

ELEKTROBUDOWA SA

**Interim condensed
financial statements**

for the three months ended 31 March 2015

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(all amounts in thousands of PLN, unless otherwise stated)

Statement of financial position

	Note	as at 31.03.2015	as at 31.12.2014	as at 31.03.2014
ASSETS				
Non-current assets				
		198 364	201 893	203 266
Property, plant and equipment	7	84 817	85 570	82 907
Intangible assets	9	18 385	18 441	19 223
Investments in associates	10	21 516	21 516	21 613
Interest in subsidiaries	11	47 901	47 901	47 901
Available-for-sale financial assets	12.1	6 631	6 631	2 215
Non-current receivables	13.1	4 918	5 272	12 905
Deferred income tax assets	22.3	13 013	15 285	15 017
Non-current prepayments	14	1 183	1 277	1 485
Current assets				
		671 417	710 891	538 474
Inventories	15	69 645	48 057	56 441
Trade and other receivables	13.2	299 911	327 344	173 018
Available-for-sale financial assets	12.1	24	24	24
Derivative financial instruments	12.2	213	0	0
Other non-finance assets	16	9 741	9 219	27 570
Amounts due from customers for construction contract work	26	201 069	271 091	184 789
Cash and cash equivalents		90 568	54 910	96 370
Non-current assets held for sale	17	246	246	262
Total assets				
		869 781	912 784	741 740
EQUITY, LIABILITIES AND PROVISIONS				
Equity				
		357 273	346 858	324 480
Issued share capital	18	10 003	10 003	26 375
Supplementary capital	19.1	306 417	306 417	330 001
Capital from valuation of available-for-sale investments	19.2	4 660	4 660	1 083
Exchange differences on translation of financial data of foreign branches		(1 993)	(1 947)	(2 301)
Retained earnings / losses carried forward	19.3	38 186	27 725	(30 678)
Liabilities and provisions				
Non-current liabilities and provisions				
		20 364	20 429	18 479
Deferred income tax liabilities	22.3	0	0	1 309
Employee benefit provisions	23	5 575	5 692	4 945
Other liabilities	20.1	14 789	14 737	12 225
Current liabilities and provisions				
		492 144	545 497	398 781
Trade and other payables	20.2	323 222	355 770	293 525
Corporate income tax liabilities		912	4 282	8 834
Derivative financial instruments	25	0	71	0
Loans, borrowings and debt securities	21	93 136	103 160	30 125
Current provisions	23	4 277	4 305	6 139
Accrued expenses	24	17 812	22 141	20 318
Amounts due to customers for construction contract work	26	52 785	55 768	39 840
Total liabilities and provisions				
		512 508	565 926	417 260
Total equity, liabilities and provisions				
		869 781	912 784	741 740

(all amounts in thousands of PLN, unless otherwise stated)

Statement of comprehensive income

	Note	three months ended 31.03.2015	three months ended 31.03.2014
<u>Continuing operations</u>			
Revenue from sales of products, goods and materials		239 714	175 868
Cost of products, goods and materials sold		(219 611)	(170 386)
Gross profit on sales		20 103	5 482
Selling costs		(499)	(507)
General administration expenses		(3 191)	(2 673)
Other operating income	27	1 230	2 204
Other operating expenses	27	(3 574)	(4 100)
Operating profit		14 069	406
Finance income	28	0	2 836
Finance costs	28	(930)	(236)
Profit before tax		13 139	3 006
Income tax expense	22.1	(2 678)	(2 583)
Net profit from continuing operations for the period		10 461	423
<u>Discontinued operations</u>			
Net profit from discontinued operations for the period		0	0
Net profit for the period		10 461	423
Other comprehensive income		(46)	(295)
of which:			
Other comprehensive income to be reclassified to profit or loss		(46)	(295)
- exchange differences on translation of financial data of foreign branches		(46)	(295)
Total comprehensive income for the period		10 415	128
Earnings per share from continuing and continued operations			
(in PLN per one share)			
- basic / diluted	19.4	2.20	0.09

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(all amounts in thousands of PLN, unless otherwise stated)

Statement of changes in equity

	Issued share capital	Supplementary capital	Capital from valuation of available-for-sale investment	Exchange differences on translation of financial data of foreign branches	Retained earnings / losses carried forward	Total equity
note	18	19.1	19.2		19.3	
As at 1 January 2015	10 003	306 417	4 660	(1 947)	27 725	346 858
Net profit					10 461	10 461
Exchange differences				(46)		(46)
Total comprehensive income				(46)	10 461	10 415
As at 31 March 2015	10 003	306 417	4 660	(1 993)	38 186	357 273

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(all amounts in thousands of PLN, unless otherwise stated)

note	Issued share capital	Supplementary capital	Capital from valuation of available-for-sale investment	Exchange differences on translation of financial data of foreign branches	Retained earnings / losses carried forward	Total equity
	18	19.1	19.2		19.3	
As at 1 January 2014	26 375	330 001	1 083	(2 006)	(31 101)	324 352
Currency translation differences				59		59
Net profit					29 101	29 101
Valuation of available-for-sale- investments			4 416			4 416
Deferred tax on valuation of available-for-sale investments			(839)			(839)
Remeasurement of employee benefits liabilities					(909)	(909)
Deferred income tax from remeasurement of employee benefit liabilities					173	173
Total comprehensive income			3 577	59	28 365	32 001
Distribution of profit		3 811			(3 811)	0
Settlement of prior years' financial result		(25 776)			25 776	0
Settlement of hyperinflationary restatement of capital	(16 372)	(1 619)			17 991	0
Dividend payment					(9 495)	(9 495)
As at 31 December 2014	10 003	306 417	4 660	(1 947)	27 725	346 858

