Capital from valuation of available-for-sale investment	18.2 1 083	1 083
	Foreign branches translation differences	(1 652)	(2 006)
	Retained earnings	18.3 7 231	(31 101)
Liabilities and provisions			
Non-current liabilities and provisions			
		19 629	18 598
	Deferred income tax liabilities	19 1 316	1 288
	Employee benefit provisions	22 4 770	5 031
	Other liabilities	13 543	12 279
Current liabilities and provisions			
		459 712	419 458
	Trade and other payables	338 583	331 117
	Corporate income tax liabilities	8 386	8 836
	Loans and borrowings	20 45 677	5 941
	Current provisions	23 2 851	5 178
	Accrued expenses	17 325	23 468
	Amounts due to customers for construction contract work	15 46 890	44 918
Total liabilities and provisions		479 341	438 056
Total equity, liabilities and provisions		802 423	762 408

(all amounts in PLN thousands unless otherwise stated)

Statement of comprehensive income

	Note	six months ended 30 June	
		2014 (unaudited)	2013 (unaudited)
<u>Continuing operations</u>			
Revenue from sales of products, goods and materials		421 267	361 236
Cost of products, goods and materials sold		(403 044)	(348 179)
Gross profit on sales		18 223	13 057
Selling costs		(1 158)	(1 954)
General administrative expenses		(6 193)	(5 727)
Other operating income	24	6 841	5 051
Other operating expenses	24	(13 241)	(8 979)
Operating profit		4 472	1 448
Finance income	25	6 156	2 646
Finance costs	25	(759)	(526)
Profit before tax		9 869	3 568
Income tax expense	26	(1 998)	(1 079)
Net profit from continuing operations for the period		7 871	2 489
<u>Discontinued operations</u>			
Net profit from discontinued operations for the period		0	0
Net profit for the period		7 871	2 489
<u>Other comprehensive income</u>			
of which:		354	2 297
<u>Other comprehensive income reclassifiable to profit or loss</u>			
- foreign branches translation differences		354	2 297
<u>Other comprehensive income not reclassifiable to profit or loss</u>			
		0	0
Total comprehensive income for the period		8 225	4 786
<u>Earnings per share from continuing and discontinued operations</u>			
(in PLN per share)			
- basic		1,66	0,52
- diluted		1,66	0,52

ELEKTROBUDOWA SA
H1 2014 Condensed Financial Statements for the period from 1 January to 30 June 2014

(all amounts in PLN thousands unless otherwise stated)

Statement of changes in equity

	Issued share capital	Supplementary capital	Capital from valuation of available-for-sale investment	Currency translation differences from revaluation of foreign branches	Retained earnings	Total equity
note	17	18.1	18.2		18.3	
As at 1 January 2014	26 375	330 001	1 083	(2 006)	(31 101)	324 352
<i>Net profit</i>					7 871	7 871
<i>Currency translation differences</i>				354		354
Total comprehensive income				354	7 871	8 225
Distribution of profit		3 811			(3 811)	0
Settlement of corrected prior years' financial result		(25 776)			25 776	0
Settlement of capital restatement due to hyperinflation	(16 372)	(1 619)			17 991	0
Dividend payment					(9 495)	(9 495)
As at 30 June 2014 (unaudited)	10 003	306 417	1 083	(1 652)	7 231	323 082

ELEKTROBUDOWA SA
H1 2014 Condensed Financial Statements for the period from 1 January to 30 June 2014

(all amounts in PLN thousands unless otherwise stated)

note	Issued share capital	Supplementary capital	Capital from valuation of available-for-sale investment	Currency translation differences from revaluation of foreign branches	Retained earnings	Total equity
note	17	18.1	18.2		18.3	
As at 1 January 2013	26 375	303 510	1 662	(5 218)	(7 781)	318 548
<i>Net profit</i>					13 306	13 306
<i>Currency translation differences</i>				3 212		3 212
<i>Valuation of available-for-sale-investments</i>			(716)			(716)
<i>Deferred tax on valuation of available-for-sale investments</i>			137			137
<i>Remeasurement of employee benefits liabilities</i>					(790)	(790)
<i>Deferred income tax from remeasurement of employee benefits liabilities</i>					150	150
Total comprehensive income			(579)	3 212	12 666	15 299
Distribution of profit		26 491			(26 491)	0
Dividend payment					(9 495)	(9 495)
As at 31 December 2013	26 375	330 001	1 083	(2 006)	(31 101)	324 352

(all amounts in PLN thousands unless otherwise stated)

