

ELEKTROBUDOWA SA GROUP

Interim condensed consolidated financial statements

for the period of 9 months ended 30 September 2014

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ELEKTROBUDOWA SA

Interim condensed consolidated financial statements for the nine months ended 30 September 2014

(all amounts in PLN thousands unless otherwise stated)

Consolidated 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					
		175 055	182 481	199 527	188 818
Property, plant and equipment	7	87 326	85 936	88 574	89 625
Intangible assets	8	41 447	44 165	40 791	39 216
Investments in associates	9	19 182	20 206	24 228	24 024
Available-for-sale financial assets		2 523	2 523	2 523	3 228
Non-current receivables		11 636	13 694	24 065	9 180
Deferred income tax assets	18	11 657	14 543	17 768	21 819
Non-current prepayments	10	1 284	1 414	1 578	1 726
Current assets					
		649 382	622 504	576 137	560 266
Inventories	11	63 949	67 002	57 937	69 715
Trade and other receivables		231 067	229 642	245 253	264 040
Available-for-sale financial assets		24	24	24	24
Other financial assets		453	512	500	500
Other non-finance assets	13	17 180	24 284	32 140	8 248
Amounts due from contractors for construction contract work	14	281 549	240 343	159 795	135 384
Cash and cash equivalents		54 914	60 435	80 488	82 355
Fixed assets held for sale	15	246	262	0	0
Total assets		824 437	804 985	775 664	749 084
EQUITY AND LIABILITIES					
Equity					
		330 158	317 451	326 724	314 846
Issued share capital	16	10 003	10 003	26 375	26 375
Supplementary capital	17.1	305 046	305 046	328 630	328 630
Capital from valuation of available-for-sale investment	17.2	1 326	1 326	1 326	1 896
Exchange differences from translating data of foreign branches		(1 617)	(1 652)	(2 006)	(4 423)
Exchange differences from translating of financial statements of associates		(4 213)	(2 792)	(1 412)	(72)
Retained earnings	17.3	19 230	5 071	(27 299)	(38 426)
Total equity attributable to shareholders of the company		329 775	317 002	325 614	313 980
Minority interest in equity		383	449	1 110	866
Liabilities and provisions					
Non-current liabilities and provisions					
		19 532	19 813	19 404	18 023
Deferred income tax provisions	18	1 220	1 316	1 851	2 085
Employee benefits provisions	21	4 749	4 954	5 215	4 173
Other liabilities		13 563	13 543	12 338	11 765
Current liabilities and provisions					
		474 747	467 721	429 536	416 215
Trade and other payables		351 560	343 147	338 248	290 953
Corporate income tax liabilities		8 802	8 399	9 064	9 738
Loans and borrowings	19	53 617	45 677	5 941	28 412
Current provisions	21	2 232	3 089	5 416	804
Accrued expenses	22	23 312	18 962	25 095	35 147
Amounts due to customers for construction contract work	14	35 224	48 447	45 772	51 161
Total liabilities and provisions		494 279	487 534	448 940	434 238
Total equity and liabilities		824 437	804 985	775 664	749 084

ELEKTROBUDOWA SA

Interim condensed consolidated financial statements for the nine months ended 30 September 2014

*(all amounts in PLN thousands unless otherwise stated)***Consolidated 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		314 456	756 798	251 805	634 648
Cost of products, goods and materials sold		(291 370)	(712 835)	(238 152)	(604 748)
Gross profit on sales		23 086	43 963	13 653	29 900
Selling costs		(1 050)	(2 364)	(1 158)	(3 474)
General administrative expenses		(3 545)	(12 213)	(3 848)	(12 031)
Other operating income	23	1 997	8 880	2 486	7 758
Other operating expenses	23	(2 752)	(16 039)	(4 640)	(13 755)
Operating profit		17 736	22 227	6 493	8 398
Finance income	24	0	56	0	46
Finance costs	24	(629)	(1 302)	(820)	(1 359)
Share of net profit of associates measured according to equity method		336	(169)	1 380	1 593
Gross profit before income tax		17 443	20 812	7 053	8 678
Income tax expense	25	(3 350)	(4 685)	(2 351)	(3 119)
Net profit from continuing operations		14 093	16 127	4 702	5 559
Discontinued operations					
Net profit from discontinued operations for the period		0	0	0	0
Net profit for the period		14 093	16 127	4 702	5 559
<i>of which:</i>					
- attributable to equity holders of ELEKTROBUDOWA SA		14 159	16 274	4 640	5 467
- attributable to non-controlling interests		(66)	(147)	62	92
Other comprehensive income		(1 386)	(2 620)	(2 509)	(100)
<i>of which:</i>					
Total other comprehensive income reclassifiable to profit or loss		(1 386)	(2 620)	(2 509)	(100)
- exchange differences from translating data of foreign branches		35	389	(1 502)	795
- exchange differences from translation of subsidiaries and associates allocated to the parent		(1 421)	(2 801)	(956)	(889)
- exchange differences from translation of data of subsidiaries and associates, allocated to non-controlling interests		0	(208)	(51)	(6)
Other comprehensive income not reclassifiable to profit or loss		0	0	0	0
Total comprehensive income for the period		12 707	13 507	2 193	5 459
<i>of which:</i>					
- profit for the shareholders of ELEKTROBUDOWY SA		12 773	13 862	2 182	5 373
- non-controlling interests		(66)	(355)	11	86
Earnings per share from continuing and discontinued operations attributable to the shareholders of ELEKTROBUDOWA SA (in PLN per one share)					
- basic		2,98	3,43	0,98	1,15
- diluted		2,98	3,43	0,98	1,15

ELEKTROBUDOWA SA
Interim condensed consolidated financial statements for the nine months ended 30 September 2014

(all amounts in PLN thousands unless otherwise stated)

Consolidated statement of changes in equity

	Attributable to equity holders of ELEKTROBUDOWA SA							
	Issued share capital	Supplementary capital	Capital from valuation of available-for-sale investment	Exchange differences from translation of data of foreign branches	Retained earnings	Exchange differences from translation of financial statements of related entities	Non-controlling interests	Total equity
note	16	17.1	17.2		17.3			
As at 1 January 2014	26 375	328 630	1 326	(2 006)	(27 299)	(1 412)	1 110	326 724
<i>Currency translation differences</i>					16 274		(147)	16 127
<i>Net profit</i>				389		(2 801)	(208)	(2 620)
Total comprehensive income				389	16 274	(2 801)	(355)	13 507
Distribution of profit		3 811			(3 811)			0
Clearing of corrected prior years' profit or loss		(25 776)			25 776			0
Clearing of capital restatement due to hyperinflation	(16 372)	(1 619)			17 991			0
Dividend payment					(9 495)			(9 495)
Other changes					(206)		(372)	(578)
As at 30 September 2014	10 003	305 046	1 326	(1 617)	19 230	(4 213)	383	330 158

ELEKTROBUDOWA SA
Interim condensed consolidated financial statements for the nine months ended 30 September 2014

(all amounts in PLN thousands unless otherwise stated)

	Attributable to equity holders of ELEKTROBUDOWA SA							
	Issued share capital	Supplementary capital	Capital from valuation of available-for-sale investment	Exchange differences from translation of data of foreign branches	Retained earnings	Exchange differences from translation of financial statements of related entities	Non-controlling interests	Total equity
note	16	17.1	17.2		17.3			
As at 1 January 2013	26 375	303 628	1 896	(5 218)	(9 396)	817	780	318 882
<i>Net profit</i>					17 213		372	17 585
<i>Currency translation differences</i>				3 212		(2 229)	(42)	941
<i>Valuation of available-for-sale-investments</i>			(704)					(704)
<i>Deferred tax on valuation of available-for-sale investments</i>			134					134
<i>Restatement of employee benefits liabilities</i>					(764)			(764)
<i>Deferred income tax on restatement of employee benefits liabilities</i>					145			145
Total comprehensive income			(570)	3 212	16 594	(2 229)	330	17 337
Distribution of profit		27 007			(27 007)			0
Dividend payment					(9 495)			(9 495)
Other changes		(2 005)			2 005			0
As at 31 December 2013	26 375	328 630	1 326	(2 006)	(27 299)	(1 412)	1 110	326 724

ELEKTROBUDOWA SA
Interim condensed consolidated financial statements for the nine months ended 30 September 2014

(all amounts in PLN thousands unless otherwise stated)

	Attributable to equity holders of ELEKTROBUDOWA SA							
	Issued share capital	Supplementary capital	Capital from valuation of available-for-sale investment	Exchange differences from translation of data of foreign branches	Retained earnings	Exchange differences from translation of financial statements of related entities	Non-controlling interests	Total equity
note	16	17.1	17.2		17.3			
As at 1 January 2013	26 375	303 628	1 896	(5 218)	(9 396)	817	780	318 882
<i>Net profit</i>					5 467		92	5 559
<i>Currency translation differences</i>				795		(889)	(6)	(100)
Total comprehensive income				795	5 467	(889)	86	5 459
Distribution of profit		27 007			(27 007)			0
Dividend payment					(9 495)			(9 495)
Other changes		(2 005)			2 005			0
As at 30 September 2013	26 375	328 630	1 896	(4 423)	(38 426)	(72)	866	314 846