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(all amounts in thousands of PLN, unless otherwise stated)

	Issued share capital	Supplementary capital	Capital from valuation of available-for-sale investment	Exchange differences on translation of financial data of foreign branches	Retained earnings / losses carried forward	Total equity
note	18	19.1	19.2		19.3	
As at 1 January 2014	26 375	330 001	1 083	(2 006)	(31 101)	324 352
Net profit					423	423
Exchange differences				(295)		(295)
Total comprehensive income				(295)	423	128
As at 31 March 2014	26 375	330 001	1 083	(2 301)	(30 678)	324 480

(all amounts in thousands of PLN, unless otherwise stated)

Statement of cash flows

	three months ended 31.03.2015	three months ended 31.03.2014
Cash flows from operating activities		
Gross profit before taxes	13 139	3 006
Depreciation and amortisation	3 320	2 908
Loss on currency translation differences	509	(1 863)
Interest and share in profit (dividends)	530	(2 695)
Gain/loss on sale of property, plant and equipment (PPE)	(61)	446
Change in inventories	(21 588)	(840)
Change in trade and other receivables	27 778	72 413
Change in liabilities, except loans and borrowings	(33 086)	(36 591)
Income tax paid	(3 797)	(99)
Change in other non-finance assets	(4 851)	1 055
Change in non-current prepayments and accrued expenses	94	81
Change in settlements of construction contracts	67 039	(35 351)
Other adjustments	64	(57)
Net cash flows from operating activities	49 090	2 413
Cash flows from investing activities		
Sale of intangible assets and PPE	69	3
Purchases of intangible assets and PPE	(1 885)	(2 748)
Net cash flows from investing activities	(1 816)	(2 745)
Cash flows from financial activities		
Loans and borrowings	10 850	24 184
Repayment of loans and borrowings	(20 600)	0
Interest on loans and leases	(804)	(141)
Commission on loans	(400)	(95)
Other outflows	(153)	(9)
Net cash flows from financing activities	(11 107)	23 939
Net change in cash	36 167	23 607
Balance sheet change in cash	35 658	25 470
Change in cash due to foreign exchange difference	(509)	1 863
Cash at beginning of period	54 910	70 900
Cash and current account overdrafts at end of period	90 568	96 370

ACCOUNTING POLICIES AND ADDITIONAL EXPLANATORY NOTES

1. General

The financial statements of ELEKTROBUDOWA SA cover the period ended 31 March 2015 and includes the following comparative data:

- the statement of financial position and the statement of changes in equity for the periods ended 31 December 2014 and 31 March 2014,
- the statement of comprehensive income and the statement of cash flows for the period ended 31 March 2014.

1.1 Corporate information

ELEKTROBUDOWA SA was incorporated by the notary deed dated 9 January 1992 drafted in the Notary Office No. 18 in Warsaw (Repertory No. 225/92). The company was created through transformation of the state-owned company named Przedsiębiorstwo Montażu Elektrycznego "Elektrobudowa", based in Katowice.

The company has its registered address at 12 Porcelanowa Street, 40-246 Katowice and is currently registered in the National Court Register (KRS) in the District Court Katowice-Wschód in Katowice, 8th Business Department under KRS entry no. 0000074725. The company has been assigned the statistical number REGON 271173609 and the tax number NIP 634-01-35-506.

Duration of the company's existence shall be indefinite.

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

Shares of the company are listed on the Warsaw Stock Exchange.

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

The business activity of ELEKTROBUDOWA SA includes:

- comprehensive electrical installation works in newly built, extended and modernized power plants and industrial facilities;
- supply of electric power equipment, mainly the electricity transmission and distribution equipment;
- design engineering, testing, commissioning and start-up of electrical installations.

In the first quarter of 2015 the company carried out its foreign operations through permanent establishments (branches) registered in Finland and the Netherlands. The branches were established in consequence of long-term contracts for works to be performed outside Poland. Business of the foreign branches was registered according to the applicable double tax treaties, to which Poland is a party. By Resolution No. 41/VIII/2015 of the Management Board of ELEKTROBUDOWA SA passed on 18 February 2015 the company started the winding up procedure for the Branch in the Netherlands, particularly deregistering the branch from registers therein. The Branch was deregistered from the Register of Businesses effective from 31 March 2015.

1.2 Identification of the consolidated financial statements

ELEKTROBUDOWA SA is a parent entity in the capital group ELEKTROBUDOWA SA. The company prepared the interim condensed consolidated financial statements for the period ended 31 March 2014, authorised for issue on 15 May 2015.

(all amounts in thousands of PLN, unless otherwise stated)

1.3 Going concern concept

The interim condensed financial statements have been prepared with the assumption of the entity's intention and ability to continue as a going concern in the foreseeable future.