Statement of cash flows

	six months ended 30 June	
	2014	2013
	(unaudited)	(unaudited)
Cash flows from operating activities		
Gross profit before taxes	9 869	3 568
Depreciation and amortisation	6 212	6 621
Losses on currency translation differences	(968)	(85)
Interest and share in profit (dividends)	(5 397)	(2 120)
Profit from/loss on sale of property, plant and equipment (PPE)	311	(20)
Change in inventories	(8 682)	(23 695)
Change in trade and other receivables	25 886	21 498
Change in liabilities, except loans and borrowings	(3 725)	(82 401)
Income tax paid	(668)	(2 664)
Change in other non-finance assets	1 599	6 848
Change in non-current prepayments and accrued expenses	158	(534)
Change in settlements of construction contracts	(76 335)	37 163
Other adjustments	(462)	1 645
Net cash used in operating activities	(52 202)	(34 176)
Cash flows from investing activities		
Sale of intangible assets and PPE	140	139
Dividends and share in profits	1 400	1 211
Purchases of intangible assets and PPE	(6 843)	(6 136)
Net cash used in investing activities	(5 303)	(4 786)
Cash flows from financial activities		
Loans and borrowings	51 736	16 252
Repayment of loans and borrowings	(12 000)	(3 035)
Interest	(558)	(526)
Finance lease payments	(53)	(16)
Net cash generated from financial activities	39 125	12 675
Net decrease in cash, cash equivalents and bank overdrafts	(18 380)	(26 287)
Balance sheet change in cash and bank overdrafts	(17 412)	(26 202)
Change in cash due to currency translation differences	968	85
Cash, cash equivalents and current account overdrafts at beginning of period	70 900	39 285
Cash, cash equivalents and overdrafts at end of period	53 488	13 083

(all amounts in PLN thousands unless otherwise stated)

1. Corporate information

ELEKTROBUDOWA SA is a joint stock company having its registered office in Katowice, whose shares are publicly traded. The interim condensed financial statements of the company cover the period of six months ended 30 June 2014 and include the comparable data for six months ended 30 June 2013 and also the data as at 31 December 2013. The statement of comprehensive income and the notes to the statement of comprehensive income include the data for the period of six months ended 30 June 2014 and the comparable data for six months ended 30 June 2013 are unaudited.

The company is entered in the National Court Register (KRS) maintained by the District Court Katowice-Wschód in Katowice, 8th Business Department of the National Court Register, under KRS reference number: 0000074725. The company has been assigned the statistical number REGON 271173609.

Duration of the company's existence shall be indefinite.

The company's principal activities are:

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

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.

The interim condensed financial statements for the six months ended 30 June 2014 has been authorised for issue by the Management Board.

The company has also prepared the interim consolidated financial statements for the six months ended 30 June 2014, which was authorised for issue by the Management Board on 29 August 2014.

2. Basis of preparation the interim condensed financial statements

ELEKTROBUDOWA SA has implemented and applied the accounting standards based on the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), applying the same principles for the current period and comparable periods.

The interim condensed financial statements have been prepared in accordance with the International Accounting Standard no. 34, "Interim Financial Reporting" endorsed by the EU ("IAS 34").

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at 31 December 2013 authorised for issue on 20 March 2014.

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

ELEKTROBUDOWA SA, as the parent in the group, has also prepared the condensed consolidated financial statements as at 30 June 2014 in conformance with the International Financial Reporting Standards endorsed by the EU, to which the same principles for the current period and comparable periods have been applied. The condensed individual report of ELEKTROBUDOWA SA is attached to the condensed consolidated financial statements for H1 2014.

These interim financial statements are presented in the Polish zloty, and all amounts, if not otherwise stated, are in thousands of Polish zlotys.

The company's interim financial statements have been prepared under the assumption that the company will continue in operational existence in the foreseeable future.

As at the date of authorizing the financial statements there are no circumstances indicating that the continuity of the group's business operations will be at risk.

3. Significant accounting principles (policies)

The accounting principles (policies) adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2013, except for the adoption of new or amended standards and interpretations effective for annual periods beginning on or after 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 about 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.

(all amounts in PLN thousands unless otherwise stated)

The aforementioned standards, interpretations and revised standards have not exerted a significant effect on the company's financial position, its performance or the scope of information presented in the condensed financial statements.

4. New standards and interpretations issued but not yet effective

- **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 company 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 Company 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 company.

(all amounts in PLN thousands unless otherwise stated)

5. Significant values based on professional judgements and assumptions

The preparation of the Company's interim condensed financial statements requires 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 condensed 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 condensed financial statements.

5.1 Professional judgement

In the process of applying the accounting policies, Management 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 company is a lessee

The Company 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 Company concluded lease agreements for the use of fixed assets qualified to group 7 and 8, their value at the inception was 424 thousand PLN. The company 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 21.

Impairment of interest in subsidiaries and associates

The Company 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 9 and 10.