*(all amounts in PLN thousands unless otherwise stated)***Consolidated 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	17 443	20 812	7 053	8 678
Share of net profit of associates measured according to equity method	(336)	169	(1 380)	(1 593)
Depreciation and amortisation	3 398	10 170	4 028	11 176
Gains / losses on currency exchange differences	859	(115)	(157)	(242)
Interest and share in profit (dividends)	417	1 034	820	1 313
Profit from / loss on sale of property, plant and equipment	(42)	228	(1 721)	(1 741)
Change in inventories	3 053	(6 012)	3 663	(20 179)
Change in trade and other receivables	(2 327)	30 064	(8 049)	18 564
Change in liabilities, except loans and borrowings	20 477	10 762	97 265	16 924
Income tax paid	(186)	(1 174)	(2 357)	(5 779)
Change in other non-finance assets	11 454	13 177	46	5 083
Change in non-current prepayments and accrued expenses	130	294	(739)	(1 267)
Change in settlements of construction contracts	(54 429)	(132 302)	(26 875)	4 915
Other adjustments	120	(1 401)	(963)	760
Net cash generated from / used in operating activities	31	(54 294)	70 634	36 612
Cash flows from investing activities				
Sale of intangible assets and PPE	15	327	2 774	2 913
Dividend and share in profits	0	1 332	1 435	2 654
Other inflows	0	0	787	787
Purchase of intangible assets and PPE	(2 398)	(9 775)	(5 947)	(12 849)
Net cash used in investing activities	(2 383)	(8 116)	(951)	(6 495)
Cash flows from financial activities				
Proceeds from loans and borrowings	13 340	65 076	3 994	20 246
Dividends and other payments to equity holders	(9 495)	(9 495)	(9 495)	(9 495)
Repayment of loans and borrowings	(5 400)	(17 400)	0	(3 035)
Interest	(522)	(1 090)	(258)	(797)
Payments relating to finance lease contracts	(21)	(158)	(48)	(117)
Other outflows	(212)	(212)	0	0
Net cash generated from / used in financial activities	(2 310)	36 721	(5 807)	6 802
Net increase / decrease in cash and bank overdrafts	(4 662)	(25 689)	63 876	36 919
Balance sheet change in cash and bank overdrafts	(5 521)	(25 574)	64 033	37 161
Change in cash due to currency translation differences	(859)	115	157	242
Cash and bank overdrafts at beginning of period	60 435	80 488	18 322	45 194
Cash and bank overdrafts at end of period	54 914	54 914	82 355	82 355

1. Composition of the group and its principal business

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

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

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

The Parent - ELEKTROBUDOWA SA 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.

A subsidiary KONIP Sp. z o.o. (Ltd) with its registered office at 12, Porcelanowa Str., 40 -246 Katowice. ELEKTROBUDOWA SA holds a 100% stake in KONIP Sp. z o.o.

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

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

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

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

(all amounts in PLN thousands unless otherwise stated)

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

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

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

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

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

As at 30 September 2014 ELEKTROBUDOWA SA held 49% of VECTOR's share capital. The percentage of ELEKTROBUDOWA's stake in the equity of VECTOR is equal to the percentage of voting rights in its General Meeting of Shareholders.

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

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

As at 30 September 2014 ELEKTROBUDOWA SA held 33% of shares representing 33% of the share capital of SAUDI ELEKTROBUDOWA, equal to the percentage of voting rights in the General Meeting of Shareholders.

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

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

2.1 Basis for preparation of the interim condensed consolidated financial statements

The ELEKTROBUDOWA SA group 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 consolidated financial statements ("the consolidated 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 interim condensed consolidated financial statements of the group 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 consolidated financial statements have been prepared under the assumption that the group will continue in operational existence in the foreseeable future. As at the date of authorizing the financial statements there are no circumstances indicating that the continuity of the group's business operations will be at risk.

The financial statements of all related entities have been prepared for the same period as the statements of the parent, according to the consistent accounting principles.

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

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

2.2 Consolidation

Subsidiaries

Subsidiaries are all entities controlled by the parent. It is assumed that control occurs when the parent, due to involvement with the subsidiary, is exposed, or has rights, to variable returns from its involvement and has the ability to affect those returns through its power over the entity.

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

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

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

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

Associates

Associates are all entities over which the parent has significant influence, participating in formulating their financial and operational policies, but has no control over them.

In the consolidated financial statements the associates are accounted for using the equity method.

Profits or losses, assets and liabilities of associates are recognised in the consolidated financial statements using the equity method. According to this method, investments in an associate are recognised in the consolidated statement of financial position under historical cost convention, with necessary adjustment reflecting the changes of the group's share of net assets of an associate happened after the acquisition date, less impairment of investments. The group's share of its associates' profits is recognised in the statement of comprehensive income. Unrealised gains or losses on transactions between the group and its associates are eliminated to the extent of the group's interest in associates. The amount of dividend due to the group from the associates is also eliminated.

2.3. 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 parent's functional currency and the presentation currency of the present interim condensed consolidated financial statements of the ELEKTROBUDOWA SA group. Data presented in the consolidated 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 and foreign related parties 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 and related entities 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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(all amounts in PLN thousands unless otherwise stated)

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 consolidated statements 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

2.4 Significant accounting principles (policies)

The accounting principles (policies) adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the group'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.

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.

2.5 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.

The group did not decide to apply earlier any other standards, interpretations or amendments that had been published but which had not yet entered into force in the light of the EU legislation.

The parent 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 group's consolidated financial statements.

2.6 Significant values based on professional judgements and assumptions

The preparation of the group's interim condensed consolidated 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 consolidated financial statements no significant changes of estimated values or methodology of making estimates occurred, which would have impact on the current or future periods, other than those presented below or further in the text of these interim condensed financial statements.

2.6.1 Professional judgement

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

Classification of lease agreements where the group is a lessee

The group classifies a lease as operating or financial on the basis of assessment what portion of risks and rewards of ownership is transferred to the lessor and what portion to the lessee. The parent concluded lease agreements for the use of fixed assets qualified to group 7 and 8, their value at the inception was 424 thousand PLN. ELEKTROBUDOWA SA has all substantial risks and rewards of ownership of those vehicles and equipment, basing on the economic content of each transaction. Finance lease liabilities are presented in Note 20.

Impairment of interest in associates

The parent analyses whether there is any indication that its interest in subsidiaries and associates may be impaired in accordance with IAS 36. In the analysis the indications of impairment loss defines in IAS 39 were applied. The assessment, whether there is any indication that the interest in associates is impaired, is presented in Note 9.

Joint operation arrangements

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

(all amounts in PLN thousands unless otherwise stated)

2.6.2 Uncertainty of estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The parent based its assumptions and estimates on parameters available when the consolidated financial statements were prepared.

However, 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. Goodwill is annually tested for impairment. In its analyses carried as at 30 September 2014, the group did not identify any indications for impairment of the available-for-sale financial assets or goodwill.

Valuation of employee benefits provision

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

Deferred tax asset

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

Valuation of warranty repair provision

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

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

At the end of each reporting period the group entities review 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 group uses the percentage of completion method to determine the amounts due to or due from the construction contract customers. The stage of completion is measured by reference to the contract costs incurred up to the balance sheet date as a percentage of total estimated costs for each contract.

Details of revenue and costs relating to the construction contracts for the reporting period are presented in Note 14.

(all amounts in PLN thousands unless otherwise stated)

Provision for costs of delay in completion of contracts

The group 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 group's entity 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 21.

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 Management is guided by professional judgement. The way of establishing fair values of different financial instruments is presented in Note 26.

Valuation of inventories

As at the end of the reporting period the entities assessed whether there is an indication that an asset may be impaired. The inspection of stocks and the analysis of data from rotation records showed that the value in use or trading value of inventories impaired (partially or fully). Therefore it is justified to reduce the carrying amount of an asset to its net selling price. An entity determines a reliable net selling price for each group or each item of inventories. The provisions for impairment are presented in Note 11.

Useful life of fixed tangible assets

The group verifies annually the final value, method of depreciation and expected useful lives of the fixed tangible assets which are subject to depreciation.

The Management assesses that the fixed tangible assets are evenly utilized. Impairment provisions are determined by estimating usage terms and even distribution of the depreciable value. In order to confirm the correctness of their assumed usage terms, fixed tangible assets are inspected to assess their:

- wear and tear,
- obsolescence,
- intensity of usage to date,
- intensity of current and future usage,
- expected useful lives,
- availability of spare parts and consumables.

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

3. Changes in estimates

In the period of 9 months ended 30 September 2014 and as at 30 September 2014 the group verified and updated its estimates in important areas, described in Note 2.6.

