

ELEKTROBUDOWA SA

Interim condensed financial statements

for the period of 9 months ended 30 September 2014

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(all amounts in PLN thousands unless otherwise stated)

Statement of financial position

		as at			
Note	30.09.2014 end of quarter/2014	30.06.2014 end of prior quarter/2014	31.12.2013 end of prior year/2013	30.09.2013 end of quarter/2013	
ASSETS					
Non-current assets					
	198 840	205 231	217 995	206 821	
Property, plant and equipment	7 84 432	83 009	85 390	86 499	
Intangible assets	8 18 708	21 338	17 878	16 253	
Investments in associates	9 21 516	21 516	21 613	21 613	
Interest in subsidiaries	10 47 901	47 901	47 901	47 901	
Available-for-sale financial assets	2 215	2 215	2 215	2 931	
Non-current receivables	11 636	13 694	23 895	8 619	
Deferred income tax assets	19 11 148	14 146	17 533	21 291	
Non-current prepayments	11 1 284	1 412	1 570	1 714	
Current assets					
	623 462	597 192	544 413	532 749	
Inventories	61 519	64 283	55 601	67 299	
Trade and other receivables	221 953	222 279	231 597	252 610	
Available-for-sale financial assets	24	24	24	24	
Other non-finance assets	14 16 620	24 033	31 775	7 835	
Amounts due from customers for construction contract work	15 273 837	232 823	154 516	129 417	
Cash and cash equivalents	49 263	53 488	70 900	75 564	
Non-current assets held for sale	16 246	262	0	0	
Total assets	822 302	802 423	762 408	739 570	
EQUITY, LIABILITIES AND RESERVES					
Equity					
	335 581	323 082	324 352	315 186	
Issued share capital	17 10 003	10 003	26 375	26 375	
Supplementary capital	18.1 306 417	306 417	330 001	330 001	
Capital from valuation of available-for-sale investments	18.2 1 083	1 083	1 083	1 662	
Exchange differences on translation of operations of foreign branches	(1 617)	(1 652)	(2 006)	(4 423)	
Retained earnings	18.3 19 695	7 231	(31 101)	(38 429)	
Liabilities and provisions					
Non-current liabilities and provisions					
	19 348	19 629	18 598	17 306	
Deferred income tax liabilities	19 1 220	1 316	1 288	1 628	
Employee benefit provisions	22 4 565	4 770	5 031	3 977	
Other liabilities	13 563	13 543	12 279	11 701	
Current liabilities and provisions					
	467 373	459 712	419 458	407 078	
Trade and other payables	347 438	338 583	331 117	285 253	
Corporate income tax liabilities	8 645	8 386	8 836	9 716	
Loans and borrowings	20 53 617	45 677	5 941	28 412	
Current provisions	22 1 994	2 851	5 178	562	
Accrued expenses	23 21 345	17 325	23 468	33 361	
Amounts due to customers for construction contract work	15 34 334	46 890	44 918	49 774	
Total liabilities and reserves	486 721	479 341	438 056	424 384	
Total equity and liabilities	822 302	802 423	762 408	739 570	

(all amounts in PLN thousands unless otherwise stated)

Statement of comprehensive income

	Note	3 months ended 30.09.2014	9 months ended 30.09.2014	3 months ended 30.09.2013	9 months ended 30.09.2013
Continuing operations					
Revenue from sales of products, goods and materials		303 110	724 377	238 519	599 755
Cost of products, goods and materials sold		(282 230)	(685 274)	(227 492)	(575 671)
Gross profit on sales		20 880	39 103	11 027	24 084
Selling costs		(986)	(2 144)	(990)	(2 944)
General administration expenses		(2 450)	(8 643)	(2 517)	(8 244)
Other operating income	24	1 425	8 266	2 432	7 483
Other operating expenses	24	(2 558)	(15 799)	(4 688)	(13 667)
Operating profit		16 311	20 783	5 264	6 712
Finance income	25	0	6 156	0	2 646
Finance costs	25	(630)	(1 389)	(464)	(990)
Profit before tax		15 681	25 550	4 800	8 368
Income tax expense	26	(3 217)	(5 215)	(1 951)	(3 030)
Net profit from continuing operations for the period		12 464	20 335	2 849	5 338
Discontinued operations					
Net profit from discontinued operations for the period		0	0	0	0
Net profit for the period		12 464	20 335	2 849	5 338
Other comprehensive income					
of which:		35	389	(1 502)	795
Other comprehensive income reclassifiable to profit or loss		35	389	(1 502)	795
- exchange differences on translation of operations of foreign branches		35	389	(1 502)	795
Other comprehensive income not being reclassified to profit or loss		0	0	0	0
Total comprehensive income for the period		12 499	20 724	1 347	6 133
Earnings per share from continuing and discontinued (in PLN per share)					
- basic		2,63	4,28	0,60	1,12
- diluted		2,63	4,28	0,60	1,12

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Statement of changes in equity

	Issued share capital	Supplementary capital	Capital from valuation of available-for-sale investment	Exchange differences on translation of operations 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>					20 335	20 335
<i>Currency translation differences</i>				389		389
Total comprehensive income				389	20 335	20 724
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 September 2014	10 003	306 417	1 083	(1 617)	19 695	335 581

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note	Issued share capital	Supplementary capital	Capital from valuation of available-for-sale investment	Exchange differences on translation of operations of foreign branches	Retained earnings	Total equity
	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

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	Issued share capital	Supplementary capital	Capital from valuation of available-for-sale investment	Exchange differences on translation of operations 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>					5 338	5 338
<i>Currency translation differences</i>				795		795
Total comprehensive income			0	795	5 338	6 133
Distribution of profit		26 491			(26 491)	0
Dividend payment					(9 495)	(9 495)
As at 30 September 2013	26 375	330 001	1 662	(4 423)	(38 429)	315 186

(all amounts in PLN thousands unless otherwise stated)

Statement of cash flow

	3 months ended 30.09.2014	9 months ended 30.09.2014	3 months ended 30.09.2013	9 months ended 30.09.2013
Cash flows from operating activities				
Gross profit before taxes	15 681	25 550	4 800	8 368
Depreciation and amortisation	3 119	9 331	3 750	10 371
Gain/loss on currency translation differences	876	(92)	(157)	(242)
Interest and share in profit (dividends)	418	(4 979)	464	(1 656)
Gain/loss on sale of property, plant and equipment (PPE)	(41)	270	(1 705)	(1 725)
Change in inventories	2 764	(5 918)	3 843	(19 852)
Change in trade and other receivables	(347)	25 539	(5 088)	16 410
Change in liabilities, except loans and borrowings	17 737	14 012	94 847	12 446
Income tax paid	(85)	(753)	(2 300)	(4 964)
Change in other non-finance assets	11 433	13 032	(434)	6 414
Change in non-current prepayments and accrued expenses	128	286	(742)	(1 276)
Change in settlements of construction contracts	(53 570)	(129 905)	(27 625)	9 538
Other adjustments	277	(185)	(846)	799
Net cash generated from/(used in) operating activities	(1 610)	(53 812)	68 807	34 631
Cash flows from investing activities				
Sale of intangible assets and PPE	18	158	2 758	2 897
Dividends and share in profits	2 795	4 195	1 435	2 646
Other cash flows	0	0	787	787
Purchases of intangible assets and PPE	(2 238)	(9 081)	(5 702)	(11 838)
Net cash generated from/(used in) investing activities	575	(4 728)	(722)	(5 508)
Cash flows from financial activities				
Loans and borrowings	13 340	65 076	3 994	20 246
Dividends and other payments to owners	(9 495)	(9 495)	(9 495)	(9 495)
Repayment of loans and borrowings	(5 400)	(17 400)	0	(3 035)
Interest	(522)	(1 080)	(251)	(777)
Finance lease payments	(25)	(78)	(9)	(25)
Other cash flows	(212)	(212)	0	0
Net cash generated from/(used in) financing activities	(2 314)	36 811	(5 761)	6 914
Increase / decrease in net cash and bank overdrafts	(3 349)	(21 729)	62 324	36 037
Balance sheet change in cash and bank overdrafts	(4 225)	(21 637)	62 481	36 279
Change in cash due to foreign exchange difference	(876)	92	157	242
Cash and current account overdrafts at beginning of period	53 488	70 900	13 083	39 285
Cash and current account overdrafts at end of period	49 263	49 263	75 564	75 564

(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 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.