Joint operation arrangements

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

5.2 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 Company 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 Company 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 company creates provisions for warranty repair expenses, as it has to grant its customers warranty for manufactured and delivered electrical equipment. As a rule, provisions for warranty repair are created in the amount of 0.2% 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 company reviews the estimates of total revenue and costs in respect of construction contracts settled by the stage of completion method. 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 company 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 15.

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 22.

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 the company is guided by professional judgement. The way of establishing fair values of different financial instruments is presented in Note 27.

Valuation of inventories

As at the end of the reporting period the company 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. The company determines a reliable net selling price for each group or each item of inventories. The provisions for impairment are presented in Note 12.

Useful lives of fixed tangible assets

The company 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 company assesses that the useful lives of the assets assumed by the company for the purpose of depreciation reflect the periods of future economic benefits expected from their use.

6. Segment information

Primary reporting format – business segments

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

Identification of the company's reportable segments is directly based on the organizational structure and the management structure of the entity.

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

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

(all amounts in PLN thousands unless otherwise stated)

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

The company is organized into four reportable segments:

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

The Management monitors the operating results of its business segments separately for the purpose of making decisions about resource allocation, assessments of results of such allocations and performance. Segment performance is evaluated based on operating profit or loss.

Inter-segment revenues are eliminated on the company level.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

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

(all amounts in PLN thousands unless otherwise stated)

Business segments results for H1 2014 (unaudited)

	Power Generation Division	Industry Division	Power Distribution Division	All other segments	Total
<u>Continuing operations</u>					
Sales revenue	179 424	113 123	149 317	5 206	447 070
of which:					
Revenue from external customers	178 616	113 105	128 536	1 010	421 267
Inter-segment sales	808	18	20 781	4 196	25 803
Operating profit	6 623	(16 019)	12 513	1 355	4 472
Financial activities result	0	(100)	2 578	2 919	5 397
Profit before income tax	6 623	(16 119)	15 091	4 274	9 869
Income tax	(1 894)	3 017	(3 013)	(108)	(1 998)
Net profit from continuing operations for the period	4 729	(13 102)	12 078	4 166	7 871
<u>Discontinued operations</u>					
Net profit (loss) from discontinued operations for the period	0	0	0	0	0
Net profit for the period	4 729	(13 102)	12 078	4 166	7 871

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 statement of comprehensive income for H1 2014 (unaudited)

	Power Generation Division	Industry Division	Power Distribution Division	All other segments	Total
depreciation	1 682	506	981	1 351	4 520
amortisation	269	194	1 139	90	1 692

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

	Power Generation Division	Industry Division	Power Distribution Division	All other segments	Total
Assets	234 710	174 168	245 203	148 342	802 423
Liabilities	175 619	170 981	116 551	16 190	479 341
Investment outlays	1 100	249	4 950	562	6 861

(all amounts in PLN thousands unless otherwise stated)

Business segment results for H1 2013 (unaudited)

	Power Generation Division	Industry Division	Power Distribution Division	All other segments	Total
<u>Continuing operations</u>					
Sales revenue	166 389	95 594	111 674	5 326	378 983
of which:					
Revenue from external customers	165 760	95 023	99 368	1 085	361 236
Inter-segment sales	629	571	12 306	4 241	17 747
Operating profit	7 304	(10 369)	4 763	(250)	1 448
Financial activities result	(131)	(219)	2 432	38	2 120
Profit before income tax	7 173	(10 588)	7 195	(212)	3 568
Income tax	(1 298)	1 714	(1 493)	(2)	(1 079)
Net profit from continuing operations for the period	5 875	(8 874)	5 702	(214)	2 489
<u>Discontinued operations</u>					
Net profit (loss) from discontinued operations for the period	0	0	0	0	0
Net profit for the period	5 875	(8 874)	5 702	(214)	2 489

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

	Power Generation Division	Industry Division	Power Distribution Division	All other segments	Total
depreciation	1 970	673	912	1 397	4 952
amortisation	117	90	1 399	63	1 669

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

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

(all amounts in PLN thousands unless otherwise stated)

Provisions for impairment of receivables of segments

	Power Generation Division	Industry Division	Power Distribution Division	All other segments	Total
As at 30 June 2014	4 624	16 976	6 233	22	27 855
As at 31 December 2013	2 340	16 828	4 690	7	23 865

Amount of created provisions for impairment of receivables of segments

	Power Generation Division	Industry Division	Power Distribution Division	All other segments	Total
In H1 2014	2 584	5 177	2 316	15	10 092
In 2013	555	10 308	1 922	5	12 790

Reversal and use of provisions for impairment of receivables of segments

	Power Generation Division	Industry Division	Power Distribution Division	All other segments	Total
In H1 2014	300	5 029	773	0	6 102
In 2013	69	1 548	3 289	0	4 906

(all amounts in PLN thousands unless otherwise stated)

Secondary reporting format – geographical segments

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

	six months ended 30 June	
	2014	2013
	(unaudited)	(unaudited)
Revenues from sales of products, goods and materials		
- Poland	390 748	236 011
- foreign countries	30 519	125 225
	421 267	361 236

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 company's biggest customer (in H1 2013 it was 48.5 million PLN). In H1 2014 the revenue accounted for 9.8% while in H1 2013 for 13.4% of total revenues generated by the company.