4. Changes to the group structure

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

(all amounts in PLN thousands unless otherwise stated)

5. Seasonality or cyclicity of operations

Periodization of work is characteristic for the entities of the group which operate in the construction sector or render services for investment projects.

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

Weather and market conditions in which the business segments of the ELEKTROBUDOWA SA group operate, as well as 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 by the group in the last quarter of the reporting year.

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

	Q1 2014	Q2 2014	Q3 2014	Total 3 quarters of 2014
Sales revenue	184 441	257 901	314 456	756 798
Net profit	(3 128)	5 162	14 093	16 127
Profitability index	1.7%	2.0%	4.5%	2.1%

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 756 798 thousand PLN, which constituted 61.3% of revenue budgeted for 2014.

In the consecutive quarters of the financial year the ELEKTROBUDOWA SA group recorded a dynamic growth in net profit. The net profit for the 3 quarters of 2014 totalled 16 127 thousand PLN and realized the budgeted value on the level of 70.2%.

6. Segment information

Primary reporting format – business segments

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

The operations of business segments consist in providing construction and installation services, construction of power facilities, providing automation systems and manufacturing of electrical and industrial automation equipment.

The group's reportable segments are its strategic and organizational divisions 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 five reportable segments:

- The segment: Power Generation Division provides services for power and heat generating plants, heavy industry, particularly metallurgy and mining together with processing facilities. The services rendered by the division include electrical installation and erection, commissioning and start up of electrical systems and equipment, and also manufacture and installation of high-current busducts.
- The segment: Industry Division renders services for broadly understood public sector, trade (retail centres) and industry, including petrochemical, paper & pulp, road building, etc. The services include electrical installation works, commissioning and start-up as well as execution of projects as a general contractor.

(all amounts in PLN thousands unless otherwise stated)

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

The 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.

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

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

Revenues from transactions between segments are eliminated on the level of the group.

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

(all amounts in PLN thousands unless otherwise stated)

Business segments results for the 3 quarters of 2014

	Power Generation Division	Industry Division	Power Distribution Division	Automation Division	Other segments	Consolidated
Continuing operations						
Sales revenue	290 677	186 199	291 991	39 654	8 024	816 545
of which:						
Revenue from external customers	289 022	185 986	247 537	32 776	1 477	756 798
Inter-segment sales	1 655	213	44 454	6 878	6 547	59 747
Operating profit	16 934	(18 012)	20 755	1 738	812	22 227
Financial activities result	0	(160)	(1 142)	56	0	(1 246)
Share of net profit of associates measured according to equity method	0	0	(169)	0	0	(169)
Profit before income tax	16 934	(18 172)	19 444	1 794	812	20 812
Income tax expense	(3 942)	3 315	(3 645)	(406)	(7)	(4 685)
Net profit from continuing operations for the period	12 992	(14 857)	15 799	1 388	805	16 127
Discontinued operations						
Net profit (loss) on discontinued operations for the period	0	0	0	0	0	0
Net profit for the period	12 992	(14 857)	15 799	1 388	805	16 127
of which:						
net profit of equity holders of ELEKTROBUDOWA SA	12 992	(14 857)	15 946	1 388	805	16 274
- net profit of non-controlling interests	0	0	(147)	0	0	(147)

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 parent, ELEKTROBUDOWA SA 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 parent 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 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 a 6 135 thousand PLN provision for impairment of receivables was created in the Industry Division segment, which was by 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 54.9% of total provisions created by the group in the three quarters of 2014. As at 30 September 2014 the amount of provisions for impairment of the Industry Division receivables equalled 16 781 thousand PLN, while total impairment provisions of the group amounted to 27 920 thousand PLN. The Industry Division had a 60.1% 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 of the parent, 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	Automation Division	Other segments	Consolidated
depreciation	2 500	738	1 645	459	2 037	7 379
amortization	314	236	1 837	262	142	2 791

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

	Power Generation Division	Industry Division	Power Distribution Division	Automation Division	Other segments	Consolidated
Assets	280 546	151 847	249 404	50 052	92 588	824 437
Liabilities	184 532	151 249	140 616	10 040	7 842	494 279
Investment outlays	1 668	297	6 056	663	810	9 494

Business segment results for the 3 quarters of 2013

	Power Generation Division	Industry Division	Power Distribution Division	Automation Division	Other segments	Consolidated
<u>Continuing operations</u>						
Sales revenue	254 079	142 089	227 215	37 843	8 172	669 398
of which:						
Revenue from external customers	253 158	141 487	205 356	33 223	1 424	634 648
Inter-segment sales	921	602	21 859	4 620	6 748	34 750
Operating profit	12 390	(19 892)	12 917	1 198	1 785	8 398
Financial activities result	(132)	(279)	(948)	46	0	(1 313)
Share of net profit of associates measured according to equity method	0	0	1 593	0	0	1 593
Profit before income tax	12 258	(20 171)	13 562	1 244	1 785	8 678
Income tax expense	(2 803)	3 124	(2 722)	(324)	(394)	(3 119)
Net profit from continuing operations for the period	9 455	(17 047)	10 840	920	1 391	5 559
<u>Discontinued operations</u>						
Net profit (loss) on discontinued operations for the period	0	0	0	0	0	0
Net profit for the period	9 455	(17 047)	10 840	920	1 391	5 559
of which:						
net profit of equity holders of ELEKTROBUDOWA SA	9 455	(17 047)	10 748	920	1 391	5 467
- net profit of non-controlling interests	0	0	92	0	0	92

(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	Automation Division	Other segments	Consolidated
depreciation	2 885	971	1 495	499	2 088	7 938
amortization	361	283	2 245	183	166	3 238

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

	Power Generation Division	Industry Division	Power Distribution Division	Automation Division	Other segments	Consolidated
Assets	285 880	124 703	208 266	50 728	79 507	749 084
Liabilities	188 615	117 695	114 536	10 125	3 267	434 238
Investment outlays	1 731	723	6 525	609	2 735	12 323

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

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

Provisions for impairment of receivables of segments

	Power Generation Division	Industry Division	Power Distribution Division	Automation Division	Other segments	Consolidated
as at 30 September 2014	4 541	16 781	6 304	272	22	27 920
as at 31 December 2013	2 340	16 828	4 690	262	7	24 127
as at 30 September 2013	2 355	12 878	6 822	210	7	22 272

(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	Automation Division	Other segments	Consolidated
in the 3 quarters of 2014	2 585	6 135	2 387	58	15	11 180
in 2013	555	10 308	1 922	99	5	12 889
in the 3 quarters of 2013	558	5 973	1 878	47	5	8 461

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

	Power Generation Division	Industry Division	Power Distribution Division	Automation Division	Other segments	Consolidated
in the 3 quarters of 2014	384	6 182	773	48	0	7 387
in 2013	69	1 548	3 289	0	0	4 906
in the 3 quarters of 2013	57	1 163	1 113	0	0	2 333

Secondary reporting format – geographical segments

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

	9 months ended 30.09.2014	9 months ended 30.09.2013
Revenue on sales of products, goods and materials		
- domestic sales	711 589	445 322
- other countries	45 209	189 326
	756 798	634 648

The difference in proportions between domestic and export sales results primarily from the fact, that in 2013 a substantial stage of works at the site of NPP OLKILUOTO 3 in Finland was completed. The Power Generation Division, which was performing the works, in 2014 started a crucial stage of contract for the construction of a new heat generation unit with fluidized bed boiler, heating and condensing turbine and associated plants in TAURON Ciepło SA Zakład Wytwarzania Tychy, what has a significant impact on the said proportions. It must be pointed out that the company does not select orders basing on the "Poland / foreign countries" criterion – decisions in this respect are based on the evaluation of technical and economical factors referring to the orders.

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 289.0 million PLN (253.2 million PLN in the 3 quarters of 2013) includes the 89.1 million PLN income from the contract with the group'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 11.8% while in the 3 quarters of 2013 for 12.1% of total revenues generated by the group.

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 8.8% while in the 3 quarters of 2013 for 8.3% of total revenues generated by the group.

The revenue generated from the two leading customers in the 3 quarters of 2014 accounted for 20.6% of total revenues of the group, against 20.4% in the 3 quarters of 2013.

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

	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	52 162	52 048	53 639	53 873
- machinery and technical equipment	12 968	13 545	15 207	15 756
- vehicles	6 812	7 005	7 125	6 984
- other fixed assets	5 812	3 445	3 858	3 998
- fixed assets under construction	4 532	4 923	4 703	4 605
- advances for fixed assets under construction	70	0	7	370
	87 326	85 936	88 574	89 625

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

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 31). 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 company 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 group amounted to 984 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 company does not have any intangible assets with restricted right of use,
- the group does not have bank loans or any other liabilities secured against intangible assets.