During the nine 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 of the company cover the period of nine months ended 30 September 2014 and include the comparable data for the nine months ended 30 September 2013 and also the data as at 30 June 2014 and 31 December 2013. The statement of comprehensive income and the notes to the statement of comprehensive income include the data for the periods of 3 and 9 months ended 30 September 2014 and the comparable data for the periods of 3 and 9 months ended 30 September 2013.

The interim condensed financial statements for the period of 3 months ended 30 September 2014 have not been reviewed or audited by a certified auditor.

The condensed financial statements of ELEKTROBUDOWA SA are attached to the interim consolidated financial statements of the group for the third quarter of 2014.

2. Information about the principles adopted for preparation of the interim condensed financial statements

2.1 Basis for preparation of 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 ("the financial statements") have been prepared in accordance with the International Accounting Standard 34, "Interim Financial Reporting" endorsed by the EU ("IAS 34") and 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 (Journal of Laws No.33, item 259 as amended).

(all amounts in PLN thousands unless otherwise stated)

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 company's business operations will be at risk.

The present interim condensed financial statements have been prepared under historic cost convention, except for revaluation of some fixed assets and financial instruments recognized in their fair values.

2.2 Functional currency and presentation currency of the financial statements, and the rules of translating the financial data

Functional and presentation currency

Polish zloty (PLN) is the company's functional currency and the presentation currency of the present interim condensed financial statements of ELEKTROBUDOWA SA. Data presented in the financial statements are expressed in thousands of Polish zlotys, unless otherwise specified in some situations.

Rules of translating the financial data

Foreign branches of ELEKTROBUDOWA SA prepare their financial statements in functional currency of the primary economic environment in which they operate.

The statements of financial position and the statements of comprehensive income of the establishments 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 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.

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The following exchange rates have been used to measure the assets and the liabilities as at the balance sheet date and for translating the items of the statement of comprehensive income:

	30.09.2014		30.06.2014		31.12.2013		30.09.2013	
	Statement of financial position	Statement of comprehensive income	Statement of financial position	Statement of comprehensive income	Statement of financial position	Statement of comprehensive income	Statement of financial position	Statement of comprehensive income
Currency	in PLN	in PLN	in PLN	in PLN	in PLN	in PLN	in PLN	in PLN
EUR	4.1755	4.1803	4.1609	4.1784	4.1472	4.2110	4.2163	4.2231
UAH	0.2554	0.2729	0.2562	0.2840	0.3706	0.3887	0.3811	0.3933
RUB	0.0838	0.0865	0.0897	0.0867	0.0914	0.0990	0.0961	0.1009
SAR	0.8664	0.8239	0.8115	0.8125	0.8031	0.8435	0.8335	0.8536

2.3 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 IAS 39 regarding hedge accounting when a derivative is novated and allow the continuation of hedge accounting when a derivative meets certain conditions specified in IAS 39.

(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.

2.4 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.
- **Amendments to IAS 27 Equity Method in Separate Financial Statements** (issued on 12 August 2014) – effective for financial years beginning on or after 1 January 2016 – not yet endorsed by EU till the date of approval these financial statements,
- **Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture** (issued on 11 September 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,
- **Annual Improvements to IFRSs 2012 – 2014** (issued on 25 September 2014) - effective for financial years beginning on or after 1 January 2016 – not yet endorsed by EU till the date of approval these financial statements.

(all amounts in PLN thousands unless otherwise stated)

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.

2.5 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.

2.5.1 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, while in subsidiaries in Note 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.

2.5.2 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.

(all amounts in PLN thousands unless otherwise stated)

However, the 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. In its analyses carried as at 30 September 2014, the company did not identify any indications for impairment of investments in subsidiaries and associates and other investments or the intangible assets.

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, basing on the contract budgets updated as the date of preparing 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 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 life 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 September 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.

3. Changes in estimates

In the period of 9 months ended 30 September 2014 and as at 30 September 2014 the company verified and updated its estimates in important areas, described in Note 2.5.

4. Changes to the company structure

There were no changes to the company structure due to business combinations, transition or disposal of entities, long-term investments, division, restructuring or discontinued operations.

5. Seasonality or cyclicity of operations

The impact of seasonality on performance of construction and erection services was accounted for as early as at the stage of preparation of the 2014 company budget, which also considered the schedules of contractual works included in the contracts.

(all amounts in PLN thousands unless otherwise stated)

Weather, market conditions in which ELEKTROBUDOWA SA conducts its business, the ways of contracting and making investment plans by business partners, cause that the revenues from sales are received in later quarters of the financial year. Poor results of the 1st quarter, mainly contributed to fixed costs, are made up for in the next quarters of the year. The greatest profitability is achieved in the last quarter of the reporting year.

Key financial data of ELEKTROBUDOWA SA in the successive quarters of 2014:

	Q1 2014	Q2 2014	Q3 2014	Total 3 quarters 2014
Orders	159 601	213 484	159 505	532 590
Sales revenue	175 868	245 399	303 110	724 377
Net profit	423	7 448	12 464	20 335
Profitability index	0.2%	3.0%	4.1%	2.8%

During the 3 quarters of 2014 ELEKTROBUDOWA SA received orders for the aggregate amount of 532 590 thousand PLN, that is 53.2% of total orders planned to be received in 2014.

Revenue from sale of products, goods and materials showed a growing trend in the successive quarters of the year. For the 3 quarters of 2014 it totalled 724 377 thousand PLN, which constituted 61.4% of revenue budgeted for 2014.

In the consecutive quarters of the financial year ELEKTROBUDOWA SA recorded a dynamic growth in the net profit. The net profit for the 3 quarters of 2014 totalled 20 335 thousand PLN and realized the budgeted value on the level of 86.2%.

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.

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.

(all amounts in PLN thousands unless otherwise stated)

- 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.

Sales and transfers between operating segments are settled 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.

Business segments results for the 3 quarters of 2014

	Power Generation Division	Industry Division	Power Distribution Division	All other segments	Total
<u>Continuing operations</u>					
Sales revenue	290 677	186 199	290 987	7 662	775 525
of which:					
Revenue from external customers	289 082	185 991	247 803	1 501	724 377
Inter-segment sales	1 595	208	43 184	6 161	51 148
Operating profit	16 934	(18 012)	21 199	662	20 783
Financial activities result	0	(160)	2 008	2 919	4 767
Profit before income tax	16 934	(18 172)	23 207	3 581	25 550
Income tax	(3 942)	3 315	(4 604)	16	(5 215)
Net profit from continuing operations for the period	12 992	(14 857)	18 603	3 597	20 335
<u>Discontinued operations</u>					
Net profit (loss) from discontinued operations for the period	0	0	0	0	0
Net profit for the period	12 992	(14 857)	18 603	3 597	20 335

The amount of net result was to a large extent attributable to the unprofitable contracts concluded by the Industry Division and to created provisions for liabilities and write-offs of receivables, what is described below. The net loss recognized in the Industry Division segment for the three quarters of 2014 amounted to 14 857 thousand PLN. The net results of the Division for the three quarters of 2014 includes the provisions for expected losses on provision of contractual services created in the amount of 3 681 thousand PLN.

(all amounts in PLN thousands unless otherwise stated)

Recognised losses of the Industry Division have been principally generated by the following contracts:

Contract title	Provisions as at 31.12.2013	Provisions created in 3 quarters of 2014	Provisions released in 3 quarters of 2014	Provisions as at 30.09.2014
Civil works and other services required for the completion of the project - construction of the Franowo tram depot in Poznań for MPK w Poznaniu Sp. z o.o.	5 030	1 161	4 836	1 355
Overall engineering and construction of the investment project related to the Integrated Transport Centre at the site of Poznań central station for Poznan City Center Sp. z o.o.	758	1 730	1 800	688
Supply, installation, testing and putting to operation of electrical services at the site of Złota 44 Tower, Warsaw for INSO Sistemi per le Infrastrutture Sociali S.p.A.	0	480	70	410
Construction of the Kaufland shopping facility on the plot located in Gryfice for Kaufland Polska Markety Sp. z o.o. Sp. K.	571	597	910	258

(all amounts in PLN thousands unless otherwise stated)

In 2014 the company continued the implementation of recovery measures introduced in 2013 in its Industry Division segment, which in previous years generated substantial loss on the operating activity in result of performance of several unprofitable projects carried out on a general contracting basis. At the stage of preparing the 2014 budget and performance forecast the company assumed that the existing unprofitable contracts left from that period and pending completion will be completed and settled during the first half of 2014. In the third quarter of 2014 the company has updated the budgets of those contracts by accounting for extra performance costs in the form of provisions, taking into consideration the fact that several of those contracts were not yet completed or finally settled as at the balance sheet date. The projects are either in the final stage of completion or settlement with the purchasers.