The revenue from direct sales generated by the Power Distribution Division amounting to 128.5 million PLN (99.4 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 7.6% while in H1 2013 for 4.6% of total revenues generated by the company.

The H1 2014 revenue from the two leading customers accounted for 17.4% of total company's revenues, against 18.0% in H1 2013.

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

	as at	
	30.06.2014	31.12.2013
	(unaudited)	
Property, plant and equipment		
- land	4 970	4 035
- buildings, civil engineering facilities	50 824	52 340
- machinery and technical equipment	12 824	14 386
- vehicles	6 103	6 197
- other fixed assets	3 399	3 747
- fixed assets under construction	4 889	4 685
	83 009	85 390

(all amounts in PLN thousands unless otherwise stated)

In accordance with IAS 16, as at 30 June 2014 ELEKTROBUDOWA SA disclosed as PPE (in "land" item) the perpetual usufructuary 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 company did not make any corrections of comparable data as the amount was irrelevant.

In 2014 the ELEKTROBUDOWA SA, in order to provide consistent presentation, reclassified the perpetual usufructuary right to land from accrued expenses 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 32). This does not have a significant influence on the comparability of financial data of the periods presented in the statements.

8. Intangible assets

	as at	
	30.06.2014 (unaudited)	31.12.2013
Intangible assets		
- costs of finished development work	2 298	3 030
- acquired concessions, patents, licences and similar	961	1 084
- costs of continued development work	18 079	13 764
	21 338	17 878

Outlays for development work principally concerned implementation to production a new product developed by the company, 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 company 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.

9. Investments in associates

	as at	
	30.06.2014 (unaudited)	31.12.2013
Investments in associates		
- share of the the Power Equipment Production Plant VECTOR Ltd.	21 516	21 516
- share of SAUDI ELEKTROBUDOWA LCC	0	97
	21 516	21 613

(all amounts in PLN thousands unless otherwise stated)

As at 30 June 2014 ELEKTROBUDOWA SA had a 49% interest in the capital of the Russian company, the Power Equipment Production Plant VECTOR Ltd. amounting to 21 516 thousand PLN. VECTOR is a distributor in the Russian market of finished products manufactured by ELEKTROBUDOWA SA and a manufacturer of electrical components and parts for electrical vacuum devices sold in the local market.

Recent political changes in this region caused significant freezing of new investments by the companies from the power sector and also substantially slowed down performance of projects in progress. Current modification of the strategy of long- and short-planned development of electric power industry as well as general political uncertainty in this country will be a key element to describe the volume of accomplished export sales plans of ELEKTROBUDOWA SA. The first symptoms of stabilization of economy in the region can be noticed, although a risk of change in the general political and economic situation has remained. Economic sanctions against Russia do not apply to the entities that ELEKTROBUDOWA SA cooperates with in this region. According to the information from the suppliers of electric power equipment the reduction of purchases in the energy sector was estimated 30-50%. In the second half of the year a slight increase (10-20% on the first six months) in orders from this geographical area can be expected.

As at 30 June 2014 the company reviewed the circumstances which could indicate the impairment of share in the associate, VECTOR.

Political situation in Russia, despite its lack of stability, will not significantly influence the operations of VECTOR in a longer period of time. It is expected that the restrictions against Russia will induce the increase in demand for products supplied by the companies which operate in this market.

The analysis of financial situation and the liquidity of assets owned by VECTOR does not indicate, in the foreseeable future, possibility of impairment of the interest held by ELEKTROBUDOWA SA in this company.

As at 30 June 2014 the carrying amount of the interest in the associate VECTOR did not change compared with its value at 31 December 2013.

In H1 2014 ELEKTROBUDOWA SA impaired the value of shares in the associate SAUDI ELEKTROBUDOWA LLC based in Riyadh, the Kingdom of Saudi Arabia.

As at 30 June 2014 ELEKTROBUDOWA SA held 33% of shares representing 33% of equity of SAUDI ELEKTROBUDOWA LLC, and having nominal value 97 thousand PLN. Unfavourable financial situation of the company, loss of liquidity and difficulties in winning new orders were at the grounds of a decision taken by the Management of ELEKTROBUDOWA SA to impair the value of the shares. In the statement of comprehensive income prepared for the period from 1 January 2014 to 30 June 2014 the impairment of shares in SAUDI ELEKTROBUDOWA in the amount of 97 thousand PLN was recognized in the finance costs.