Basing on the company budget for 2015, the Management Board does not recognise any facts or circumstances, as of the date of authorization of the financial statements, which could indicate a risk to continuation of the company's operational activities in the foreseeable future.

1.4 Composition of the Management Board

At 31 March 2015 the Management Board was composed of:

Faltynowicz Jacek	-	President
Bober Ariusz	-	Management Board Member
Juszczuk Janusz	-	Management Board Member
Klimowicz Arkadiusz	-	Management Board Member
Świgulski Adam	-	Management Board Member
Wołek Sławomir	-	Management Board Member

On 29 April 2015 the Supervisory Board established a three-person composition of the Management Board. The following persons were appointed for a common three-year term of office (beginning on 29 April 2015):

Faltynowicz Jacek	-	President
Juszczuk Janusz	-	Member of the Management Board, Vice-President
Janczyk Piotr	-	Member of the Management Board

Until the date of disclosing these financial statements the composition of the Management Board has not changed.

1.5 Composition of the Supervisory Board

At 31 March 2015 the Supervisory Board of ELEKTROBUDOWA SA had the following composition:

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

During the reporting period and until the date of disclosing these financial statements composition of the Supervisory Board has not changed.

2. Rules adopted for preparation of the interim condensed financial statements

2.1 Basis of preparation

The interim condensed financial statements of the company have been prepared under the historical cost convention, except for some non-current assets and financial instruments which are measured at restated values or at fair values at the end of each reporting period, in accordance with the accounting policy presented below.

2.2 Statement of compliance

These financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) endorsed by the European Union ("IFRS-EU"). As at the date of authorisation of these financial statements for issue, taking into account the process, pending in the EU, of implementation of the IFRS standards and the activity carried out by the company, the IFRS differ from IFRS-EU.

The interim condensed financial statements ("the financial statements") have been prepared in accordance with the International Accounting Standard 34, "Interim Financial Reporting" ("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 (the consolidated text Dz.U. of 28 January 2014, item 133).

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 company's functional currency and the presentation currency of the present financial statements. All values have been expressed in thousands of Polish zlotys, unless in some specific situations they have been disclosed with greater accuracy.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the dates of the transactions as follows:

- disposal of foreign currency - at the buying rate applied by the bank used by a company;
- purchase of foreign currency - at the selling rate applied by the bank used by a company;
- other transactions - at average exchange rates for each currency announced by the National Bank of Poland, unless customs documents quote another exchange rate;
- assets and liabilities as at the reporting date - at the average exchange rate for each currency announced by the National Bank of Poland.

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

(all amounts in thousands of PLN, unless otherwise stated)

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

Foreign branches prepare their financial statements in functional currency of the primary economic environment in which the foreign branch operates.

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

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

currency	31 March 2015		31 December 2014		31 March 2014	
	Statement of financial position	Statement of comprehensive income	Statement of financial position	Statement of comprehensive income	Statement of financial position	Statement of comprehensive income
	in PLN	in PLN	in PLN	in PLN	in PLN	in PLN
EUR	4.0890	4.1489	4.2623	4.1893	4.1713	4.1894
USD	3.8125	3.7436	3.5072	3.1784	3.0344	3.0629
UAH	0.1623	0.1700	0.2246	0.2637	0.2693	0.3080
RUB	0.0661	0.0600	0.0602	0.0821	0.0852	0.0860
SAR	0.9946	0.9813	0.9337	0.8439	0.8085	0.8123

2.4 Changes to the applied accounting policies

Standards and interpretations applied for the first time in 2015

The following standards, amendments to the existing standards and the interpretations issued by the International Accounting Standards Board (IASB) and endorsed for application in the EU are applied for the first time in 2015:

- **Annual Improvements IFRS: 2011-2013 Cycle** - the amendments to various standards and interpretations result from the annual quality improvement project (IFRS 1, IFRS 3, IFRS 8, IFRS 13, and IAS 40) focusing mainly on solving inconsistencies and clarifying the wording - endorsed in the EU on 18 December 2014 (applicable to annual periods beginning on or after 1 January 2015) and issued on 12 December 2013. The introduced changes have refined the required accounting treatment in cases where previously free choice was allowed.

(all amounts in thousands of PLN, unless otherwise stated)

The essential changes include new or amended requirements regarding: (i) importance of the effective IFRS for IFRS 1; (ii) the scope of exemptions regarding joint ventures; (iii) the scope of IFRS 13.52 (portfolio exemption) and (vi) clarification of the relationships between IFRS 3 and IS 40 with regard to classification of property as investment or used for internal purposes.

- **IFRIC Interpretation 21 “Levies”**- endorsed in the EU on 13 June 2014 (applicable to annual periods beginning on or after 14 June 2014) published by IASB on 20 May 2013 . This is the interpretation of IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”, which defines criteria of recognizing liabilities, including the requirement to treat a liability as present obligation of the entity arising from past events (an obligating event). According to the Interpretation, activity that binds the entity to pay a levy as determined in relevant legal regulations is an obligating event.

The aforementioned standards, interpretations and amendments did not significantly affect the accounting policy so far applied by the Company.