	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	15 559	2 695	3 438	4 634
- acquired concessions, patents, licences and similar	1 095	1 154	1 368	1 507
- goodwill	22 164	22 164	22 164	22 164
- costs of continued development work	2 629	18 152	13 821	10 855
- intangible assets not put to use	0	0	0	56
	41 447	44 165	40 791	39 216

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 consolidated financial statements no indicators of their impairment were identified.

(all amounts in PLN thousands unless otherwise stated)

Measurement of goodwill

According to paragraph 10, IAS 36 the parent should perform an impairment test for goodwill of ENERGOTEST sp. z o. annually, regardless of whether or not there is any indication of impairment. Goodwill of the entity is not quoted at any moment on the active market, so its recoverable value has been measured basing on the procedure for calculation of value in use, under the assumption that ENERGOTEST sp. z o. o. is the cash flow generating unit. The test, ordered by ELEKTROBUDOWA SA, was performed as at 31 December 2013 by an independent expert.

Basing on the obtained results it has been determined that the fair value was not impaired as at 31 December 2013.

Considering the financial performance of the company in the 3 quarters of 2014 it can be assumed that no indicators for impairment of goodwill occurred as at the reporting date.

9. Investments in associates

	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
Investments in associates				
- share of the the Power Equipment Production Plant VECTOR Ltd.	19 329	20 344	24 477	23 924
- share of SAUDI ELEKTROBUDOWA LCC	(147)	(138)	(249)	100
	19 182	20 206	24 228	24 024

As at 30 September 2014 ELEKTROBUDOWA SA, the parent, had a 49% interest in the capital of the Russian company, the Power Equipment Production Plant VECTOR Ltd.

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.

(all amounts in PLN thousands unless otherwise stated)

As at 30 September 2014 the parent, ELEKTROBUDOWA SA held 33% of shares representing 33% of equity of SAUDI ELEKTROBUDOWA LLC.

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

Presented below is a summary of financial data concerning the associates of the group:

	The Power Equipment Production VECTOR Ltd.	SAUDI ELEKTROBUDOWA LLC
Information concerning the associated entities as at 30 September 2014		
total non-current assets	22 299	27
total current assets	32 447	537
non-current liabilities	484	0
current liabilities	14 815	982
Information concerning the associated entities for 3 quarters of 2014		
sales revenue	47 944	0
net loss	(581)	(119)
Information concerning the associated entities as at 30 September 2013		
total non-current assets	28 492	38
total current assets	45 777	471
non-current liabilities	541	0
current liabilities	24 904	207
Information concerning the associated entities for 3 quarters of 2013		
sales revenue	84 794	750
net loss	3 088	240

10. 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	415	349	356
	1 284	1 414	1 578	1 726

(all amounts in PLN thousands unless otherwise stated)

11. Inventories

	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
Inventories				
- materials	31 315	24 431	29 314	30 138
- semi-finished products and work in progress	29 877	36 336	22 695	33 607
- finished products	2 123	1 802	2 129	2 171
- goods	634	4 433	3 799	3 799
	63 949	67 002	57 937	69 715
of which:				
- inventory write-down	(668)	(659)	(407)	(465)

The increase in products and work in progress resulted from the finished goods production cycle in the Power Distribution Division segment.

Provisions for impairment of inventories created during the 3 quarters of 2014 and charged to profit or loss amounted to 278 thousand PLN, while the used (reversed) provisions recognized in profit or loss amounted to 17 thousand PLN.

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

The group 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.

12. 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 for supplies and services and other receivables				
Impairment provision at beginning of period	24 127	24 127	16 144	16 144
Creating a provision	11 180	10 099	12 889	8 461
Reversal	(7 387)	(6 150)	(4 906)	(2 333)
of which:				
- paid receivables and interest	(2 615)	(1 638)	(3 830)	(1 313)
- reversal of provision for impaired receivables	(48)	(48)	0	0
- 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	27 920	28 076	24 127	22 272
of which:				
- for receivables from supplies and services	13 705	13 915	17 576	15 320
- for other receivables	14 215	14 161	6 551	6 952

Details of movements in provisions for impairment of receivables in the consolidated statement of comprehensive income are provided in Note 23.

(all amounts in PLN thousands unless otherwise stated)

13. 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)	1 902	2 001	2 204	2 295
- prepayments for supplies	14 734	21 197	29 936	5 387
- charges to the Company Social Benefits Fund	544	1 086	0	566
	17 180	24 284	32 140	8 248

14. 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)	1 555 764	1 178 357	1 252 012
Costs incurred on contracts in progress (cumulative)	1 507 775	1 147 542	1 223 663
Recognized profits less recognized losses (planned margin)	47 989	30 815	28 349
Revenues from contracts for the period	617 018	625 619	456 881
Costs of contracts for the period	594 702	600 496	446 753
Profits less recognized losses for the period	22 316	25 123	10 128
Advances received for contracts in progress	115 185	101 322	92 520
Retentions kept by customers	26 892	34 776	32 714
Gross amounts due from customers for contract work	281 549	159 795	135 384
Gross amounts due to customers for contract work	35 224	45 772	51 161

The group 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 order backlog of ELEKTROBUDOWA SA, 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".

(all amounts in PLN thousands unless otherwise stated)

The group analyses each contract in respect of possible losses, which are immediately recognized as cost according to IAS 11.36. Within the calculation of a construction contract price, according to IAS 11.11 – 15 the company recognizes estimates of penalties due to late completion of contracts. Estimates of amounts of penalties are carried based on the source documents related to 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.

15. Non-current assets held for sale

	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 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 consolidated statement of financial situation prepared as at 30 June 2014 ELEKTROBUDOWA SA, the parent, 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 to sale was commissioned to an independent expert. As the items to be measured are technical means for which there is an active secondary market, their market value was established with the use of a direct comparison approach.

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

(all amounts in PLN thousands unless otherwise stated)

16. 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 parent, recognised in the consolidated financial statements as at the date of adoption of the International Financial Reporting Standards, was restated in correspondence with retained earnings / losses by the amount 16 371 629.00 PLN and amounted to 26 374 919.00 PLN.

The restated amount of the issued share capital was only a book value recognised in the financial statements of ELEKTROBUDOWA SA and differed from the value of share capital disclosed in the Articles of Association and in the register of companies, the National Court Register.

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

Series / issue	Type of shares	Type of preference	Type of shares restrictions	Number of shares	Value of series/ issue at par on shares	Date of registration	Right to dividend (since)
A	bearer ordinary	unpreferred	none	3 248 750	6 497	1995-06-07	1995-01-01
B	bearer ordinary	unpreferred	none	722 250	1 953	1995-12-11	1995-01-01
C	bearer ordinary	unpreferred	none	249 096	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			

The parent's 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.

(all amounts in PLN thousands unless otherwise stated)

As at the date of publishing these consolidated financial statements, to the best knowledge of the company, the structure of shareholders holding significant interest in the parent, 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 the company on 25 September 2014.

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

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 Juszczuk	Member of the Management Board	-
Arkadiusz Klimowicz	Member of the Management Board	-
Adam Świągulski	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 ELEKTROBUDOWA's shares by the managing persons.

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

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

(all amounts in PLN thousands unless otherwise stated)

17. Other capital

17.1 Supplementary capital

	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
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)	4 191	4 191	5 810	5 810
	305 046	305 046	328 630	328 630

In accordance with IAS 29 Financial Reporting in Hyperinflationary Economies – the supplementary capital from share premium, recognised in the financial statements as at the date of adoption of the International Financial Reporting Standards, was restated in correspondence with retained earnings / losses by the amount 1 618 750.00 PLN.

On 22 May 2014 the Annual General Meeting of the parent, 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.

17.2 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	1 636	1 636	1 636	2 340
- deferred tax related to investment valuation	(310)	(310)	(310)	(444)
	1 326	1 326	1 326	1 896

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

(all amounts in PLN thousands unless otherwise stated)

17.3 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	(619)	(619)	(619)	0
- actuarial gains / losses	3 575	3 575	(25 902)	(25 902)
- prior years' gains / losses	16 274	2 115	17 213	5 467
- net profit of the period	19 230	5 071	(27 299)	(38 426)

On 22 May 2014 the Annual General Meeting of the parent, 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.