The company currently conducts negotiations with the Saudi Partner concerning recovery measures to improve the situation in the company and continue its operational existence.

10. Investments in subsidiaries

Within the six months ended 30 June 2014 there were no changes in investments in subsidiaries held by the company.

(all amounts in PLN thousands unless otherwise stated)

11. Non-current prepayments

	as at	
	30.06.2014	31.12.2013
	(unaudited)	
non-current prepayments		
- construction work insurance policies	999	1 229
- other	413	341
	1 412	1 570

12. Inventories

In the six months ended 30 June 2014 the company reduced the value of inventories by 244 thousand PLN (17 thousand PLN in the six months ended 30 June 2013). The amount of write-down was recognized in the "Other operating expenses" item.

13. Provision for impairment of receivables

	6 months ended 30 June 2014 (unaudited)	12 months ended 31 Dec 2013
Provisions for impairment of receivables from supplies and services and other receivables		
Impairment provision at beginning of period	23 865	15 981
Creating a provision	10 092	12 790
Reversal	(6 102)	(4 906)
of which:		
- paid receivables and interest	(1 638)	(3 830)
- used amount of provision for impairment of receivables	(1 140)	(97)
- reversal of provision for impairment of interest	(3 324)	(979)
Impairment provision at end of period	27 855	23 865
of which:		
- for receivables from supplies and services	13 694	17 314
- for other receivables	14 161	6 551

Details of movements in provisions for impairment of receivables in the statement of comprehensive income are provided in Note 24.

(all amounts in PLN thousands unless otherwise stated)

14. Other non-finance assets

	as at	
	30.06.2014 (unaudited)	31.12.2013
Other non-finance assets		
- future periods expenses (subscriptions, fees, insurance)	1 857	1 996
- prepayments for supplies	21 151	29 779
- charges to the Company Social Benefits Fund	1 025	0
	24 033	31 775

15. 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)	1 341 220	1 150 877	1 114 095
Estimated costs incurred on contracts in progress (cumulative)	1 310 396	1 125 531	1 088 965
Recognized profits less recognized losses (planned margin)	30 824	25 346	25 130
Revenues from contracts for the period	340 726	603 713	274 050
Costs of contracts for the period	337 528	584 130	269 426
Profits less recognized losses for the period	3 198	19 583	4 624
Advances received for contracts in progress	121 793	100 137	2 300
Retentions kept by customers	25 720	34 131	35 364
Gross amounts due from customers for contract work	232 823	154 516	94 945
Gross amounts due to customers for contract work	46 890	44 918	42 927

The company 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 company 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 proven 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)

16. Non-current assets held for sale

	as at	
	30.06.2014 (unaudited)	31.12.2013
Non-current assets held for sale		
a) fixed assets, including:		
- technical equipment and machines	145	0
- other fixed assets	117	0
	262	0

In the 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.

In H1 2014 ELEKTROBUDOWA SA commenced actions in order to liquidate some items of fixed tangible assets, as there is no longer a demand for their continuous use. Estimation of the market value of assets which are held to sale was commissioned to an independent 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.

17. 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 company 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

(all amounts in PLN thousands unless otherwise stated)

In previous years, in accordance with IAS 29 Financial Reporting in Hyperinflationary Economies, the issued share capital of the company 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 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.

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.

The company 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 company, 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	39.76
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)

18. Other capital

18.1 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)	5 562	7 181
	306 417	330 001

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.

18.2 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	1 336	1 336
- deferred tax related to investment valuation	(253)	(253)
	1 083	1 083

Capital from valuation of investment is the outcome of restatement of available-for-sale assets. 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.

(all amounts in PLN thousands unless otherwise stated)

18.3 Retained earnings

	as at	
	30.06.2014	31.12.2013
	(unaudited)	
Retained earnings		
of which:		
- restatement of share capital due to hyperinflation	0	(17 991)
- actuarial gains / losses	(640)	(640)
- prior years' gains / losses	0	(25 776)
- net profit of the period	7 871	13 306
	7 231	(31 101)

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.