Standards and interpretations issued and endorsed by the EU, but not yet effective

While approving these financial statements, the company did not apply the following standards, revised standards and interpretations that had been Issued by IASB and endorsed for application in the EU, but which had not yet entered into force:

- **The Annual Improvements to IFRS: 2010-2012 Cycle** - the amendments to various standards and interpretations result from the annual quality improvement project (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24, and IAS 38) focusing mainly on solving inconsistencies and clarifying the wording, endorsed in the EU on 17 December 2014 (applicable to annual periods beginning on or after 1 February 2015). The introduced changes have refined the required accounting treatment in cases where previously free choice was allowed. The essential ones include new or amended requirements regarding: (i) defining the “vesting condition”, (ii) settlement of the contingent consideration in business combinations; (iii) aggregation of operating segments and reconciliation of the total assets of reporting segments to the entity's assets; (iv) measurement of short-term receivables and liabilities; (v) proportional restatement of accumulated depreciation in the remeasurement model and (vi) defining key management members.
- **Amendments to IAS 19 “Employee Benefits”** – defined benefit plans: employee contributions, endorsed in the EU on 17 December 2014 (applicable to annual periods beginning on or after 1 February 2015), issued by IASB on 21 December 2013. Minor changes regard the scope of applying the standard to employee or third party contributions to defined benefit plans. The purpose of the changes is to simplify the settlement of contributions independent from the years in service (e.g. calculated as a fixed percentage of remuneration).

Application of the aforementioned amendments would not affect the Company's financial position, performance results or the scope of information presented in the financial statements.

2.5 New standards and interpretations issued but not yet effective

The following standards have been issued by the IASB or IFRIC but are not yet effective:

(all amounts in thousands of PLN, unless otherwise stated)

- **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,
- **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 of 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, but the date has been postponed by IASB and it has not been decided yet when EFRAG will complete the endorsement process – 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 of these financial statements,
- **Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception** (issued on 18 December 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 1 Disclosure Initiative** (issued on 18 December 2014) - effective for financial years beginning on or after 1 January 2016 – not yet endorsed by EU till the date of approval of these financial statements.

The company did not decide to apply earlier any other standards, interpretations or amendments that had been published but are not yet effective in the light of the EU legislation.

The company has not assessed the impact of the amended standards or interpretations on its financial statements. The Management is considering the influence that those changes may have on the company's financial statements.

3. Significant values based on professional judgements and estimates

Preparation of the Company's interim condensed financial statements requires Management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, with associated notes as well as disclosure of contingent liabilities. Assumptions and estimates made on the basis of them are based on historic experience and the analysis of various factors deemed rational, and their outcome is the basis for a professional judgement on the value of items they refer to. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in future periods. In the period covered by these 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 financial statements.

3.1 Professional judgement

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

Classification of lease agreements where ELEKTROBUDOWA SA is a lessee

ELEKTROBUDOWA SA classifies a lease as operating or financial on the basis of assessment what portion of risks and rewards of ownership is transferred to the lessor and what portion to the lessee. The Company concluded lease agreements for the use of fixed assets qualified to group 4, 7 and 8. The company has all substantial risks and rewards of ownership of those assets, basing on the economic content of each transaction. Finance lease liabilities are presented in Note 8.

Impairment of interest in associates

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

Joint operation arrangements

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

3.2 Uncertainty of estimates and assumptions

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

Impairment of assets

As at each reporting date, the Company analyses the indicators of impairment of assets and, if required, performs test for impairment.

Estimates of impairment of property, plant and equipment with definite useful lives are made at the end of a reporting date. This requires estimating the value in use of the cash-generating unit to which the assets belong. Calculation of the value in use is based on estimation of the expected future cash flows generated by the CGU and estimation of the discount rate used for calculation of the present value of these cash flows.

The company has assessed whether there are indications of impairment of the assets. The analysis has shown that in the period of 3 months ended 31 March 2015 such indications did not occur.

Information about investment in associates is provided in Note 10 and about shares in subsidiaries in Note 11.

Other impairment of assets at the end of the reporting period is presented in Note 13 and Note 15.

Depreciation rates

The company verifies annually the residual value, depreciation methods and expected useful lives of fixed tangible assets which are subject to depreciation.

In the opinion of the Management the fixed tangible assets are used evenly. Depreciation charges are calculated by estimating their useful economic lives and even distribution of the amount of depreciation.

Fixed tangible assets are checked in order to ascertain the correctness of the assumed useful lives, and the following is assessed:

- normal wear and tear,
- technical obsolescence,
- intensity of past use,
- intensity of estimated use,
- expected useful life,
- availability of spare parts and consumables.

Furthermore, consultations are carried out with persons responsible for the use of fixed assets, with the users and industrial experts. As at 31 March 2015 the company estimates that the useful lives of the assets assumed for depreciation purposes reflect the expected periods of future economic benefits from the assets.

Measurement of provision for employee benefits

Provision for employee benefits was measured using the actuarial methods.

The technical assumptions, calculation methodology and analysis of changes in the amount of employee benefits liabilities (retirement and other pension allowances) adopted for the end of 2014 have not changed. Change in provision for employee benefits during the period results from recognition of benefits which have been paid (Note 23).