18. 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	66 167	61 527	49 211	48 399
Deferred tax provisions	(54 510)	(46 984)	(31 443)	(26 580)
Deferred corporate tax assets recognized in assets in the statement of financial position	11 657	14 543	17 768	21 819
Deferred tax provisions concerning foreign branches	(1 220)	(1 316)	(1 851)	(2 085)
Deferred corporate tax provisions recognized in equity and liabilities liabilities of the statement of	(1 220)	(1 316)	(1 851)	(2 085)
Total deferred income tax	10 437	13 227	15 917	19 734

ELEKTROBUDOWA SA

Interim condensed consolidated financial statements for the nine months ended 30 September 2014

*(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	38 826	7 189	468	2 120	0	608	49 211
	- changes credited/charged to financial result	16 080	(1 135)	61	554	1 383	1 624	18 567
	- other changes	0	0	0	0	0	(1 611)	(1 611)
	end of period 30 September 2014	54 906	6 054	529	2 674	1 383	621	66 167
Provisions	beginning of period 1 January 2014	(30 457)	(5)	(617)	(651)	0	(1 564)	(33 294)
	- changes credited/charged to financial result	(23 098)	0	(49)	568	0	143	(22 436)
	end of period 30 September 2014	(53 555)	(5)	(666)	(83)	0	(1 421)	(55 730)
End of period, total		1 351	6 049	(137)	2 591	1 383	(800)	10 437

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	38 826	7 189	468	2 120	0	608	49 211
	- changes credited/charged to financial result	22 596	(2 083)	49	407	2 247	(9 289)	13 927
	- other changes	0	0	0	0	0	(1 611)	(1 611)
	end of period 30 June 2014	61 422	5 106	517	2 527	2 247	(10 292)	61 527
Provisions	beginning of period 1 January 2014	(30 457)	(5)	(617)	(651)	0	(1 564)	(33 294)
	- changes credited/charged to financial result	(15 308)	0	(35)	572	0	(235)	(15 006)
	end of period 30 June 2014	(45 765)	(5)	(652)	(79)	0	(1 799)	(48 300)
End of period, total		15 657	5 101	(135)	2 448	2 247	(12 091)	13 227

ELEKTROBUDOWA SA

Interim condensed consolidated financial statements for the nine months ended 30 September 2014

(all amounts in PLN thousands unless otherwise stated)

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	26 824	6 423	426	1 646	0	1 904	37 223
	- changes credited/charged to financial result	12 002	616	42	474	0	(1 296)	11 838
	- changes charged to capital	0	150	0	0	0	0	150
	end of period 31 December 2013	38 826	7 189	468	2 120	0	608	49 211
Provisions	beginning of period 1 January 2013	(24 632)	0	(584)	(1 122)	0	(1 021)	(27 359)
	- changes credited/charged to financial result	(5 825)	0	(33)	337	0	(543)	(6 064)
	- changes charged to capital	0	(5)		134	0	0	129
	end of period 31 December 2013	(30 457)	(5)	(617)	(651)	0	(1 564)	(33 294)
End of period, total		8 369	7 184	(149)	1 469	0	(956)	15 917

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	26 824	6 423	426	1 646	0	1 904	37 223
	- changes credited/charged to financial result	5 101	1 220	30	329	0	4 496	11 176
	end of period 30 September 2013	31 925	7 643	456	1 975	0	6 400	48 399
Provisions	beginning of period 1 January 2013	(24 632)	0	(584)	(1 122)	0	(1 021)	(27 359)
	- changes credited/charged to financial result	(1 539)	0	(24)	452	0	(195)	(1 306)
	end of period 30 September 2013	(26 171)	0	(608)	(670)	0	(1 216)	(28 665)
End of period, total		5 754	7 643	(152)	1 305	0	5 184	19 734

ELEKTROBUDOWA SA
Interim condensed consolidated financial statements for the nine months ended 30 September 2014

(all amounts in PLN thousands unless otherwise stated)

19. 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	Security
		PLN'000	curr	PLN'000	curr			
ING BANK ŚLĄSKI 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 rights 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.
BNP PARIBAS BANK POLSKA S.A. overdraft	Warsaw	1 000	PLN	0	PLN	WIBOR 1M + bank margin	10.09.2015 *	1 blank bill of exchange, genral assignment of the existing and future receivables from debtors, statement of submission to enforcement.
		<u>215 200</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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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.	Katowice	17 000	zł	7 857	zł	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 Górnicza) 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)
kredyt w rachunku bieżącym						+ bank margin		
		85 000	zł	11 000	zł	WIBOR 1M	30.01.2016	
						+ bank margin		
BANK HANDLOWY S.A.	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 (Mikołów) KW No. KA1M/00065708/0 incl. assignment of rights to insurance policy, assignment of receivables from a contract (PSE SA - OSP/DI/INW/14/2013 SKAWINA)
overdraft						+ bank margin		
working capital loan		52 000	PLN	15 160	PLN	WIBOR 1M	31.12.2017	
limit for credit cards		200	PLN					
BANK PEKAO S.A.	Kraków	10 000	PLN	2 557	PLN	WIBOR 1M	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
overdraft						+ bank margin		
PKO BP S.A.	Warszawa	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
overdraft						+ bank margin		
mBank S.A. (former BRE BANK S.A.)	Warszawa	10 000	PLN	3 954	PLN	WIBOR ON	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)
overdraft						+ bank margin		
BNP PARIBAS BANK POLSKA S.A.	Warsaw	1 000	PLN	0	PLN	WIBOR 1M	13.08.2014	* 1 blank bill of exchange, general assignment of the existing and future receivables from debtors, statement of submission to enforcement.
overdraft						+ bank margin		
		195 200		45 677				

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

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Lender	Registered office	Contractual loan amount		Amount to be repaid		Rate of interest	Contract validity	Security
		PLN'000	curr	PLN'000	curr			
ING BANK ŚLĄSKI S.A. overdraft facility	Katowice	5 000	PLN	0	PLN	WIBOR 1M +bank margin	18.12.2015 *	assignment of receivables from contracts = 150% engagement due to guarantees and current account 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; mortgage up to 3 000 thousand PLN (Dąbrowa G.) KW No.KA1D/00018183/0, incl. assignment of rights to insurance policy; enforcement title up to 96 900 thousand PLN; assignment of receivables from a contract (PSE SA - OSP/DI/INW/102/2012 SŁUPSK)
working capital loan		47 000	PLN	0	PLN	WIBOR 1M +bank margin	30.06.2014	
BANK HANDLOWY S.A. overdraft facility	Warsaw	15 000	PLN	0	PLN	WIBOR 1M +bank margin	14.10.2014 *	assignment of receivables from contracts = 80% engagement; 1 blank bill, mortgage secured up to 4 375 thousand PLN (Mikołów) KW No. KA1M/00065708/0 incl. assignment of rights to insurance policy; 2 blank bills (no. 1 and no. 2) collateralized by mortgage up to 50 000 thousand PLN (Tychy) KW No. KA1T/00060238/5 including assignment of rights to insurance policy; enforcement right up to 63 360 thousand PLN; monthly average receipts during a quarter = 15 000 thousand PLN; enforcement right up to 18 000 thousand PLN, assignment of receivables from a contract (PSE SA - OSP/DI/INW/14/2013 SKAWINA); enforcement right up to 62 400 thousand PLN.
working capital loan		52 000	PLN	5 400	PLN	WIBOR 1M +bank margin	31.12.2017	
limit for credit cards		200	PLN					
BANK PEKAO S.A. overdraft facility	Cracow	10 000	PLN	541	PLN	WIBOR 1M +bank margin	30.04.2014 *	assignment of receivables from contracts = 100% engagement due to guarantees and current account overdraft; mortgage up to 11 504.88 thousand PLN (Konin) KW No.KN1N/00013390/8, incl. assignment of rights to insurance policy; 1 blank bill up to 80 000 thousand PLN; a deposit equal to 50% of the guarantee amount as additional security for the guarantee, valid over 5 to 10 years in case of utilization of the limit (15.0 million PLN) over 10.0 million PLN; monthly average turnover on accounts in the amount of 10 000 thousand PLN; enforcement right up to 120 000 thousand PLN.
PKO BP SA overdraft facility	Warsaw	5 000	PLN	0	PLN	WIBOR 1M +bank margin	20.02.2015 *	assignment of receivables from contracts = 100% engagement due to guarantees and current account overdraft; 2 blank bills; mortgage up to 232 500 thousand PLN (Katowice) KW No. KA1K/00043349/3 incl. assignment of rights to insurance policy; enforcement right up to 430 800 thousand PLN.
mBank S.A. (former BRE BANK S.A.) overdraft facility	Warsaw	10 000	PLN	0	PLN	WIBOR ON +bank margin	30.09.2014 *	assignment of receivables from contracts = 20% engagement ; monthly average turnover on accounts in the amount of 10 000 thousand PLN; Mortgage up to 4 000 thousand PLN (Plock) KW No. PL1P/00119678/5 incl. assignment of rights to insurance policy; 1 blank bill up to 120 000 thousand PLN (enforcement right), enforcement right up to 15 000 thousand PLN - for liabilities from current account overdraft agreement.
BNP PARIBAS BANK POLSKA S.A. overdraft facility	Warsaw	1 000	PLN	0	PLN	WIBOR 1M +bank margin	13.08.2014 *	a blank promissory note, general assignment of existing and future receivables, statement of submitting to enforcement
		145 200		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	0	0	0	WIBOR 1M	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	20 000	0	0	WIBOR 1M + bank margin	18.12.2015	
BANK PEKAO S.A. overdraft	Cracow	10 000	0	0	0	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	0	0	0	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	8 412	0	0	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.
BNP PARIBAS BANK POLSKA S.A. overdraft facility	Warsaw	1 000	0	0	0	WIBOR 1M + bank margin	13.08.2014 *	a blank promissory note, general assignment of existing and future receivables, statement of submitting to enforcement
		<u>78 000</u>	<u>28 412</u>					