19. Deferred tax assets and liabilities

	as at	
	30.06.2014	31.12.2013
	(unaudited)	
Deferred tax assets	59 598	47 861
Deferred tax provisions	(45 452)	(30 328)
Deferred corporate tax assets recognized in assets in the statement of financial position	14 146	17 533
Deferred tax provisions concerning foreign branches	(1 316)	(1 288)
Deferred corporate tax provisions recognized in liabilities in the statement of financial position	(1 316)	(1 288)
Total deferred income tax	12 830	16 245

(all amounts in PLN thousands unless otherwise stated)

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	38 042	6 982	468	2 053	0	316	47 861
	- changes credited/charged to financial result	11 287	(2 084)	49	203	2 247	1 646	13 348
	- 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)	49 329	4 898	517	2 256	2 247	351	59 598
Provisions	beginning of period 1 January 2014	(29 454)	0	(576)	(22)	0	(1 564)	(31 616)
	- changes credited/charged to financial result	(14 882)	0	(35)	0	0	(235)	(15 152)
	- changes charged to capital	0	0	0	0	0	0	0
	end of period 30 June 2014 (unaudited)	(44 336)	0	(611)	(22)	0	(1 799)	(46 768)
End of period, total		4 993	4 898	(94)	2 234	2 247	(1 448)	12 830

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	26 275	6 218	426	1 515	0	1 345	35 779
	- changes credited/charged to financial result	11 767	614	42	538	0	(1 029)	11 932
	- changes charged to capital	0	150	0	0	0	0	150
	end of period 31 December 2013	38 042	6 982	468	2 053	0	316	47 861
Provisions	beginning of period 1 January 2013	(24 276)	0	(534)	(158)	0	(1 019)	(25 987)
	- changes credited/charged to financial result	(5 178)	0	(42)	(1)	0	(545)	(5 766)
	- changes charged to capital	0	0	0	137	0	0	137
	end of period 31 December 2013	(29 454)	0	(576)	(22)	0	(1 564)	(31 616)
End of period, total		8 588	6 982	(108)	2 031	0	(1 248)	16 245

(all amounts in PLN thousands unless otherwise stated)

20. Current liabilities due to credits and borrowings

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

Lender	Registered office	Contractual loan amount		Amount to be repaid		Rate of interest	Contract validity	Collateral
		PLN'000	curr	PLN'000	curr			
ING BANK ŚLĄSKI S.A. overdraft	Katowice	17 000	PLN	7 857	PLN	WIBOR 1M + bank margin	30.01.2016 *	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 rights to insurance policy; enforcement title up to 171 900 thousand PLN; assignment of receivables from a contract with PSE (Byczyna)
working capital loan		85 000	PLN	11 000	PLN	WIBOR 1M + bank margin	30.01.2016	
BANK HANDLOWY S.A. overdraft	Warsaw	15 000	PLN	5 149	PLN	WIBOR 1M + bank margin	14.10.2014 *	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 collateralized 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)
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)
		194 200		45 677				

* Short-term credits without a fixed limit to repay, the dates are the ending dates of agreements.

ELEKTROBUDOWA SA
H1 2014 Condensed Financial Statements for the period from 1 January to 30 June 2014

(all amounts in PLN thousands unless otherwise stated)

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

Lender	Registered office	Contractual loan amount		Amount to be repaid		Rate of interest	Contract validity	Collateral
		PLN'000	curr	PLN'000	curr			
ING BANK ŚLĄSKI S.A. overdraft	Katowice	5 000	PLN	0	PLN	WIBOR 1M	18.12.2015 *	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 rights 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)
working capital loan		47 000	PLN	0	PLN	WIBOR 1M + bank margin	30.06.2014	
BANK HANDLOWY S.A. overdraft	Warsaw	15 000	PLN	0	PLN	WIBOR 1M + bank margin	14.10.2014 *	assignment of receivables from contracts = 80% engagement; 1 blank bill, mortgage secured up to 4 375 thousand PLN (Mikolów) KW No. KA1M/00065708/0 incl. assignment of rights to insurance policy; 2 blank bills (no. 1 and no. 2) collateralized 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.
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.
		<u>144 200</u>		<u>5 941</u>				

* Short-term credits without a fixed limit to repay, the dates are the ending dates of agreements.

(all amounts in PLN thousands unless otherwise stated)

Changes in working capital loans during 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

21. Finance lease agreements

As at 30 June 2014 and 31 December 2013 the future minimum lease payments resulting from lease agreements, and the minimum net amount of lease payments were the following:

	as at			
	30 June 2014 (unaudited)		31 December 2013	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
Within 1 year	103	95	48	38
Between 1 and 5 years	238	226	43	40
Minimum lease payments, total	341	321	91	78
Less finance costs	20		13	
Present value of minimum lease payments	321		78	
- short-term		95		38
- long-term		226		40

(all amounts in PLN thousands unless otherwise stated)

22. 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	701	5 331	4 177	10 209
creation of provision	573	0	2 096	2 669
payment of benefits	0	(496)	(1 188)	(1 684)
reversal of provision	(584)	0	(2 989)	(3 573)
As at 30 June 2014 (unaudited)	690	4 835	2 096	7 621
of which:				
- long-term	0	4 770	0	4 770
- short-term	690	65	2 096	2 851