Deferred tax asset

The company recognises a deferred income tax asset basing on the assumption that the taxable profit will be available against which it can be utilized. Future deterioration of taxable income could cause that the assumption became unjustified.

Deferred tax assets are measured at the tax rates that are expected to apply at the time when the asset is realized, based on tax laws enacted at the reporting date. Information about the deferred tax is provided in Note 22.3.

(all amounts in thousands of PLN, unless otherwise stated)

Warranty provisions measurement

The company creates provisions for warranty repair expenses, as it has to grant its customers warranties for manufactured and delivered power equipment. The amount of provision was calculated basing on analysis of historically incurred costs of warranty repairs in relation to the volume of sales. Basing on the analysis of the amount of expenditure in the revenue for the past 5 years before the reporting year, a factor is calculated on which the calculation of provision of warranty repair costs incurred in subsequent periods will be based.

Details of estimated provisions for warranty repair are presented in Note 23.

Provision for costs of delay in completion of contracts

The company creates a provision for liquidated damages for delay in completion of a contract when it is highly probable that the liquidated damages for delay will be calculated and such delay has been attributable to the company as the contractor. The amount of provision depends on the amount of liquidated damages for a specific period of delay provided for in a contract. Details of estimated provisions are presented in Note 24.

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

At the end of each reporting period the company reviews the estimates of total revenue and costs in respect of construction contracts settled by the stage of completion method, based on contract budgets valid for the date of preparation of the financial statements.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, the contract revenue is recognized over the period of the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is immediately recognized in the financial result as expense, according to IFRS.

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

Details of settlement of revenue and costs relating to the construction contracts for the reporting period are presented in Note 26.

Fair value of financial instruments

Fair value of the financial instruments for which there is no active market is established using appropriate valuation techniques. In selection of appropriate methods and assumptions the company is guided by professional judgement. The way of establishing fair values of different financial instruments is presented in Notes 12 and 25.

Fair value of assets or liabilities is measured using observable market data to the possible extent. When in measurement of fair value of assets or liabilities it is not possible to use quoted market prices, the company engages external professional valuation specialists to perform measurement.

Valuation of inventories

As at the end of the reporting period the company assessed whether there is any indication that the inventories 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 impair the asset and reduce its book value to its net realizable price.

(all amounts in thousands of PLN, unless otherwise stated)

The company determines a reliable net selling price for each type or each item of inventories. The provisions for impairment are presented in Note 15.

3.3 Changes to estimates

During the period of three months ended 31 March 2015 and as at 31 March 2015 the Company verified and amended its estimates concerning significant areas, as described in Note 3.1. and Note 3.2.

4. Changes to the Company structure

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

5. Information about discontinued operations or operations to be discontinued in the next reporting period

No operation was discontinued by the company in the period ended 31 March 2015 and no such discontinuation is planned in the next reporting period.

6. Segment information

Primary reporting format – business segments

Business activity of the company is primarily categorised by industries.

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

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

ELEKTROBUDOWA SA is organized into the following reportable segments:

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

(all amounts in thousands of PLN, unless otherwise stated)

- The segment: Power Distribution Division provides overall services for the power distribution sector and supplies products manufactured by the division. The core business of the segment is the production and selling of low and medium voltage equipment, particularly low and medium voltage switchgear systems and mobile substations, manufacture and sale of steel cable trays and supports, development and selling of control and signalling equipment, the supply of complete distribution substations and turnkey contracts for power transmission and distribution projects.
- Other items include other material and not material services provided for external customers.

No operating segments have been aggregated to form the above reportable operating segments. The Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured as profit from or loss on the operating activity in the financial statements.

The company's financing (including finance costs and finance income) and income taxes are monitored on the level of operating segments and allocated to them.

Revenue from inter-segment transactions is eliminated on the company level.

Sales and transfers between segments are on an arm's length basis in a manner similar to transactions with third parties.

The table below presents the company's revenue and performance in the reportable segments.

Business segment performance for the first quarter of 2015

	Power Generation Division	Industry Division	Power Distribution Division	Other segments	Total
<u>Continuing operations</u>					
Revenue					
of which:					
Sales to external customers	142 944	40 154	55 928	688	239 714
Inter-segment sales	467	0	5 893	2 185	8 545
Total revenue of segments	143 411	40 154	61 821	2 873	248 259
Operating profit / loss	9 299	381	5 651	(1 262)	14 069
Financial activities result	(101)	(117)	(712)	0	(930)
Gross profit / loss before tax	9 198	264	4 939	(1 262)	13 139
Income tax	(1 915)	(55)	(932)	224	(2 678)
Net profit/ loss for the period from continuing operations	7 283	209	4 007	(1 038)	10 461
<u>Discontinued operations</u>					
Net profit / loss from discontinued operations for the period					
	0	0	0	0	0
Net profit / loss for the period	7 283	209	4 007	(1 038)	10 461

(all amounts in thousands of PLN, unless otherwise stated)

Other items of business segments recognized in the statement of comprehensive income for the first quarter of 2015

	Power Generation Division	Industry Division	Power Distribution Division	Other segments	Total
Depreciation	831	198	706	690	2 425
Amortisation	59	28	792	16	895
Share of profit of associates	0	0	0	0	0
Share of profit of subsidiaries	0	0	0	0	0