In the scope of its market activity, the Industry Division segment is currently focused on being awarded and performing contracts in the area in which it has developed and will be further developing its key competence, that is overall supply of electrical installations, small current systems, automation and control systems in buildings. An assumption has been made that the gradual recovery that is being observed in the industrial investment market, both in the area of new investments and also in the area of extension and modernization of the existing industrial plant, will create possibilities of soon return to a satisfying level of revenues from the market segment which provides much higher margins than residential or commercial building industry. This creates opportunities for the Industry Division segment, for which industrial construction is to be the main source of income, to obtain projects with such material and financial scope that will allow higher margins and benefit from the effect of synergy with the other segments, particularly in the scope of automation systems and equipment manufactured by the Power Distribution Division, Power Generation Division and ENERGETEST sp. z o.o.

As at 30 September 2014 the Industry Division had an order backlog amounting to 194 471 thousand PLN, while in the same period of the previous year it amounted to 219 999 thousand PLN (a drop by 11.6%). During the three quarters of the current year the Industry Division received orders for the amount of 123 053 thousand PLN, compared with 155 248 thousand PLN of the comparable nine months of 2013 (a 20.7% drop).

The reliability and financial strength of investors in the industrial construction sector have improved. In previous years the Industry Division faced considerable problems concerning payment gridlocks relating to the orders carried out for the customers, investors or general contractors in the civil building industry and developers. Financial condition of companies in this segment is still bad and is the reason of delays in payment for the performed works. As at 30 September 2014 overdue receivables of the Industry Division segment amounted to 30 330 thousand PLN, compared to 31 546 in the comparable period of the previous year (a 3.9% decrease).

In the three quarters of 2014 the company created the 6 135 thousand PLN provision for impairment of receivables owed to the Industry Division, which 2.7% more compared to 5 973 thousand PLN in the three quarters of 2013. Provisions for receivables created by the Industry Division segment in the reportable period accounted for 55.5% of total provisions created by the company in the three quarters of 2014. As at 30 September 2014 the amount of provisions for impairment of the Industry Division receivables was 16 781 thousand PLN, while total impairment provisions of the group amounted to 27 581 thousand PLN. The Industry Division had a 60.8% share in total impairment provisions of the group.

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

The measures presented above will help the Industry Division, as estimated by the Management, to earn gross profit for the 4th quarter of 2014, what should partly reduce the gross loss recognized for the 3 quarters of 2014 and to recover permanent profitability in the next years.

(all amounts in PLN thousands unless otherwise stated)

Other items of business segments recognized in the consolidated statement of comprehensive income for the 3 quarters of 2014

	Power Generation Division	Industry Division	Power Distribution Division	All other segments	Total
depreciation	2 500	738	1 568	2 022	6 828
amortisation	314	236	1 837	116	2 503

Segment items recognized in the consolidated statement of financial position as at 30 September 2014

	Power Generation Division	Industry Division	Power Distribution Division	All other segments	Total
Assets	280 546	151 847	250 705	139 204	822 302
Liabilities	185 837	151 386	141 022	8 476	486 721
Investment outlays	1 668	297	6 030	805	8 800

Business segment results for the 3 quarters of 2013

	Power Generation Division	Industry Division	Power Distribution Division	All other segments	Total
<u>Continuing operations</u>					
Sales revenue	254 079	142 089	225 278	7 710	629 156
of which:					
Revenue from external customers	253 212	141 487	203 593	1 463	599 755
Inter-segment sales	867	602	21 685	6 247	29 401
Operating profit	12 390	(19 892)	12 596	1 618	6 712
Financial activities result	(132)	(279)	2 029	38	1 656
Profit before income tax	12 258	(20 171)	14 625	1 656	8 368
Income tax	(2 803)	3 124	(2 985)	(366)	(3 030)
Net profit from continuing operations for the period	9 455	(17 047)	11 640	1 290	5 338
<u>Discontinued operations</u>					
Net profit (loss) from discontinued operations for the period	0	0	0	0	0
Net profit for the period	9 455	(17 047)	11 640	1 290	5 338

(all amounts in PLN thousands unless otherwise stated)

Other items of business segments recognized in the consolidated statement of comprehensive income for the 3 quarters of 2013

	Power Generation Division	Industry Division	Power Distribution Division	All other segments	Total
depreciation	2 885	971	1 406	2 084	7 346
amortisation	361	283	2 241	140	3 025

Segment items recognized in the consolidated statement of financial position as at 30 September 2013

	Power Generation Division	Industry Division	Power Distribution Division	All other segments	Total
Assets	285 880	124 703	202 927	126 060	739 570
Liabilities	189 053	117 741	114 375	3 215	424 384
Investment outlays	1 731	723	6 200	2 657	11 311

Segment items recognized in the consolidated 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

Provisions for impairment of receivables of segments

	Power Generation Division	Industry Division	Power Distribution Division	All other segments	Total
as at 30.09.2014	4 541	16 781	6 237	22	27 581
as at 31.12.2013	2 340	16 828	4 690	7	23 865
as at 30.09.2013	2 355	12 878	6 822	7	22 062

(all amounts in PLN thousands unless otherwise stated)

Amount of created provisions for impairment of receivables of the segments

	Power Generation Division	Industry Division	Power Distribution Division	All other segments	Total
in the 3 quarters of 2014	2 585	6 135	2 320	15	11 055
in 2013	555	10 308	1 922	5	12 790
in the 3 quarters of 2013	558	5 973	1 878	5	8 414

Reversal and use of provisions for impairment of receivables of the segments

	Power Generation Division	Industry Division	Power Distribution Division	All other segments	Total
in the 3 quarters of 2014	384	6 182	773	0	7 339
in 2013	69	1 548	3 289	0	4 906
in the 3 quarters of 2013	57	1 163	1 113	0	2 333

Secondary reporting format – geographical segments

The ELEKTROBUDOWA SA group conducts its operational activity in the domestic market and in foreign markets.

	nine months ended 30.09.2014	nine months ended 30.09.2013
Revenues from sales of products, goods and materials		
- domestic sales	680 612	414 116
- other countries	43 765	185 639
	724 377	599 755

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 group 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.

The decrease in export sales revenue was to a great extent contributed to the situation in the east. Restrictions in trading with Russia resulted in dramatic drop in sales of finished goods to VECTOR Ltd., a distributor of Elektrobudowa's products in the Russian market.

(all amounts in PLN thousands unless otherwise stated)

Information about key customers

The revenue from direct sales generated by the Power Generation Division amounting to 289.1 million PLN (253.2 million PLN in the 3 quarters of 2013) includes the 89.1 million PLN income from the contract with the company's biggest customer (in the 3 quarters of 2013 it was 76.7 million PLN). In the 3 quarters of 2014 the revenue accounted for 12.3% while in the 3 quarters of 2013 for 12.8% of total revenues generated by the company.

The revenue from direct sales generated by the Industry Division amounting to 186.0 million PLN (141.5 million PLN in the 3 quarters of 2013) includes the 66.8 million PLN income from the contract with the company's second biggest customer (in the 3 quarters of 2013 it was 53.0 million PLN). In the 3 quarters of 2014 the revenue accounted for 9.2% while in the 3 quarters of 2013 for 8.8% of total revenues generated by the company.

The revenue generated from the two leading customers in the 3 quarters of 2014 accounted for 21.5% of total company's revenues, against 21.6% in the 3 quarters of 2013.

7. Property, plant and equipment

	as at			
	30.09.2014 end of quarter/2014	30.06.2014 end of prior quarter/2014	31.12.2013 end of prior year/2013	30.09.2013 end of quarter/2013
Property, plant and equipment				
- land	4 970	4 970	4 035	4 039
- buildings, civil engineering facilities	50 975	50 824	52 340	52 537
- machinery and technical equipment	12 160	12 824	14 386	14 941
- vehicles	5 982	6 103	6 197	6 154
- other fixed assets	5 762	3 399	3 747	3 869
- fixed assets under construction	4 513	4 889	4 685	4 598
- advances for fixed assets under construction	70	0	0	361
	84 432	83 009	85 390	86 499

In accordance with IAS 16, as at 30 June 2014 the parent, 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.