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

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20. 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	65	47	125	100
Between 1 and 5 years	213	205	238	226	119	99	78	67
Minimum lease payments, total	314	297	341	321	184	146	203	167
Less finance costs	17		20		38		36	
Present value of minimum lease payments	297		321		146		167	
- short-term		92		95		47		100
- long-term		205		226		99		67

(all amounts in PLN thousands unless otherwise stated)

21. Provisions for liabilities and other charges

	Provision for warranty repair works	Provision for employee benefits	Provision for expected penalties and compensations	Total provisions
As at 1 January 2014	919	5 535	4 177	10 631
creation of provision	573		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	908	4 834	1 239	6 981
of which:				
- long-term	0	4 749	0	4 749
- short-term	908	85	1 239	2 232

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

	Provision for warranty repair works	Provision for employee benefits	Provision for expected penalties and compensations	Total provisions
As at 1 January 2014	919	5 535	4 177	10 631
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	908	5 039	2 096	8 043
of which:				
- long-term	0	4 954	0	4 954
- short-term	908	85	2 096	3 089

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	Provision for warranty repair works	Provision for employee benefits	Provision for expected penalties and compensations	Total provisions
As at 1 January 2013	764	4 576	0	5 340
creation of provision	1 675	1 452	4 177	7 304
payment of benefits	0	(481)	0	(481)
reversal of provision	(1 520)	(12)	0	(1 532)
As at 31 December 2013	919	5 535	4 177	10 631
of which:				
- long-term	0	5 215	0	5 215
- short-term	919	320	4 177	5 416
	Provision for warranty repair works	Provision for employee benefits	Provision for expected penalties and compensations	Total provisions
As at 1 January 2013	764	4 576	0	5 340
creation of provision	384	0	0	384
payment of benefits	0	(378)	0	(378)
reversal of provision	(369)	0	0	(369)
As at 30 September 2013	779	4 198	0	4 977
of which:				
- long-term	0	4 173	0	4 173
- short-term	779	25	0	804

(all amounts in PLN thousands unless otherwise stated)

22. 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	5 910	5 928	4 412	5 581
- annual bonuses	3 762	3 414	6 076	3 655
- 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
	23 312	18 962	25 095	35 147

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

23. 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	1 708
- interest on delayed payments	1 056	1 965
- interest on money sources on bank accounts	266	610
- exchange differences	1 021	0
- penalties and compensations	4 325	2 024
- recognized PPE (land)	957	0
- legal expenses	376	310
- compensation received from insurance	256	674
- material waste recycling	370	0
- other	253	467
	8 880	7 758

Penalties and compensations received by the group 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	(277)	0
- donations	(109)	(177)
- provisions for impairment of receivables	(5 193)	(6 169)
- inventory write-down	(278)	(14)
- fees and charges	(4 423)	(3 537)
- court fees and penalties	(4 390)	(301)
- exchange differences	0	(808)
- costs of damage repair	(220)	(383)
- benefits and indemnities paid to employees	(557)	(104)
- other	(592)	(2 262)
	(16 039)	(13 755)

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

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

- from customers in the state of bankruptcy,
- from customers against whom court proceedings are pending,
- for which the entities have 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 (4 921) thousand PLN.

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

- on provided bank guarantees (3 917) thousand PLN,
- on released credits (506) thousand PLN.

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

- environmental fees (25) thousand PLN,
- costs of court fees (543) 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 group creates provisions for future payables which maturities or amounts are not certain.

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

24. Finance income and costs

	9 months ended 30.09.2014	9 months ended 30.09.2014
Financial income		
- dividends and share of profit of related parties	56	46

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	9 months ended 30.09.2014	9 months ended 30.09.2014
Financial costs		
- interest on credits	(1 071)	(769)
- fees and charges of working capital loans	(212)	0
- interest on leases	(19)	(28)
- loss on liquidation of an associate	0	(562)
	(1 302)	(1 359)

25. Income tax

	9 months ended 30.09.2014	9 months ended 30.09.2013
Income tax shown in the statement of comprehensive income		
- tax of the current financial year	(307)	(5 029)
- deferred tax	(3 869)	9 870
- tax of foreign branches	(516)	(7 958)
- other settlements	7	(2)
	(4 685)	(3 119)

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 group might be increased by additional tax liability. In the opinion of the group, 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	20 812	8 678
Tax amount calculated according to 19% rate	3 955	1 649
Permanent differences	(1 053)	(5 372)
Differences relating to different tax rates applicable to foreign branches and foreign subsidiaries	1 783	6 842
Income tax	4 685	3 119
Effective tax rate (%)	22,5	35,9

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26. Financial instruments

Comparison of carrying values and fair values of all instruments held by the group, broken down into classes and categories of assets and liabilities, is presented below.

26.1 Financial assets

Type of financial instrument	method of measurement	as at	as at	as at	as at	amount charged	amount charged
		30.09.2014	30.06.2014	31.12.2013	30.09.2013	in 3 quarters	in 3 quarters
		end of quarter/2014	end of prior quarter/2014	end of prior year/2013	end of quarter/2013	to revaluation capital	to profit or loss
1. Loans extended and own receivables		240 020	238 904	266 701	270 747	0	(4 041)
a) long-term receivables due to sale of non-current assets	amortised cost	820	803	959	1 100	0	26
b) long-term receivables due to retentions	amortised cost	10 816	12 891	23 106	8 080	0	560
c) short-term trade and other receivables	amortised cost	228 384	225 210	242 636	261 567	0	(4 627)
2. Available-for-sale investments		2 547	2 547	2 547	3 252	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 Energotest - Diagnostyka Sp. z o.o.	book value	308	308	308	297	0	0
c) shares of Famak S.A.	fair value	24	24	24	24	0	0
3. Other financial assets		453	512	500	500	0	3
a) a deposit in PEKAO S.A.	amortised cost	453	512	500	500	0	3
4. Cash and cash equivalents		54 914	60 435	80 488	82 355	0	4 790
Total financial assets		297 934	302 398	350 236	356 854	0	752

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 the parent, 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. As at 31 December 2013, 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 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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26.2 Financial liabilities

Type of financial instrument	method of measurement	as at			amount charged		amount charged
		as at 30.09.2014	as at 30.06.2014	as at 31.12.2013	as at 30.09.2013	in 3 quarters 2014	in 3 quarters 2014
	30 September 2014	end of quarter/2014	end of prior quarter/2014	end of prior year/2013	end of quarter/2013	to revaluation capital	to profit or loss
1. Other financial liabilities							
a) other long-term financial liabilities	amortised cost	13 563	13 543	12 338	11 765	0	(198)
b) other short-term trade and other payables	amortised cost	216 052	199 371	211 831	174 728	0	(2 990)
c) loans	amortised cost	53 617	45 677	5 941	28 412	0	(1 071)
Financial instruments recognised in liabilities - total		283 232	258 591	230 110	214 905	0	(4 259)

(all amounts in PLN thousands unless otherwise stated)

27. 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	325 093	337 455	341 047	320 549
to secure				
- contract performance and remedy of defects	298 310	306 890	298 308	290 248
- payment	1 398	2 796	2 009	6 211
- bid bond	9 179	11 605	24 606	7 873
- other	16 206	16 164	16 124	16 217
b) bills of exchange	20 714	20 712	20 960	21 610
	345 807	358 167	362 007	342 159

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 166 634 thousand PLN.

In the period from January within September 2014 the group provided its customers with guarantees issued by banks or insurance companies for the total amount of 110 800 thousand PLN, to secure:

- contract performance and defect liability	43 526 thousand PLN,
- advance payment	56 685 thousand PLN,
- bid bond	9 191 thousand PLN,
- due payments	1 398 thousand PLN.

During the three quarters of 2014 the ELEKTROBUDOWA SA group 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 25, 14 and 34, respectively. In the presented comparable periods the entities of the group did not provide any sureties.

(all amounts in PLN thousands unless otherwise stated)

28. 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.

29. Joint ventures where an entity of the group is a partner

The group does not have any joint ventures.

30. Related party transactions

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

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

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

	period 01.01.2014 - 30.09.2014	period 01.01.2013 - 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
b) purchases:		
- purchase of services – VECTOR Ltd.	1	22
- purchase of services - SAUDI ELEKTROBUDOWA LLC	0	322

Mutual balances with the associates:

	as at 30.09.2014	as at 31.12.2013
- payables of ELEKTROBUDOWA SA to VECTOR Ltd.	0	5
- receivables of ELEKTROBUDOWA SA from "VECTOR" Ltd.	1 743	5 038
- receivables of ELEKTROBUDOWA SA from SAUDI ELEKTROBUDOWA LLC	0	250
- advance paid by ELEKTROBUDOWA SA to SAUDI ELEKTROBUDOWA LLC	218	0

(all amounts in PLN thousands unless otherwise stated)

As at 30 September 2014 the parent, ELEKTROBUDOWA SA created a provision for the default receivables from SAUDI ELEKTROBUDOWA LLC in the amount of 80 thousand USD (100% of unpaid debt). In respect of other 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.