Business segment performance for Q1 2014

	Power Generation Division	Industry Division	Power Distribution Division	Other segments	Total
<u>Continuing operations</u>					
Revenue					
of which:					
Sales to external customers	79 784	31 754	63 785	545	175 868
Inter-segment sales	429	0	6 951	2 202	9 582
Total revenue of segments	80 213	31 754	70 736	2 747	185 450
Operating profit / loss	3 231	(8 809)	5 400	584	406
Financial activities result	(29)	(46)	2 675	0	2 600
Gross profit / loss before tax	3 202	(8 855)	8 075	584	3 006
Income tax	(853)	(787)	(713)	(230)	(2 583)
Net profit/ loss for the period from continuing operations	2 349	(9 642)	7 362	354	423
<u>Discontinued operations</u>					
Net profit (loss) from discontinued operations for the period					
	0	0	0	0	0
Net profit/ loss for the period	2 349	(9 642)	7 362	354	423

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

	Power Generation Division	Industry Division	Power Distribution Division	Other segments	Total
Depreciation	850	261	487	677	2 275
Amortisation	72	37	498	26	633
Share of profit of associates	0	0	2 836	0	2 836
Share of profit of subsidiaries	0	0	0	0	0

(all amounts in thousands of PLN, unless otherwise stated)

Items of business segments recognized in the statement of financial position as at 31 March 2015

	Power Generation Division	Industry Division	Power Distribution Division	Other segments	Total
Assets	311 441	113 523	305 357	139 460	869 781
Liabilities	236 136	94 640	169 267	12 465	512 508
Capital expenditure	216	43	943	871	2 073
Investment in associates	0	0	21 516	0	21 516
Interest in subsidiaries	0	0	378	47 523	47 901

Items of business segments recognized in the statement of financial position as at 31 December 2014

	Power Generation Division	Industry Division	Power Distribution Division	Other segments	Total
Assets	285 786	131 534	344 419	151 045	912 784
Liabilities	218 120	128 891	203 000	15 915	565 926
Capital expenditure	2 459	334	6 637	1 276	10 706
Investment in associates	0	0	21 516	0	21 516
Interest in subsidiaries	0	0	378	47 523	47 901

Items of business segments recognized in the statement of financial position as at 31 March 2014

	Power Generation Division	Industry Division	Power Distribution Division	Other segments	Total
Assets	197 850	127 310	234 883	181 697	741 740
Liabilities	164 884	133 406	150 840	(31 870)	417 260
Capital expenditure	257	100	1 841	375	2 573
Investment in associates	0	0	21 613	0	21 613
Interest in subsidiaries	0	0	378	47 523	47 901

Other information

Provisions for impairment of receivables of segments

	Power Generation Division	Industry Division	Power Distribution Division	Other segments	Total
as at 31 March 2015	8 353	19 609	6 557	683	35 202
as at 31 December 2014	6 420	19 721	7 020	658	33 819
as at 31 March 2014	2 500	16 775	4 280	15	23 570

(all amounts in thousands of PLN, unless otherwise stated)

Amounts of created provisions for impairment of receivables of segments

	Power Generation Division	Industry Division	Power Distribution Division	Other segments	Total
in Q1 2015	2 014	94	172	91	2 371
in 2014	4 510	9 601	4 194	651	18 956
in Q1 2014	177	167	314	8	666

Reversal and use of provisions for impairment of receivables of segments

	Power Generation Division	Industry Division	Power Distribution Division	Other segments	Total
in Q1 2015	81	206	635	66	988
in 2014	430	6 708	1 864	0	9 002
in Q1 2014	17	220	724	0	961

Secondary reporting format – geographical segments

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

	3 months ended 31 March	
	2015	2014
Revenue from sale of products, goods and materials		
a) Poland	221 317	158 190
b) other countries, including:	18 397	17 678
- Finland	9 337	5 177
- Russia	5 149	1 653
- Angola	3 146	0
- South Africa	228	54
- Switzerland	139	372
- France	110	87
- Ukraine	86	4 631
- Germany	83	193
- Turkey	60	3 123
- Saudi Arabia	0	1 219
- other	59	1 169
	239 714	175 868

(all amounts in thousands of PLN, unless otherwise stated)

Information about key customers

The revenue from direct sales generated by the Power Generation Division includes the 118.1 million PLN income from the contract with the company's biggest customer (16.4 million PLN in Q1 2014). The revenue from the biggest customer accounted for 49.3% of the company's Q1 2015 revenue and for 9.3% of total revenues generated by the company in Q1 2014.

The revenue from direct sales generated by the Power Distribution Division includes the 64.7 million PLN income from the contract with the company's second biggest customer (12.8 million PLN in Q1 2014). The revenue from the second biggest customer accounted for 27.0% of the company's Q1 2015 revenue and for 7.3% of total revenues generated by the company in Q1 2014.

In Q1 2015 the Company invoiced the revenue generated from contracts with the two leading customers accounting for 76.3% of the company's total revenue, against 16.6% in Q1 2014.