Furthermore, in order to provide consistent presentation, in 2014 the ELEKTROBUDOWA SA reclassified the perpetual usufructuary right to land from accrued expenses to fixed tangible assets in the amount of 1 090 thousand PLN. The company introduced a change to the 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.

ELEKTROBUDOWA SA does not have any property plant and equipment with restricted right of use.

As at 30 September 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 61 thousand PLN (of which vehicles 14 thousand PLN and other fixed assets 47 thousand PLN).

(all amounts in PLN thousands unless otherwise stated)

As at 30 September 2014 the net value of investment in third party's fixed assets incurred by the company amounted to 295 thousand PLN.

As at 30 September 2014 the claims of financial institutions concerning the repayment of bank borrowings and guarantees were collateralised by the company's immovables up to the amount of 544 775 thousand PLN and registered pledges were established on movable property up to the amount of 171 900 thousand PLN.

As at 30 September 2014 there were no provisions for impairment of fixed assets.

8. Intangible assets

As at 30 September 2014 and 31 December 2013:

- there were no provisions for impairment of intangible assets,
- the group did not have any intangible assets with restricted right of use,
- the group did not have bank loans or any other liabilities secured against intangible assets.

	as at			
	30.09.2014 end of quarter/2014	30.06.2014 end of prior quarter/2014	31.12.2013 end of prior year/2013	30.09.2013 end of quarter/2013
Intangible assets				
- costs of finished development work	15 211	2 298	3 030	4 240
- acquired concessions, patents, licences and similar	951	961	1 084	1 192
- costs of continued development work	2 546	18 079	13 764	10 765
- intangible assets not put to use	0	0	0	56
	18 708	21 338	17 878	16 253

Completed development work expense

Outlays earmarked for R&D in the three quarters of 2014 principally concerned implementation to production a new product developed by the company, that is 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. Cost of the project in the three quarters of 2014 reached 3 202 thousand PLN, costs incurred from the project commencement until the reporting date totaled 15 999 thousand PLN. The project named "OPTIMA-145 (GIS) Switchgear" has been successfully completed. The prototype achieved the assumed technical parameters and passed attestation tests. By the report dated 31 July 2014 ELEKTROBUDOWA SA settled the completed development costs in the amount of 13 505 thousand PLN. Fixed tangible assets of the initial value 2 091 thousand PLN, to be used for serial production of OPTIMA-145 have been booked in the property, plant and equipment. The development work included also a model of OPTIMA-145, which incurred the cost of 403 thousand PLN. The model of this HV switchgear has been booked in fixed tangible assets and will be used as an exhibit.

The entities of the group periodically verify economic value in use of development works presented in the intangible assets. As at the date of the financial statements no indicators of their impairment were identified.

(all amounts in PLN thousands unless otherwise stated)

9. Investments in associates

	as at			
	30.09.2014 end of quarter/2014	30.06.2014 end of prior quarter/2014	31.12.2013 end of prior year/2013	30.09.2013 end of quarter/2013
Investments in associates				
- share of the the Power Equipment Production Plant VECTOR Ltd.	21 516	21 516	21 516	21 516
- share of SAUDI ELEKTROBUDOWA LCC	0	0	97	97
	21 516	21 516	21 613	21 613

As at 30 September 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 the key factors determining the level of volume of achieved sales targets set by "VECTOR" and the export targets of ELEKTROBUDOWA SA.

As at 30 September 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, the entity operating mainly in the Russian market, in a longer period of time. It is expected that the restrictions against Russia will induce the increase in demand for products supplied by Russian companies. It is assumed that economic phenomena that happened in the Russian market in 2014 will impact directly the investing policy, particularly new, high-budget investments in this area.

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

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

In 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 September 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 September 2014 the impairment of shares in SAUDI ELEKTROBUDOWA in the amount of 97 thousand PLN was recognized in the finance costs.

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

(all amounts in PLN thousands unless otherwise stated)

10. Share in subsidiaries

	percentage as at 30.09.2014	as at			
		30.09.2014 end of quarter/2014	30.06.2014 end of prior quarter/2014	31.12.2013 end of prior year/2013	30.09.2013 end of quarter/2013
Share in subsidiaries					
- KONIP Sp. z o.o.	100%	70	70	70	70
- ENERGOTEST sp. z o.o.	100%	47 453	47 453	47 453	47 453
- ELEKTROBUDOWA UKRAINE Ltd.	62%	378	378	378	378
		47 901	47 901	47 901	47 901

During the period of nine months ended 30 September 2014 there were no changes in investments in subsidiaries held by the company, compared with the end of the comparable periods.

ELEKTROBUDOWA UKRAINE Ltd. is a distributor of finished products manufactured by ELEKTROBUDOWA SA in the Ukrainian market. The company sells medium voltage switchgear, mobile container substations SKP and busducts in the local market.

General economic situation of the region and the factors that restrict the activity of ELEKTROBUDOWA UKRAINE in the new economic conditions contributed to deterioration of financial performance of the company in the 9 months of 2014 compared to the forecast. Political stability in respect of management and ownership structures will be crucial for achieving the planned sales results by ELEKTROBUDOWA UKRAINE. Short-term growth in investments should be expected when the political situation becomes stabilized. Despite economic difficulties and political instability, ELEKTROBUDOWA SA intends to continue the project of ELEKTROBUDOWA - UKRAINE cooperation and maintain the current level of deliveries, accounting for the growth in demand caused by a slow down in investments and for rebuilding of the destroyed facilities.

The analysis of the financial situation and liquidity of owned assets of ELEKTROBUDOWA UKRAINE does not indicate the possibility of impairment of the share in the equity of the company held by ELEKTROBUDOWA SA in the foreseeable future.

11. Non-current prepayments

	as at			
	30.09.2014 end of quarter/2014	30.06.2014 end of prior quarter/2014	31.12.2013 end of prior year/2013	30.09.2013 end of quarter/2013
non-current prepayments				
- construction work insurance policies	871	999	1 229	1 370
- other	413	413	341	344
	1 284	1 412	1 570	1 714

12. Inventories

During the nine months ended 30 September 2014 the company wrote down the value of inventories by 244 thousand PLN (by 17 thousand PLN in the nine months ended 30 September 2013). The amount of write-down was recognized in the "Other operating expenses" item.

ELEKTROBUDOWA SA regularly reviews the value of inventories and the possibility to use them; as at 30 September 2014 no need was identified to change the value of the above write down.

The company has no credit or other liabilities collateralized by the inventories.

(all amounts in PLN thousands unless otherwise stated)

13. Provisions for impairment of receivables

	9 months ended 30.09.2014	6 months ended 30.06.2014	12 months ended 31.12.2013	9 months ended 30.09.2013
Provisions for impairment of receivables from supplies and services and other receivables				
Impairment provision at beginning of period	23 865	23 865	15 981	15 981
Creating a provision	11 055	10 092	12 790	8 414
Reversal	(7 339)	(6 102)	(4 906)	(2 333)
of which:				
- paid receivables and interest	(2 615)	(1 638)	(3 830)	(1 313)
- used amount of provision for impairment of receivables	(1 400)	(1 140)	(97)	(41)
- reversal of provision for impairment of interest	(3 324)	(3 324)	(979)	(979)
Impairment provision at end of period	27 581	27 855	23 865	22 062
of which:				
- for receivables from supplies and services	13 366	13 694	17 314	15 110
- for other receivables	14 215	14 161	6 551	6 952

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

14. Other non-finance assets

	as at			
	30.09.2014 end of quarter/2014	30.06.2014 end of prior quarter/2014	31.12.2013 end of prior year/2013	30.09.2013 end of quarter/2013
Other non-finance assets				
- future periods expenses (subscriptions, fees, insurance)	1 636	1 857	1 996	2 066
- prepayments for supplies	14 471	21 151	29 779	5 232
- charges to the Company Social Benefits Fund	513	1 025	0	537
	16 620	24 033	31 775	7 835

15. Construction contracts

Construction contracts are settled and recorded according to IAS 11 Construction Contracts. The standard defines the rules of accounting treatment of revenue and costs associated with construction contracts basing on criteria of recognition of revenue and costs in the statement of comprehensive income, defined in the Conceptual Framework for Financial Reporting.