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

31. Changes in presentation of the financial statements

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

- a) referring to the consolidated 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 consolidated 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 (3 828) thousand PLN,
 - other profit (loss) - net (2 169) thousand PLN,
 - finance income (cost) - net (1 313) thousand PLN,
 - after the change in presentation of other operating income and expenses
 - other operating income 7 758 thousand PLN,
 - other operating expenses (13 755) thousand PLN,
 - finance income 46 thousand PLN,
 - finance cost (1 359) thousand PLN,
- c) referring to the consolidated 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 tys. zł,
 - repayment of loans and borrowings (3 035) tys. zł,
 - change in presentation of perpetual usufructuary right to land
 - change in non-current prepayments (11) tys. zł,
 - other adjustments 11 tys. zł.

The above presentation changes did not have significant influence on the analysis of the financial position of the group.

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

(all amounts in PLN thousands unless otherwise stated)

32. The Management Boards of the parent and subsidiaries and the Supervisory Board of the parent

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

Management Board

ELEKTROBUDOWA SA

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

Management Board

KONIP Sp. z o.o.

Lamch Tadeusz	-	President
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Management Board

ENERGOTEST sp. z o.o.

Klimowicz Arkadiusz	-	President
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Executive Body

ELEKTROBUDOWA UKRAINE Ltd.

Karnaushenko Oleksandr	-	Director
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Composition of the Management Boards of the parent and the subsidiaries as at 30 September 2014 did not change compared to 31 December 2013.

Composition of the Supervisory Board as at 30 September 2014

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

(all amounts in PLN thousands unless otherwise stated)

Composition of the Supervisory Board 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

33. 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 2013 annual financial statements of ELEKTROBUDOWA SA and the Consolidated Financial Statements of the ELEKTROBUDOWA SA group were performed by Deloitte Polska Spółka z ograniczoną odpowiedzialnością sp. k. z based in Warsaw.

The remuneration for the review and auditing of the above mentioned statements for 2014 was agreed as 125 thousand PLN, VAT excluded.

34. Litigations, court proceedings

Presented below are the litigations and court proceedings in which the group 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 the parent, ELEKTROBUDOWA SA as an employer employing its workers at the site of Olkiluoto Nuclear Power Plant for payment of total amount of EUR 4 725 643.91 with due interests. The claim concerns additional payments from ELEKTROBUDOWA SA to supplement remuneration paid to the employees for work in the period of their employment at the site of Olkiluoto NPP, Finland. After the TU had acknowledged Elektrobudowa's arguments of violation of the EU legislation, total amount of claim was reduced to 4 360 299.41 EUR.

The claimed amount is subject to constant verification. In June 2013 the Finnish Electrical Workers' TU submitted a statement concerning extension of claim by a further period from 1 September 2011 to 30 June 2012 (earlier, the claim covered the period up to August 2011). According to the TU the amount of claim concerning 186 employees of the company is 6 648 383.15 EUR now. Having no possibility to comment on the supplementation of the suit by the Finnish Electrical Workers' Trade Union provided on 14 June 2013, on 11 September 2013 ELEKTROBUDOWA SA submitted a statement to the District Court in Rauma, referring to the supplementation of the suit by the claimant.

In the statement, ELEKTROBUDOWA SA objected to the claims of the TU and rejected the supplementation of the suit, arguing that the submitted suit in its amended scope (by the amount of 2 288 083.74 EUR), was not analysed within the court proceedings.

Because of complexity of the case and the fact that the claim concerns 186 employees, it has to be suitably supported with documents and lawyers' opinions have to be presented. Due to Finnish jurisdiction and the fact that the Finnish law is applicable to significant part of the claim, ELEKTROBUDOWA SA commissioned a lawyers' firm in Finland to represent the company in proceedings at law. The Management Board of the parent are of the opinion that the company has strong arguments to dismiss a substantial part of claim. ELEKTROBUDOWA SA submitted detailed explanations and an opinion of an expert in international law which question the capacity of the Finnish Trade Union to file a claim basing on assignment, as it was done. The claim in question, in the preliminary opinion of the Management of the parent, at the initial stage of the proceedings seems unjustified, at least in its major part.

On 18 September 2012 there was a preliminary (preparatory) hearing in the District Court Satakunta in Rauma, with the participation of representatives of ELEKTROBUDOWA SA and lawyers representing the company and also the lawyers representing the Finnish Electrical Workers' Trade Union. 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 the parent 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 22). As at 30 September 2014, the estimate by the Management did not change.

(all amounts in PLN thousands unless otherwise stated)

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.
- 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).

35. Events and circumstances which had an impact on the financial result

Business operations of the ELEKTROBUDOWA SA group during the 3 quarters of 2014 to a large extent depended on activeness of customers representing the following branches: power industry, building and petrochemical industries, mining, metallurgy, retail sector and the defence.

The income generated by the group primarily depended on such factors as:

- favourable economic situation in the power, chemical, metallurgic and building trades,
- price level of electrical materials and equipment as well as metallurgic products,
- course of restructuring processes, especially in the power industry,
- consistent reducing administration costs incurred by the group,
- increasing requirements for financial security of projects in the segment of power industry construction,
- financial situation of investors and the resulting complications associated with receivables inflow.

Some customers have already applied prolonged payment terms and introduced more and more complicated payment methods, what makes them difficult to accept as early as on the stage of analysing an inquiry and frequently makes the contractors to withdraw from bidding.

Like in previous years, the sales offer of the ELEKTROBUDOWA SA group did not significantly change and was still based on the following products and services:

1. Overall electric installation in the range of medium and low voltages for new, modernized and retrofitted power generation facilities.
2. General execution of investments, including public utility facilities, retail centres, industrial facilities.
3. Turnkey supply of automation and electrical systems.
4. Manufacture of automation devices for power industry.
5. Manufacture and installation of high-current busducts (ELPO, ELPE, PELPO).
6. Manufacture of indoor medium and low voltage switchgear assemblies.
7. LV, MV, HV stations.
8. Turnkey supply of electrical substations and high and extra high voltage lines for distribution and industrial operators.
9. Commissioning and start-up.
10. Design of equipment.
11. Servicing.
12. Conceptual work and consulting.
13. Property management.

Customers were offered complex (EPC) project performance, starting with designing and prefabrication of equipment through delivery, installation, start-up together with operation during the trial period, and ending with after-sales service. The group's potential allows it to put into effect the majority of complex projects on its own.

During the 3 quarters of 2014 the group's entities continued to improve their competitive advantage by:

- diversifying of order portfolio;
- consistent development of customer service network;
- constantly increasing share of export.

Total value of contracts and orders obtained in the 3 quarters of 2014 by the parent amounted to 533 million PLN, which, compared with the same period of the previous year, when the orders received totalled 1 640 million PLN, indicates a drop by 67.5%. It must be remembered that the substantial value of orders received in the comparable nine months of 2013 was attributed to the contracts for:

- construction of the heating unit for TAURON Ciepło S.A., contract price 593 million PLN,
- extension and modernization of 220/110kV electrical substation Skawina for PSE S.A., contract price 218 million PLN,
- extension and modernization of the electrical substation Byczyna for PSE S.A., contract price 215 million PLN

Aggregate amount of the above contracts equalled 1 026 million PLN. The contracts constitute a substantial portion of the company's order backlog of the 3 quarters 2014. This was, to a large extent a factor that conditioned the level of new orders that the company intended to receive in that period.

As at 30 September 2014 the parent had order backlog worth 1 694 million PLN. Compared to the backlog as at 30 September 2013 it was 7.6% smaller.

The biggest contracts obtained by the group were concluded by the parent.