7. Property, plant and equipment

	as at 31 March 2015	as at 31 December 2014	as at 31 March 2014
Property, plant and equipment			
- land	4 970	4 970	4 035
- building, civil engineering facilities	50 463	50 947	51 324
- technical equipment and machines	13 734	14 165	13 454
- vehicles	5 404	5 577	5 782
- other fixed assets	5 454	5 792	3 449
- fixed assets under construction	4 722	4 049	4 840
- advances for fixed assets under construction	70	70	23
	84 817	85 570	82 907

In accordance with IAS 16, as at 31 December 2014 ELEKTROBUDOWA SA recognised 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. The company did not make any adjustments of comparable data as the amount was irrelevant.

At 31 March 2015 the net investment in third party's fixed assets amounted to 277 thousand PLN.

At 31 March 2015 there were no provisions for impairment of fixed assets.

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

Leased fixed tangible assets

As at 31 March 2015 the company used fixed tangible fixed assets under finance leases and the hire purchase contracts, the initial value of which was 3 159 thousand PLN (2 721 thousand PLN at 31 December 2014 and 128 thousand PLN at 31 March 2014) and which included technical equipment and machines 2 171 thousand PLN, vehicles 860 thousand PLN and other fixed tangible assets 128 thousand PLN. The depreciation charge of leased assets and assets under hire purchase contracts amounted to 189 thousand PLN at the reporting date (79 thousand PLN at 31 December 2014 and 34 thousand PLN as at 31 March 2014), of which technical equipment and machines 76 thousand PLN, vehicles 54 thousand PLN and other fixed assets 59 thousand PLN.

(all amounts in thousands of PLN, unless otherwise stated)

Fixed assets pledged as security

As at 31 March 2015, land and buildings of which ELEKTROBUDOWA SA was an owner or a perpetual user, were subject to collateral mortgage up to the maximum amount of 518 970 thousand PLN (544 775 thousand PLN as at 31 December 2014 and 305 380 thousand PLN at 31 March 2014).

As at 31 March 2015, owned by the Company fixed tangible assets classified as property, plant and equipment were pledged as security up to the amount 171 900 thousand PLN (171 900 thousand PLN at 31 December 2014 and 59 400 thousand PLN at 31 March 2014).

Both collateral mortgage and registered pledges secured possible claims of the financial institutions concerning repayment of provided loans and guarantees.

8. Liabilities under finance lease agreements

As at 31 March 2015, 31 December 2014 and 31 March 2014 future minimum lease payments and the present value of minimum net lease payments concerning irrevocable lease agreements were as follows:

	as at 31 March 2015		as at 31 December 2014		as at 31 March 2014	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments	Minimum payments	Present value of payments
Within 1 year	86	89	100	92	52	44
1 - 5 years	178	173	195	189	31	29
Total minimum lease payments	264	262	295	281	83	73
Less finance costs	11		14		10	
Present value of minimum lease payments	253		281		73	
- short-term		89		92		44
- long-term		173		189		29

During the period ended 31 March 2015 the Company did not make any contingent lease payments recognised as cost of the period (in the year ended 31 December 2014 it amounted to 27 thousand PLN and in the period ended 31 March 2014 it was 0 thousand PLN).

9. Intangible assets

	as at 31.03.2015	as at 31.12.2014	as at 31.03.2014
Intangible assets			
- costs of finished R&D works	13 803	14 507	2 664
- acquired concessions, patents, licenses and similar	726	858	1 162
- costs of unfinished R&D works	3 856	3 076	15 397
	18 385	18 441	19 223

(all amounts in thousands of PLN, unless otherwise stated)

By the report dated 31 July 2014 ELEKTROBUDOWA SA settled the expenditure for development works concerning the project of implementation to serial production of a new product, high voltage switchgear type OPTIMA 145. The outlay in the amount of 13 505 thousand PLN was classified to the costs of finished development works and a 10-year amortization period was assumed. As at 31 March 2015 the incurred outlay, less accumulated amortization, amount to 12 604 thousand PLN.

ELEKTROBUDOWA SA regularly evaluates economic value in use of development works presented in the intangible assets and verifies their value. As at the date of these financial statements no indicators of their impairment were identified.

Gross value of all fully amortised but still used and controlled by the company intangible assets as at 31 March 2015 was 16 549 thousand PLN, at 31 December 2014 it was 16 331 thousand PLN and at 31 March 2014: 14 984 thousand PLN).

As at 31 March 2015, 31 December 2014 and 31 March 2014 no impairment charges relating to the intangible assets were made.

As at 31 March 2015, 31 December 2014 and 31 March 2014, ELEKTROBUDOWA SA did not have any intangibles with restricted right of use.

Intangible assets used as security

No liabilities were secured by the company's intangible assets at 31 March 2015, 31 December 2014 or 31 March 2014.

10. Investment in associates

	% share at 31 March 2015	as at 31.03.2015	as at 31.12.2014	as at 31.03.2014
Investment in associates				
- shares of the Power Equipment Production Plant Vector Ltd.	49%	21 516	21 516	21 516
- shares of SAUDI ELEKTROBUDOWA LLC	33%	0	0	97
		21 516	21 516	21 613

VECTOR Ltd. is a distributor of ELEKTROBUDOWA's finished goods in the Russian market and manufactures electrical components, parts for electrical vacuum devices sold in the local market.