	9 months ended 30.09.2014	12 months ended 31.12.2013	9 months ended 30.09.2013
Estimated revenues from contracts in progress (cumulative)	1 511 503	1 150 877	1 224 573
Costs incurred on contracts in progress (cumulative)	1 471 515	1 125 531	1 201 102
Recognized profits less recognized losses (planned margin)	39 988	25 346	23 471
Revenues from contracts for the period	589 024	603 713	432 426
Costs of contracts for the period	572 439	584 130	427 475
Profits less recognized losses for the period	16 585	19 583	4 951
Advances received for contracts in progress	114 000	100 137	91 335
Retentions kept by customers	26 634	34 131	32 714
Gross amounts due from customers for contract work	273 837	154 516	129 417
Gross amounts due to customers for contract work	34 334	44 918	49 774

(all amounts in PLN thousands unless otherwise stated)

The company recognizes revenues from contracts in progress using the percentage of completion method, understood as measuring the proportion that contract costs incurred from the date of signing the contract to date bear to the estimated total contract costs resulting from actual global budget for the contract. Contract budgets are regularly updated, based on current information about the contract progress.

The revenue determined by the above method, when the financial schedule of the contract does not allow for its invoicing on a current basis, are recognized in the balance sheet as "Amounts due from customers for contract work". Because of the composition of the company's order backlog, which at present includes contracts of substantial value, which contractual provisions assume the possibility to invoice the completed substantial stages, the amount of the asset item "Amounts due from customers for contract work" is increasing compared to the previous periods. It must be taken into account in the analysis of this situation that in the moment of completion of a contract stages they are associated with, "Amounts due from customers for contract work" will be subject to invoicing, and therefore will be turned into "Trade receivables".

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.

16. Non-current assets held for sale

	as at			
	30.09.2014	30.06.2014	31.12.2013	30.09.2013
	end of	end of prior	end of prior	end of
	quarter/2014	quarter/2014	year/2013	quarter/2013
Non-current assets held for sale				
a) fixed assets, including:				
- technical equipment and machines	129	145	0	0
- other fixed assets	117	117	0	0
	246	262	0	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 line "Non-current assets held for sale" of the net value 352 thousand PLN.

Non-current assets classified as held to sale were measured at the lower of initial carrying amount and fair value. In result of valuation the carrying amount of technical equipment and machinery was reduced. Results of the measurement in the amount of 90 thousand PLN were charged to other operating cost statement of comprehensive income.

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 for 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.

(all amounts in PLN thousands unless otherwise stated)

During the 3rd quarter of 2014 the company sold technical equipment for 16 thousand PLN net. The table below shows movement in non-current assets held for sale within the 9 months ended 30 September 2014.

	Initial value	Measurement	Reductions	As at 30.09.2014
• machinery and equipment				
- initial value	518		(66)	452
- depreciation	(283)	(90)	50	(323)
• other fixed tangible assets				
- initial value	335			335
- depreciation	(218)			(218)
	352	(90)	(16)	246

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 September 2014	10 003	0	10 003

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.

(all amounts in PLN thousands unless otherwise stated)

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	498	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 September 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 14 November 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
MetLife OFE (former 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 22.09.2014, received by ELEKTROBUDOWA SA on 25 September 2014.

The shareholding of ELEKTROBUDOWA SA as at 14 November 2014 had not changed compared to the shareholding at 30 June 2014.

(all amounts in PLN thousands unless otherwise stated)

Number of shares of ELEKTROBUDOWA SA held by the managing persons as at the date of issuing this report is presented in the table below:

Shares of ELEKTROBUDOWA SA	As at 14.11.2014
Jacek Faltynowicz President	-
Ariusz Bober Member of the Management Board	-
Janusz Juszczyk Member of the Management Board	-
Arkadiusz Klimowicz Member of the Management Board	-
Adam Świgiński Member of the Management Board	-
Sławomir Wołek Member of the Management Board	35

In the period from the date of issuing the previous interim report until 14 November 2014 there were no movements in the shareholding of the company's shares by the managing persons.

As at the date of issuing this report the supervising persons do not hold shares in the company.

In the period from the date of issuing the previous interim report to this date there were no movements in the shareholding of the company's shares by the supervising persons.

18. Other capital

18.1 Supplementary capital

	as at			
	30.09.2014	30.06.2014	31.12.2013	30.09.2013
	end of quarter/2014	end of prior quarter/2014	end of prior year/2013	end of quarter/2013
Supplementary capital:				
- share premium	100 676	100 676	100 676	100 676
- created as required by law	3 334	3 334	3 334	3 334
- created acc. to the Articles of Association, over (minimum) value required by law	196 845	196 845	218 810	218 810
- other (including transfer from reserves)	5 562	5 562	7 181	7 181
	306 417	306 417	330 001	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.

(all amounts in PLN thousands unless otherwise stated)

18.2 Capital from valuation of available-for-sale investments

	as at			
	30.09.2014 end of quarter/2014	30.06.2014 end of prior quarter/2014	31.12.2013 end of prior year/2013	30.09.2013 end of quarter/2013
Capital from valuation of available-for-sale investments				
- valuation of available-for-sale investments	1 336	1 336	1 336	2 052
- deferred tax related to investment valuation	(253)	(253)	(253)	(390)
	1 083	1 083	1 083	1 662

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.

18.3 Retained earnings

	as at			
	30.09.2014 end of quarter/2014	30.06.2014 end of prior quarter/2014	31.12.2013 end of prior year/2013	30.09.2013 end of quarter/2013
Retained earnings				
of which:	0	0	(17 991)	(17 991)
- restatement of share capital due to hyperinflation	(640)	(640)	(640)	0
- actuarial gains / losses	0	0	(25 776)	(25 776)
- prior years' gains / losses	20 335	7 871	13 306	5 338
- net profit of the period	19 695	7 231	(31 101)	(38 429)

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 provisions for deferred taxes

	as at			
	30.09.2014 end of quarter/2014	30.06.2014 end of prior quarter/2014	31.12.2013 end of prior year/2013	30.09.2013 end of quarter/2013
Deferred tax assets	64 086	59 598	47 861	46 632
Deferred tax provisions	(52 938)	(45 452)	(30 328)	(25 341)
Deferred corporate tax assets recognized in assets in the statement of financial position	11 148	14 146	17 533	21 291
Deferred tax provisions concerning foreign branches	(1 220)	(1 316)	(1 288)	(1 628)
Deferred corporate tax provisions recognized in liabilities in the statement of financial position	(1 220)	(1 316)	(1 288)	(1 628)
Total deferred income tax	9 928	12 830	16 245	19 663

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(all amounts in PLN thousands unless otherwise stated)

Structure of the deferred income taxes:

period ended 30 September 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	15 823	(1 130)	61	151	1 645	1 548	18 098
	- other changes	0	0	0	0	0	(1 611)	(1 611)
	end of period 30 September 2014	53 865	5 852	529	2 204	1 645	253	64 348
Provisions	beginning of period 1 January 2014	(29 454)	0	(576)	(22)	0	(1 564)	(31 616)
	- changes credited/charged to financial result	(22 636)	0	(49)	0	0	(119)	(22 804)
	end of period 30 September 2014	(52 090)	0	(625)	(22)	0	(1 683)	(54 420)
End of period, total		1 775	5 852	(96)	2 182	1 645	(1 430)	9 928

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
	- other changes	0	0	0	0	0	(1 611)	(1 611)
	end of period 30 June 2014	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)
	end of period 30 June 2014	(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

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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

period ended 30 September 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	5 014	1 228	30	450	0	4 131	10 853
	end of period 30 September 2013	31 289	7 446	456	1 965	0	5 476	46 632
Provisions	beginning of period 1 January 2013	(24 276)	0	(534)	(158)	0	(1 019)	(25 987)
	- changes credited/charged to financial result	(761)	0	(24)	0	0	(197)	(982)
	end of period 30 September 2013	(25 037)	0	(558)	(158)	0	(1 216)	(26 969)
End of period, total		6 252	7 446	(102)	1 807	0	4 260	19 663

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20. Current liabilities due to loans and borrowings