Change in provisions for penalties and compensations is the outcome of changes in the Management's 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	537	4 365	0	4 902
creation of provision	1 457	1 447	4 177	7 081
payment of benefits	0	(481)	0	(481)
reversal of provision	(1 293)	0	0	(1 293)
As at 31 December 2013	701	5 331	4 177	10 209
of which:				
- long-term	0	5 031	0	5 031
- short-term	701	300	4 177	5 178

(all amounts in PLN thousands unless otherwise stated)

23. Accrued expenses

	as at	
	30.06.2014 (unaudited)	31.12.2013
Accrued expenses, of which:		
- unused holidays	4 987	3 779
- annual bonuses	2 718	5 082
- services	2 696	1 728
- provision for expected losses on contracts	4 924	10 879
- provision for disputed employee claims	2 000	2 000
	17 325	23 468

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

24. Other operating income and expense

	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	1 067	1 875
- interest on money sources on bank accounts	98	92
- currency exchange differences	110	600
- penalties and compensations	3 950	1 245
- recognized PPE (land)	957	0
- legal expenses	326	174
- compensation received from insurance	204	634
- other	129	415
	6 841	5 051

Penalties and compensations received by the company in H1 2014 were related with performance of construction contracts. Items of penalties and compensations 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.

(all amounts in PLN thousands unless otherwise stated)

	six months ended 30 June	
	2014	2013
	(unaudited)	(unaudited)
Other operating expenses		
- loss on disposal of non-finance fixed assets	(352)	0
- donations	(96)	(155)
- provisions for impairment of receivables	(5 130)	(5 825)
- inventory write-down	(244)	(17)
- fees and charges	(3 181)	(2 037)
- court fees and penalties	(3 252)	(249)
- other	(986)	(696)
	(13 241)	(8 979)

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

The company 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.

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 (4 859) 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 (19) thousand PLN,
- costs of court fees (307) 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 company creates provisions for future payables which maturities or amounts are not certain. Created by the company provisions for future penalties and compensation concerned mainly the company's future liabilities to the contractors in respect of delayed completion of contractual works.

(all amounts in PLN thousands unless otherwise stated)

27. Financial instruments

Comparison of carrying amounts and fair values of the company's all financial instruments with the breakdown into classes and categories of assets and liabilities is presented below.

27.1 Financial assets

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		231 601	252 978	0	(3 620)
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	22 936	0	389
c) short-term trade and other receivables	amortised cost	217 907	229 083	0	(4 013)
2. Available-for-sale investments		2 239	2 239	0	0
a) shares of PI Biprohut Sp. z o.o.	fair value	2 215	2 215	0	0
b) shares of Famak S.A.	market price	24	24	0	0
3. Cash and cash equivalents	amortised cost	53 488	70 900	0	2 793
Total financial assets		287 328	326 117	0	(827)

Fair value of shares in PI Biprohut Sp. z o.o. based in Gliwice is classified to Level 3 in the hierarchy of financial instruments.

The company is not listed, so fair value of its shares was measured by an independent expert. Valuation was made using the discounted cash flows method based on the consolidated financial projection of the company's performance. Calculated fair value of the company shares owned by ELEKTROBUDOWA SA, taking into consideration the preference shares as at 31 December 2013 was 2 215 thousand PLN. As at 30 June 2014 there was no indication of impairment of the shares held by ELEKTROBUDOWA SA in the capital of PI Biprohut Sp. z o.o. in respect of their measurement as at 31 December 2013, and their fair value approximates their amount as at 31 December 2013..

(all amounts in PLN thousands unless otherwise stated)

27.2 Financial 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	12 279	0	28
b) short-term trade and other payables	amortised cost	198 459	210 065	0	(2 607)
c) borrowings	amortised cost	45 677	5 941	0	(657)
Financial instruments recognised in liabilities - total		257 679	228 285	0	(3 236)

(all amounts in PLN thousands unless otherwise stated)

28. Contingent liabilities and bills payable

	as at	
	30.06.2014 (unaudited)	31.12.2013
Contingent liabilities		
a) guarantees	334 237	337 792
to secure		
- contract performance and remedy of defects	303 697	295 103
- payment	2 796	2 009
- bid bond	11 580	24 556
- other	16 164	16 124
b) promissory notes	20 056	20 654
	354 293	358 446

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 39 615 thousand PLN, to secure:

- contract performance and defect liability	25 309 thousand PLN,
- payments	2 796 thousand PLN,
- bid bond	11 511 thousand PLN.

Other contingent liabilities concerning the issues of: pending lawsuits, performance of construction contracts, with description of their nature, are presented in Note 26, Note 15 and Note 35, respectively.

29. Dividend paid (or declared) per share

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.