(all amounts in PLN thousands unless otherwise stated)

The contracts awarded during the nine months of 2014 included:

- supply, installation and commissioning of Frequency Converters, Unit 4, 5 and 6 for the FGD plant in Turów, for Babcock Noell GmbH 32.5 million PLN,
- supply of works, delivery and installation of cabling and other associated activities on the site of construction of the station of line 2 of Warsaw underground, including commissioning and start-up of the installed equipment and installations for AGP Metro Polska. ASTALDI Sp.p.A., Gülermak Ağır Sanayi İnşaat ve Taahhüt A. Ş., Przedsiębiorstwo Budowy Dróg i Mostów Sp. z o.o. spółka cywilna 28.7 million PLN,
- 6kV electrical supply system for the Flue Gas Desulfurization Plant in Enea Wytwarzanie (Kozienice Power Plant) comprising the works of all type: electrical, protection, control and automation, civil works and erection, including testing, commissioning and start-up of the system, specifications and operating instructions for ENEA Wytwarzanie SA , 17.5 million PLN,
- Erection and installation services – overall supply of electrical and I&C systems for the Innovative plant for production of ultra clean monochloroacetic acid U-P MCAA for PCC MCAA Sp. z o.o. 17.1 million PLN,
- Modernization of substation in the EDF Group 2014 – 2015 for Zespół Elektrociepłowni Wrocławskich KOGENERACJA SA, for EDF Polska SA oddział Wybrzeże w Gdańsku – Elektrociepłownia Gdańska EC2; the contract was made with EDF Polska S.A. 15.7 million PLN,
- Delivery, installation and commissioning of switchgear, site preparation, relocation of cables, cable ducts and external cable trays on the bridges, within the contract for: “Construction of cogeneration fluidized bed boiler CFB 75MW in EC Zofiówka in SEJ S.A.” for ENERGOINSTAL S.A. 13.3 million PLN,
- Construction of the Shopping Centre in Knurów, including connections, parking area, access and roads, service yards, pavements, rebuilding of 1 Maja Street (incl. signalling lights and traffic scheme), complete finishing of the mall, Food Business Operator’s facility, common areas of the Shopping Centre, within the project “Commercial Centre Facility including associated infrastructure” for DL PROJECT MANAGEMENT S.A. 12.6 million PLN,
- Turnkey construction of the GSZ 20/6kV electrical substation for “Grzegorz” coal-pit in Jaworzno, for TAURON Wydobycie SA 11.4 million PLN,
- Construction of a new 110kV switchyard in the place of the existing one, within the contract for civil works “110/15kV station Pakość – overall modernization of the station” for ENEA Operator Sp. z o.o. 10.5 million PLN,
- detail engineering, obtaining required permits, civil works acc. to the developed design approved by the Purchaser, for the project: “Construction of the GPZ Krzywiń including connection of the MV line” for ENEA OPERATOR Sp. z o.o. 10.4 million PLN.

Revenue from the sales of products, goods and materials generated by the group for the 3 quarters of 2014 amounted to 756 798 thousand PLN and were by 122 150 thousand PLN bigger than in the same period of the previous year, that is by 19.2%.

Out of the total revenue of the group, 94.5% was earned by the parent, ELEKTROBUDOWA SA, 4.3% by ENERGO TEST sp. z o.o. and 1.2% by ELEKTROBUDOWA UKRAINE Ltd.

(all amounts in PLN thousands unless otherwise stated)

Sales invoiced during the nine months of 2014 were principally related to performance of big contracts for the supply of electrical installation services and supply of electrical equipment, and included:

- construction of a new heat generation unit with fluidized bed boiler, heating and condensing turbine and associated plants in TAURON Ciepło SA Zakład Wytwarzania Tychy for TAURON Ciepło Spółka Akcyjna 89.1 million PLN,
- turnkey delivery of items of infrastructure dedicated for the new Flue Gas Desulfurization (FGD) plant being constructed in the heat and power plant located in the PKN ORLEN SA production facility in Płock, for PKN ORLEN SA 38.0 million PLN,
- works, delivery and installation of cables and all other associated works at the construction of Line 2 of the Warsaw underground, commissioning and start-up of the installed equipment and systems, for AGP Metro Polska. ASTALDI Sp.p.A., Gülermak Ağır Sanami İnşaat ve Taahhüt A. Ş., Przedsiębiorstwo Budowy Dróg i Mostów Sp. z o.o.” spółka cywilna 32.1 million PLN,
- "design and build" execution of the project „Extension of the Słupsk 400/110kV Substation” – Stage 1 and 2 in order to connect Słupsk 240MW wind farm, Potęgowo 320MW wind farm, including installation of 400/110kV autotransformer to the ENERGA - OPERATOR S.A. grid, for PSE Operator S.A. 28.6 million PLN,
- “design and build” execution of the project “construction of the 400kV electrical station Łomża” for Polskie Sieci Elektroenergetyczne Operator S.A. 22.4 million PLN,
- supply, installation and commissioning of Frequency Converters, Unit 4, 5 and 6 for the FGD plant in Turów, for Babcock Noell GmbH 15.8 million PLN,
- participation in the turnkey supply of a new, gas-fuelled, combined heat and power unit, 45Mwe electric power and 40MWt thermal power in KGHM, Głogów for KGHM Polska Miedź S.A. 15.2 million PLN,
- overall supply of the electrical system for the project: “Construction of a Power Unit acc. to the formula of Turnkey construction of Facility for Przyjaźń Coking Plant”, for ENERGOINSTAL S.A. 14.6 million PLN,
- modernization of the supply of electrolyzers – electrical part, including engineering, delivery, installation and commissioning of the electrical supply system for the new electrolyzer system in the manufacturing facility of ANWIL S.A. in Włocławek, for ANWIL S.A. 14.6 million PLN,
- supply, erection and commissioning of electrical and I&C components and systems for the Nuclear Power Plant Olkiluoto Finland for AREVA NP GmbH 11.2 million PLN.

Rate of growth of sales revenues was correlated with the costs to sell the relevant products, goods and materials. Relations between sales and costs and their impact on the profit amount are described by sales profitability ratios. Profitability of sales after the nine months of 2014 was 5.8% and rose by 1.1 percentage point on the same period of the previous year. The increase of the sales profitability ratio indicates improvement of the profit margin.

Selling costs for the three quarters of 2014 amounted to 2 364 thousand PLN and were by 1 110 thousand PLN lower than in the three quarters of 2013. The share of costs to sell in the sales revenues in the comparable periods was 0.3% for the 3 quarters of 2014 and 0.5% for the 3 quarters of 2013. The decrease of share of selling costs in sales revenues by 0.2 percentage point was directly attributed to the drop in the transport costs.

The general administrative expenses incurred after the nine months of 2014 amounted to 12 213 thousand PLN and rose by 1.5% on the comparable period of 2013. The general administrative expenses had a 1.6% share in the sales revenues for the three quarters of 2014, while in the three quarters of 2013 they accounted for 1.9% of the sales revenues, which was a drop by 0.3 percentage point.

(all amounts in PLN thousands unless otherwise stated)

For the 3 quarters of 2014 the group generated a 22 227 thousand PLN profit on operating activity, which was by 13 829 thousand PLN, i.e. 164.7%, higher than in the same period of the previous year. Operating profitability for the 3 quarters of 2014 reached the level of 2.9% and rose by 1.6 percentage point on the comparable three quarters of 2013.

The financial activity of the group generated a loss of 1 246 thousand PLN; compared to the same period of the previous year a loss on financial activity was reduced by 67 thousand PLN.

A loss on financial investments associated with the interest held in the associates during the three quarters of 2014 amounted to 169 thousand PLN, whereas during the three quarters of 2013 the group generated gains in the amount of 1 593 thousand PLN. The loss incurred by the group in the reporting period resulted from negative results of the associates: the Power Equipment Production Plant VECTOR Ltd. and SAUDI ELEKTROBUDOWA LLC.

The gross profit before taxes earned by the group for the period from 1 January 2014 to 30 September 2014 amounted to 20 812 thousand PLN, while the net profit had the amount of 16 127 thousand PLN. Both gross profit and net profit rose compared to the same period of 2013, 139.8% and 190.1% respectively.

The net profit attributable to the shareholders of ELEKTROBUDOWA SA amounted to 16 274 thousand PLN, whereas non-controlling interest generated a loss of 147 thousand PLN.

Profitability of sales on the level of the net profit was 2.1% for the three quarters of 2014 and was by 1.2 percentage point better than the profitability recorded for the comparable period of the previous year.

The ELEKTROBUDOWA SA group thoroughly analyses the market on which it operates and identifies segments prospective for its business development. It is reflected in the financial forecasts of the group. In the years to come the power industry will be the main driving force of the Polish industrial building sector which badly needs substantial investment in generating facilities and network. The investments in renewable sources of energy seem prospective as well.

A boom is expected in the construction industry since 2014 when projects from the new EU financial perspective will be launched. Many investments included in the new European budget for 2014 – 2020 will enter their execution stage. Implementation of new infrastructure projects, concerning both roads and railway system, will be covered by this financing.

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

After the nine months of 2014 the group generated a net profit amounting to 16 127 thousand PLN (of which 16 274 thousand PLN attributable to the equity holders of ELEKTROBUDOWA SA), while the sales revenues amounted to 756 798 thousand PLN. In the 2014 budget of the ELEKTROBUDOWA SA group, published on 14.04.2014, it is assumed that the annual sales revenues will be realized on the level of 1 233 806 thousand PLN and the net profit will amount to 22 976 thousand PLN, of which net profit attributable to the shareholders of ELEKTROBUDOWA SA is to reach 22 986 thousand PLN.

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

37. Additional information disclosed by the parent

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 ELEKTROBUDOWA SA, that took place during the third quarter of 2014:

(all amounts in PLN thousands unless otherwise stated)

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.

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 group.