Current liabilities due to loans and borrowings, as at 30 September 2014

Lender	Registered office	Contractual loan amount		Amount to be repaid		Rate of interest	Contract validity	Collateral
		PLN'000	curr	PLN'000	curr			
ING BANK ŚLAŃSKI S.A. overdraft	Katowice	17 000	PLN	0	PLN	WIBOR 1M + bank margin	30.01.2016 *	assignment of receivables from contracts = 150% engagement; registered charges including assignment of rights to insurance policy: 1) on the punching machine TRUPUNCH, 2) on the line in Konin (the charge struck off following the Amendment 9 to the multiproduct agreement dtd 07.10.2014), 3) on four machines in Konin, 4) on the BYJET punching machine amd CNC press cutter in Tychy, 5) on the process line DIMECO in Tychy; first charge up to 3 000 thousand PLN (Dąbrowa G.) KW No.KA1D/00018183/0, incl. assignment of rigths to insurance policy; assignment of receivables from a contract with PSE (Byczyna)
working capital loan		85 000	PLN	14 900	PLN	WIBOR 1M + bank margin	30.01.2016	
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; first charge up to 50 000 thousand PLN (Tychy) KW No. KA1T/00060238/5 incl. assignment of rights to insurance policy; 2 blank bills 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	38 717	PLN	WIBOR 1M + bank margin	31.12.2017	
limit for credit cards		200	PLN					
BANK PEKAO S.A. overdraft	Cracow	10 000	PLN	0	PLN	WIBOR 1M + bank margin	30.04.2015 *	assignment of receivables from contracts = 100% engagement; first charge up to 22 400 thousand PLN (Konin) KW no. KN1N/00013390/8, incl. assignment of rights to insurance policy; 1 blank bill.
PKO BP S.A. overdraft	Warsaw	25 000	PLN	0	PLN	WIBOR 1M + bank margin	20.02.2015 *	assignment of receivables from contracts = 100% engagement; first charge up to 461 000 thousand PLN (Katowice) KW no. KA1K/00043349/3 incl. assignment of rights to insurance policy; 2 blank bills of exchange.
mBank S.A. overdraft	Warsaw	10 000	PLN	0	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.
		<u>214 200</u>		<u>53 617</u>				

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

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Current liabilities due to loans and borrowings, as at 30 June 2014

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	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 Górnica) 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	Warszawa	15 000	PLN	5 149	PLN	WIBOR 1M	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 (Mikolów) 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					
BANK PEKAO S.A. overdraft	Kraków	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 22 400 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	Warszawa	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	Warszawa	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)
		<u>194 200</u>		<u>45 677</u>				

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

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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 Górnicza) KW No.KA1D/00018183/0, incl. assignment of rights to insurance policy; assignment of receivables from a contract (PSE SA - OSP/DI/INW/102/2012 SŁUPSK)
working capital loan		47 000	PLN	0	PLN	+ bank margin WIBOR 1M + bank margin	30.06.2014	
BANK HANDLOWY S.A. overdraft	Warsaw	15 000	PLN	0	PLN	WIBOR 1M	14.10.2014 *	assignment of receivables from contracts = 80% engagement; 1 blank bill, secured by first charge 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) collateralized by first charge up to 50 000 thousand PLN (Tychy) KW No. KA1T/00060238/5 including assignment of rights to insurance policy; first charge up to 50 000 thousand PLN (Tychy) KW No. KA1T/00060238/5 including assignment of rights to insurance policy; monthly average receipts during a quarter = 15 000 thousand PLN; assignment of receivables from a contract (PSE SA - OSP/DI/INW/14/2013 SKAWINA).
working capital loan		52 000	PLN	5 400	PLN	+ bank margin 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	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.
						+ bank margin		
PKO BP S.A. overdraft	Warsaw	5 000	PLN	0	PLN	WIBOR 1M	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.
						+ bank margin		
mBank S.A. (former BRE BANK S.A.) overdraft	Warsaw	10 000	PLN	0	PLN	WIBOR ON	30.09.2014 *	assignment of receivables from contracts = 20% engagement ; monthly average turnover on accounts in the amount of 10 000 thousand PLN; 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).
						+ bank margin		
		144 200		5 941				

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

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Current liabilities due to loans and borrowings, as at 30 September 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 + bank margin	18.12.2015 *	assignment of receivables from contracts = 150% engagement; 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 Górnicza) KW No.KA1D/00018183/0, incl. assignment of rights from insurance policy; assignment of receivables from a contract with PSE (Byczyna)
working capital loan		47 000	PLN	20 000	PLN	WIBOR 1M + bank margin	18.12.2015	
BANK PEKAO S.A. overdraft	Cracow	10 000	PLN	0	PLN	WIBOR 1M + bank margin	30.04.2014 *	assignment of receivables from contracts = 100% engagement; first charge up to 11 505 thousand PLN (Konin) KW No.KN1N/00013390/8, incl. assignment of rights to insurance policy; 1 blank bill; 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 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; first charge up to 232 500 thousand PLN (Katowice) KW no. KA1K/00043349/3 incl. assignment of rights to insurance policy; 2 blank bills.
mBank S.A. (former BRE BANK S.A.) overdraft	Warsaw	10 000	PLN	8 412	PLN	WIBOR 1M + 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.
		<u>77 000</u>		<u>28 412</u>				

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

(all amounts in PLN thousands unless otherwise stated)

21. Finance lease agreements

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

	as at 30.09.2014 end of quarter/2014		as at 30.06.2014 end of prior quarter/2014		as at 31.12.2013 end of prior year/2013		as at 30.09.2013 end of quarter/2013	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments	Minimum payments	Present value of payments	Minimum payments	Present value of payments
Within 1 year	101	92	103	95	48	38	48	37
Between 1 and 5 years	213	205	238	226	43	40	55	50
Minimum lease payments, total	314	297	341	321	91	78	103	87
Less finance costs	17		20		13		16	
Present value of minimum lease payments	297		321		78		87	
- short-term		92		95		38		37
- long-term		205		226		40		50

(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		2 096	2 669
payment of benefits		(701)	(2 045)	(2 746)
reversal of provision	(584)		(2 989)	(3 573)
As at 30 September 2014	690	4 630	1 239	6 559
of which:				
- long-term	0	4 565	0	4 565
- short-term	690	65	1 239	1 994

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 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	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

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(all amounts in PLN thousands unless otherwise stated)

	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
	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	384	0	0	384
payment of benefits	0	(378)	0	(378)
reversal of provision	(369)	0	0	(369)
As at 30 September 2013	552	3 987	0	4 539
of which:				
- long-term	0	3 977	0	3 977
- short-term	552	10	0	562

(all amounts in PLN thousands unless otherwise stated)

23. Accrued expenses

	as at			
	30.09.2014 end of quarter/2014	30.06.2014 end of prior quarter/2014	31.12.2013 end of prior year/2013	30.09.2013 end of quarter/2013
Accrued expenses, of which:				
- unused holidays	4 987	4 987	3 779	4 815
- annual bonuses	2 718	2 718	5 082	2 635
- services	3 839	2 696	1 728	219
- provision for expected losses on contracts	7 801	4 924	10 879	22 223
- provision for disputed employee claims	2 000	2 000	2 000	2 000
- received grant	0	0	0	1 469
	21 345	17 325	23 468	33 361

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

24. Other operating income and expense

	9 months ended 30.09.2014	9 months ended 30.09.2013
	Other operating income	
- gains on disposal of non-finance fixed assets	0	1 693
- interest on delayed payments	1 052	1 963
- interest on money sources on bank accounts	123	356
- currency exchange differences	577	0
- penalties and compensations	4 325	2 024
- recognized PPE (land)	957	0
- legal expenses	376	310
- compensation received from insurance	240	674
- material waste recycling	370	0
- other	246	463
	8 266	7 483

Penalties and compensations received by the company during the three quarters of 2014 were mainly 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 916 thousand PLN,
- unused provision for expected losses 2 989 thousand PLN.

(all amounts in PLN thousands unless otherwise stated)

	9 months ended 30.09.2014	9 months ended 30.09.2013
Other operating expenses		
- loss on disposal of non-finance fixed assets	(319)	0
- donations	(104)	(174)
- provisions for impairment of receivables	(5 116)	(6 123)
- inventory write-down	(244)	(17)
- fees and charges	(4 421)	(3 513)
- court fees and penalties	(4 376)	(291)
- currency translation differences	0	(889)
- costs of damage repair	(205)	(383)
- benefits and indemnities paid to employees	(533)	(104)
- other	(481)	(2 173)
	(15 799)	(13 667)

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

Impairment provisions for receivables are created when it is highly probable that they will not to be paid.

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.

During the three quarters of 2014 the impairment provisions referred to the following receivables:

- in bankruptcy proceedings (544) thousand PLN,
- in court proceedings 272 thousand PLN,
- other overdue debts (4 844) thousand PLN.