30. Joint ventures where the company is a partner

The company does not have any joint ventures.

31. Related party transactions

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

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

(all amounts in PLN thousands unless otherwise stated)

	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
- sales of services – KONIP Sp. z o.o.	44	43
- sales of materials – KONIP Sp. z o.o.	5	0
- sales of services – ENERGETEST sp. z o.o.	36	85
- sales of goods – ENERGETEST sp. z o.o.	1 270	0
- sales of goods - ELEKTROBUDOWA UKRAINE Ltd.	6 764	5 553
b) purchases:		
- purchase of services – VECTOR Ltd.	1	0
- purchase of services - KRUELTA Ltd.	0	17
- purchase of services - SAUDI ELEKTROBUDOWA LLC	0	57
- purchase of services – KONIP Sp. z o.o.	614	508
- purchase of services – ENERGETEST sp. z o.o.	2 550	1 807
- purchases of materials – ENERGETEST sp. z o.o.	1 632	1 437
- other purchase - ENERGETEST sp. z o.o.	5	0

Mutual balances as at 30 June 2014:

	as at 30.06.2014 (unaudited)	as at 31.12.2013
- payables of ELEKTROBUDOWA SA to KONIP Sp. z o.o.	124	113
- payables of ELEKTROBUDOWA SA to ENERGETEST sp. z o.o.	3 629	2 309
- payables of ELEKTROBUDOWA SA to VECTOR Ltd.	0	9
- receivables of ELEKTROBUDOWA SA from "VECTOR" Ltd.	2 932	4 242
- receivables of ELEKTROBUDOWA SA from SAUDI ELEKTROBUDOWA LLC	0	241
- receivables of ELEKTROBUDOWA SA from ELEKTROBUDOWA UKRAINE Ltd.	2 541	2 010
- receivables of ELEKTROBUDOWA SA from KONIP Sp. z o.o.	9	0
- receivables of ELEKTROBUDOWA SA from ENERGETEST sp. z o.o.	4 208	310
- downpayment by ELEKTROBUDOWA SA to SAUDI ELEKTROBUDOWA LLC	138	0

(all amounts in PLN thousands unless otherwise stated)

As at 30 June 2014 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 related parties, 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 collateralized and will be settled in cash in their due payment dates.

ELEKTROBUDOWA SA did not provide any guarantees or sureties to the related parties.

32. Changes in presentation of the financial statements

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

a) referring to the statement of financial position as at 31 December 2013, in order to provide consistent presentation of the perpetual usufructuary right, within property, plant and equipment items:

- change in presentation of perpetual usufructuary right to land (Note 7)	
▪ property, plant and equipment	1 086 thousand PLN,
▪ non-current prepayments	(1 086) thousand PLN.

b) referring to the 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	2 286 thousand PLN,
▪ other profit (loss) - net	1 642 thousand PLN,
▪ finance income (cost) - net	(1 120) thousand PLN,
- after the change in presentation of other operating income and expenses	
▪ other operating income	5 051 thousand PLN,
▪ other operating expenses	(8 979) thousand PLN,
▪ finance income	2 646 thousand PLN,
▪ finance cost	(526) thousand PLN.

c) referring to the 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 usufructuary 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 company.

The comparable data presented in the statement of financial position, the statement of comprehensive income and the statement of cash flows include the above corrections.

(all amounts in PLN thousands unless otherwise stated)

33. The Management Board and the Supervisory Board

Composition of the Management Board of ELEKTROBUDOWA SA as at 30 June 2014

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

Composition of the Management Board as at 30 June 2014 was the same as at 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	926	305	1 234	42

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

	period from 1 January 2013 to 30 June 2013			
	Remuneration paid			
	Basic salary	Bonus for 2012	Total remuneration	Extra benefits *
Management Board	975	1 171	2 146	47

* 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 ELEKTROBUDOWA SA as at 30 June 2014

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

(all amounts in PLN thousands unless otherwise stated)

Composition of the Supervisory Board of ELEKTROBUDOWA SA as at 31 December 2013

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

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

	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, life insurance, tied accommodation benefit.

	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, life insurance, tied accommodation benefit.

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

A contract for reviewing the interim financial statements of ELEKTROBUDOWA SA and the ELEKTROBUDOWA SA group for the six months ended 30 June for the years 2014 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.

(all amounts in PLN thousands unless otherwise stated)

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 performed 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

35. Litigations, court proceedings

Presented below are the litigations and court proceedings brought by the company 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 provided 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.

(all amounts in PLN thousands unless otherwise stated)

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't 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 23). 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 scheduled for 18.07.2014.

(all amounts in PLN thousands unless otherwise stated)

- 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 roku,
 - 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 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 be 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).

(all amounts in PLN thousands unless otherwise stated)

36. 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 307194 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.