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

- on provided bank guarantees (3 915) thousand PLN,
- on released credits (506) thousand PLN.

Penalties and court fees in the three quarters of 2014 included:

- environmental fees (21) thousand PLN,
- costs of court fees (533) thousand PLN,
- penalties for breach of regulations (50) thousand PLN,
- penalties relating to performance of construction contracts (2 533) thousand PLN,
- provision for expected penalties and compensations (1 239) thousand PLN.

The company creates provisions for future payables which maturities or amounts are not certain.

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

25. Finance income and costs

	9 months ended 30.09.2014	9 months ended 30.09.2013
Financial income		
- dividends and share in profit of related parties	6 156	2 646

(all amounts in PLN thousands unless otherwise stated)

	9 months ended 30.09.2014	9 months ended 30.09.2013
Financial costs		
- interest on credits	(1 071)	(769)
- fees and charges of working capital loans	(212)	0
- interest on leases	(9)	(8)
- provision for impairment of shares	(97)	(213)
	(1 389)	(990)

26. Income tax

	9 months ended 30.09.2014	9 months ended 30.09.2013
Income tax shown in the statement of comprehensive income, of which:		
- tax of the current financial year	0	(4 941)
- deferred tax	(4 706)	9 871
- tax of foreign branches	(516)	(7 958)
- other settlements	7	(2)
	(5 215)	(3 030)

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 inconsistency 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 company might be increased by additional tax liability. In the opinion of the Management, as at 30 September 2014 suitable amount of provision / liability was created for recognized and calculable tax risk.

	9 months ended 30.09.2014	9 months ended 30.09.2013
Profit before taxes	25 550	8 368
Tax amount calculated according to 19% rate	4 855	1 590
Permanent differences	(150)	(5 133)
Differences relating to different tax rates applicable to foreign branches	510	6 573
Income tax	5 215	3 030
Effective tax rate (%)	20,4	36,2

(all amounts in PLN thousands unless otherwise stated)

27. Financial instruments

Comparison of carrying values and fair values of all instruments held by the company, broken down 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 September 2014	as at 30.09.2014 end of quarter/2014	as at 30.06.2014 end of prior quarter/2014	as at 31.12.2013 end of prior year/2013	as at 30.09.2013 end of quarter/2013	amount charged to revaluation capital in 3 quarters 2014	amount charged to profit or loss in 3 quarters 2014
1. Loans extended and own receivables		230 960	231 601	252 978	258 875	0	(3 543)
a) long-term receivables due to sale of non-current assets	amortised cost	820	803	959	1 100	0	21
b) long-term receivables due to retentions	amortised cost	10 816	12 891	22 936	7 519	0	560
c) short-term trade and other receivables	amortised cost	219 324	217 907	229 083	250 256	0	(4 124)
2. Available-for-sale investments		2 239	2 239	2 239	2 955	0	0
a) shares of PI Biprohut Sp. z o.o.	fair value	2 215	2 215	2 215	2 931	0	0
b) shares of Famak S.A.	book value	24	24	24	24	0	0
3. Cash and cash equivalents	amortised cost	49 263	53 488	70 900	75 564	0	(4 693)
Total financial assets		282 462	287 328	326 117	337 394	0	1 150

Fair value of shares in PI Biprohut Sp. z o.o. based in Gliwice 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 September 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.

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(all amounts in PLN thousands unless otherwise stated)

27.2 Financial liabilities

Type of financial instrument	method of measurement as at 30 September 2014	as at	as at	as at	as at	amount charged to revaluation capital in 3 quarters 2014	amount charged to profit or loss in 3 quarters 2014
		30.09.2014	30.06.2014	31.12.2013	30.09.2013		
		end of quarter/2014	end of prior quarter/2014	end of prior year/2013	end of quarter/2013		
1. Other financial liabilities							
a) other long-term financial liabilities	amortised cost	13 563	13 543	12 279	11 701	0	(188)
b) other short-term trade and other payables	amortised cost	215 739	198 459	210 065	173 714	0	(3 907)
c) loans	amortised cost	53 617	45 677	5 941	28 412	0	(1 071)
Financial instruments recognised in liabilities - total		282 919	257 679	228 285	213 827	0	(5 166)

(all amounts in PLN thousands unless otherwise stated)

28. Contingent liabilities and liabilities on bills of exchange

	as at			
	30.09.2014 end of quarter/2014	30.06.2014 end of prior quarter/2014	31.12.2013 end of prior year/2013	30.09.2013 end of quarter/2013
Contingent liabilities				
a) guarantees	321 475	334 237	337 792	317 619
to secure				
- contract performance and remedy of defects	294 756	303 697	295 103	287 384
- payment	1 398	2 796	2 009	6 211
- bid bond	9 115	11 580	24 556	7 807
- other	16 206	16 164	16 124	16 217
b) bills of exchange	20 058	20 056	20 654	21 610
	341 533	354 293	358 446	339 229

The above guarantees generally include contract bonds, and also 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.

As at 30 September 2014, the advances received for deliveries were secured by bank guarantees in the total amount of 165 176 thousand PLN.

In the period from January within September 2014 the company provided its customers with guarantees issued by banks or insurance companies for the total amount of 109 682 thousand PLN, to secure:

- contract performance and defect liability	42 507 thousand PLN,
- advance payment	56 685 thousand PLN,
- bid bond	9 092 thousand PLN,
- due payments	1 398 thousand PLN.

During the three quarters of 2014 ELEKTROBUDOWA SA extended guarantees, total value of which relating to a single business partner exceeded 10% of the company's equity, for:

a) TAURON Ciepło S.A.	175.6 million PLN.
- performance bond and warranty bond	72.9 million PLN,
- advance payment	102.7 million PLN,
b) ANWIL S.A.	53.9 million PLN.
- performance bond and warranty bond	3.9 million PLN,
- advance payment	50.0 million PLN,
c) PSE S.A.	44.9 million PLN.
- performance bond and warranty bond	40.9 million PLN,
- bid bond	4.0 million PLN.

Other contingent liabilities in respect of the following issues: taxes, pending cases, performance of construction contracts, with the description of their nature are specified in Notes 26, 15 and 35, respectively. In the presented comparable periods the company did not provide any sureties.

29. Dividend paid (or proposed) 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 was 22 July 2014, the date of dividend payment was 5 August 2014.

(all amounts in PLN thousands unless otherwise stated)

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:

	9 months ended 30.09.2014	9 months ended 30.09.2013
a) sales:		
- sales of goods – the Power Equipment Production Plant VECTOR Ltd.	5 758	23 311
- sales of materials - the Power Equipment Production Plant VECTOR Ltd.	617	1 019
- sales of services - SAUDI ELEKTROBUDOWA LLC	0	266
- sales of services – KONIP Sp. z o.o.	66	65
- sales of materials – KONIP Sp. z o.o.	5	0
- sales of services – ENERGETEST sp. z o.o.	60	85
- sales of goods – ENERGETEST sp. z o.o.	1 270	143
- sales of goods - ELEKTROBUDOWA UKRAINE Ltd.	8 154	8 568
b) purchases:		
- purchase of services – VECTOR Ltd.	1	22
- purchase of services - SAUDI ELEKTROBUDOWA LLC	0	322
- purchase of services – KONIP Sp. z o.o.	909	790
- purchase of services – ENERGETEST sp. z o.o.	4 122	2 396
- purchases of materials – ENERGETEST sp. z o.o.	2 757	2 224
- other purchase - ENERGETEST sp. z o.o.	5	0

Mutual balances:

	as at 30.09.2014	ss at 31.12.2013
- payables of ELEKTROBUDOWA SA to KONIP Sp. z o.o.	120	83
- payables of ELEKTROBUDOWA SA to ENERGETEST sp. z o.o.	2 985	1 864
- payables of ELEKTROBUDOWA SA to VECTOR Ltd.	0	5

(all amounts in PLN thousands unless otherwise stated)

- receivables of ELEKTROBUDOWA SA from "VECTOR" Ltd.	1 743	5 038
- receivables of ELEKTROBUDOWA SA from SAUDI ELEKTROBUDOWA LLC	0	250
- receivables of ELEKTROBUDOWA SA from ELEKTROBUDOWA UKRAINE Ltd.	1 791	936
- receivables of ELEKTROBUDOWA SA from KONIP Sp. z o.o.	9	0
- advance paid by ELEKTROBUDOWA SA to SAUDI ELEKTROBUDOWA LLC	218	0

As at 30 September 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, there were no recognized costs relating to doubtful or bad debts associated with the transactions with related parties. Unsettled balances of receivables and payables are not collateralized and will be settled in cash when mature.

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

32. Changes in presentation of the financial statements

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

- a) referring to the statement of financial position as at 30 September 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 1 090 thousand PLN,
 - non-current prepayments (1 090) thousand PLN,
 - change in presentation of finance lease commitments
 - other non-current liabilities 50 thousand PLN,
 - current trade and other liabilities (50) thousand PLN.
- b) referring to the statement of comprehensive income for the nine months ended 30 September 2013, in order to provide presentation of relevant items according to the requirements of IAS 1.82:
- before the change in presentation of other operating income and expenses
 - other operating expenses (3 804) thousand PLN,
 - other profit (loss) - net (2 380) thousand PLN,
 - finance income (cost) - net 1 656 thousand PLN,
 - after the change in presentation of other operating income and expenses
 - other operating income 7 483 thousand PLN,
 - other operating expenses (13 667) thousand PLN,
 - finance income 2 646 thousand PLN,
 - finance cost (990) thousand PLN,
- c) referring to the statement of cash flows for the nine months ended 30 September 2013, 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 (11) thousand PLN,
 - other adjustments 11 thousand PLN.

(all amounts in PLN thousands unless otherwise stated)

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.

33. The Management Board and the Supervisory Board

Composition of the Management Board as at 30 September 2014

Faltynowicz Jacek	-	President
Bober Ariusz	-	Member
Juszczak Janusz	-	Member
Klimowicz Arkadiusz	-	Member
Świąłowski Adam	-	Member
Wołak Sławomir	-	Member

Composition of the Management Board as at 30 September 2014 was the same as at 31 December 2013.

Composition of the Supervisory Board as at 30 September 2014

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

Composition of the Supervisory Board as at 31 December 2013

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)

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.

The review of the interim financial statements for the period from 01.01.2013 to 30.06.2013 and the audit of the 2013 annual financial statements of ELEKTROBUDOWA SA and the annual 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 thousands of PLN, VAT excluded.

35. Litigations, court proceedings

Presented below are the litigations and court proceedings in which the company is a party, 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, provided by the Finnish Electrical Workers' Trade Union 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.

(all amounts in PLN thousands unless otherwise stated)

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.

Upon a written request of ELEKTROBUDOWA SA the European Court of Justice Office decided to convene a sitting in order to analyse the case and hear the parties. Besides hearing the parties' submissions, the opinions were presented by the representatives of the Finnish Ministry of Foreign Affairs, the European Commission, the Polish Ministry of Foreign Affairs, Norway and Germany.

Finally, on 18 September 2014 the European Court of Justice issued its opinion together with the judgement by Advocate General. The opinion is positive in respect of issues concerning minimum rate of pay, wage categories and the daily allowances for posted workers, and negative in respect of assignment of Elektrobudowa's employees' wages to the Finnish Electrical Workers' Union. The judgement will probably be rendered at the end of 2014 or beginning of 2015.

Following the decision of the District Court Satakunta in Rauma, the claim of the the Finnish Electrical Workers' Trade Union was secured by a bank guarantee for the amount of 2 900 thousand EUR valid until 30 September 2015. The 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) as at the date of the financial statements the proceedings were stayed.

(all amounts in PLN thousands unless otherwise stated)

- A lawsuit for payment of remuneration from Contract Amendments (Amendments No. 109011/567/2011 of 30.12.2011 and No. 109011/577/2011 of 30.12.2011)
 - b) claimed amount: 3 522 thousand PLN,
 - c) date of filing the suit: 20.01.2014,
 - d) 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.
- 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 date of closed session was fixed for 28 October 2014.
- A summons to a conciliation hearing concerning works performed without a formal order
 - 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).

36. Representation of the Management of ELEKTROBUDOWA SA on realization of the published forecast

After the nine months of 2014 the company generated a net profit amounting to 20 335 thousand PLN, while the sales revenues amounted to 724 377 thousand PLN. In the 2014 budget of ELEKTROBUDOWA SA, published on 14.04.2014 it is assumed that the annual sales revenues will be realized on the level of 1 180 376 thousand PLN and the net profit will amount to 23 578 thousand PLN. The value of orders budgeted for 2014 is 1 001 492 thousand PLN. The company enters the fourth quarter of the year with a considerable order backlog worth 1 693 845 thousand PLN, whereas the value of orders received during the nine months of 2014 amount to 532 590 thousand PLN.

In the opinion of the Management, realization of the announced budget is not at risk.

37. Additional information

Pursuant to the Regulation of the Minister of Finance dated 19 February 2009 on current and interim information provided by issuers of securities and with the conditions of acknowledging the equivalence of information required by laws of a non-member country, the company discloses the key events concerning the company that took place during the third quarter of 2014:

16.07.2014 – the company informed about signing a subsequent contract was signed with EDF Polska S.A. having its registered office in Warsaw. The aggregate value of contracts concluded with EDF Polska S.A. within the past 12 months to date is 33 161 234.11 PLN net. The contract signed on 11 March 2014 for the price of 15 466 000.00 PLN net was the agreement of the highest value. The scope of the contract includes modernization of substations for the EDF Group, of which for EDF Polska SA Oddział Wybrzeże w Gdańsku – Elektrociepłownia Gdańska EC 2 modernization of three 6kV substations, for Zespół Elektrociepłowni Wrocławskich KOGENERACJA SA – Elektrociepłownia Wrocław modernization of 6kV and 0.4 kV substation.

(all amounts in PLN thousands unless otherwise stated)

23.07.2014 – the company informed about signing of 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. By this Amendment the limit of the multipurpose credit facility was increased up to the amount of 307193 750.00 PLN.

26.09.2014 – the company informed about receiving a communication from Powszechnie Towarzystwo Emerytalne Allianz Polska S.A. managing Allianz Polska Otwarty Fundusz Emerytalny further referred to as OFE and managing Allianz Polska Dobrowolny Fundusz Emerytalny further referred to as DFE, notifying that in result of merger of OFE Warta and Allianz Polska OFE which took place on 19 September 2014, the share in the share capital and total number of votes in ELEKTROBUDOWA SA on the accounts of Allianz Polska OFE and DFE increased, to exceed 5%. Before the merger, 299 730 shares of ELEKTROBUDOWA SA had been recorded in the accounts of OFE, OFE Warta and DFE, representing a 6.31% share in the company's share capital and conferring the right to 299 730 votes representing a 6.31% share in the total number of votes in the general meeting of the company. After the transaction, balance of the account of OFE and DFE increased to 299 730 shares of the company, representing a 6.31% share in its share capital and conferring the right to 299 730 votes having a 6.31% share in the total number of votes in the general meeting of the company.

26.09.2014 - the company disclosed that it was notified by EDF Polska S.A. based in Cracow about the selection of tender submitted by ELEKTROBUDOWA SA in the contract award procedure for the project: "Engineering and construction of new peak heat boilers (Balance of Plant) in EDF Polska S.A. Branch in Cracow". Value of works as per the tender is PLN 55 800 000.00, net.

Events that happened after 30 September 2014 and not included in the condensed financial statements, but which may have a significant impact on the company's performance:

On 14 October 2014 the company announced signing a contract with EDF Polska S.A. based in Warsaw for "Engineering and construction of new peak heat boilers (Balance of Plant) in EDF Polska S.A. Branch in Cracow". The contract price is PLN 55 800 000.00, net.

On 4 November 2014 the company informed about signing a contract between PGE Energia Odnawialna S.A. having its registered office in Warsaw, hereinafter referred to as "Purchaser", and the Consortium of: Mega S.A. having its registered office in Gdynia (Leader) and ELEKTROBUDOWA SA (Partner) hereinafter referred to as "Contractor" for execution of the project named "Engineering and construction of the Resko Wind Farm Stage II of total installed capacity 76 MW, including output lead connection". The scope to be performed by ELEKTROBUDOWA SA includes engineering and civil construction works relating to MV cable lines and the End-User Substation. The contract price for good performance of the contract is 66 380 000.00 PLN net, of which 26 912 000.00 PLN net for ELEKTROBUDOWA SA.

38. Significant events after the balance sheet date

No other events have occurred after the balance sheet date, except for the disclosed above, which could have a significant impact on the economic position or the financial result of the company.