Present political and economic situation in Russia does not influence operating activity of the partner company "VECTOR". The supplied products are not embargoed by any party. Strengthening of the ruble makes the offer of products imported to Russia more attractive, so the interest in imported products is growing. Results achieved in the first quarter of 2015 encourage to expect a significant growth in sales in the whole year 2015.

As at 31 March 2015 ELEKTROBUDOWA SA analysed the indications of impairment of its share in the equity of the associate VECTOR.

The analysis of financial situation and liquidity of assets of VECTOR does not indicate any probability of impairment of the share in the associate's equity owned by ELEKTROBUDOWA SA in the foreseeable future.

(all amounts in thousands of PLN, unless otherwise stated)

Unfavourable financial situation of SAUDI ELEKTROBUDOWA LLC based in Riyadh, the Kingdom of Saudi Arabia, loss of liquidity and difficulties in winning new orders were at the grounds of a decision taken by the Management of ELEKTROBUDOWA SA in 2014 to impair the value of the shares by the amount of 97 thousand PLN (the provision was recognized in the 2014 finance costs). Currently the company conducts negotiations with the Saudi Partner concerning recovery measures to improve the situation in the company and continue its operational existence.

11. Interest in subsidiaries

	% share at 31 March 2015	as at 31.03.2015	as at 31.12.2014	as at 31.03.2014
Interest in subsidiaries				
- KONIP Sp. z o.o.	100%	70	70	70
- ENERGOTEST sp. z o.o.	100%	47 453	47 453	47 453
- ELEKTROBUDOWA UKRAINE Sp. z o.o.	62%	378	378	378
		47 901	47 901	47 901

During the 3 months of 2015 there were no changes in the Company's interest in subsidiaries compared with the end of comparative periods.

ELEKTROBUDOWA UKRAINE Ltd. is a distributor of equipment manufactured in ELEKTROBUDOWA SA in the Ukrainian market. In its local market the company sells medium voltage switchgear, mobile substations type SKP and busducts.

In previous years most of facilities realized by ELEKTROBUDOWA UKRAINE were located in Crimea and in the areas which are not managed directly by the government in Kiev at present. The situation forced the company to look for new customers in the areas outside the regions of political instability. The actions are conducted constantly and the Management estimates that their results can be expected in the second half of 2015.

Basing on the prepared 2015 budget and the analysis of the financial situation the Management does not find any risk that the interest held by ELEKTROBUDOWA SA in the subsidiary could be impaired in the foreseeable future.

12. Financial assets

12.1 Available-for-sale financial assets

	as at 31.03.2015	as at 31.12.2014	as at 31.03.2014
Available-for-sale financial assets			
- non-current	6 631	6 631	2 215
- current	24	24	24
	6 655	6 655	2 239

(all amounts in thousands of PLN, unless otherwise stated)

Non-current financial assets available for sale include shareholding in PI Biprohut Sp. z o.o. based in Gliwice.

As of 31 March 2015 ELEKTROBUDOWA SA had 23.07% share in the equity of PI Biprohut Sp. z o.o. while the share in total voting rights in the General Meeting was 22.79%. The interest of ELEKTROBUDOWA SA in the equity of PI Biprohut Sp. z o.o. did not change compared with 31 December 2014. As at 31 March 2015 the strategic investor of PI Biprohut Sp. z o.o. held 70.90% stake which entitled him to 66.77% of voting rights in the general meeting of shareholders. The remaining shares were held by individual, dispersed shareholders. Basing on the criteria of IAS 28, ELEKTROBUDOWA SA performed relevant analysis of classification of this investment, resulting in the conclusion that it does not have significant influence on operating or financial policy of PI Biprohut Sp. z o.o., and the investment itself is classified as available-for-sale assets and measured in accordance with IAS 39.

PI Biprohut Sp. z o.o. is not listed in the stock exchange, so an independent valuation specialist was engaged to value the shares. Having considered the results of analysis of the real property market and liquidity of the shares of PI Biprohut Sp. z o.o. at 31 March 2015, the fair value of shares held by ELEKTROBUDOWA SA could be estimated as the same as measured by the valuation specialist at 31 December 2014.

Fair value of shares in PI Biprohut Sp. z o.o. is classified as Level 2 in the hierarchy of financial instruments.

Current financial assets include shares in Famak S.A. based in Kluczbork. The shares are not listed on the stock exchange, therefore their fair value was estimated according to their offered price to buy. As at 31 March 2015 the carrying amount of current assets available for sale was 24 thousand PLN and did not change compared to the amount at 31 December 2014.

Fair value of shares is classified to Level 3 of the fair value hierarchy.

(all amounts in thousands of PLN, unless otherwise stated)

12.2 Classification of assets to groups of financial instruments

Type of financial instrument	method of measurement as at 31 March 2015	as at 31.03.2015	as at 31.12.2014	as at 31.03.2014	amount charged to revaluation capital in Q1 2015	amount charged to profit or loss in Q1 2015
1. Loans extended and own receivables		302 646	329 862	182 359	0	(1 686)
a) long-term receivables due to sale of non-current assets	amortised cost	696	688	967	0	8
b) long-term receivables due to retentions	amortised cost	4 222	4 584	11 938	0	73
c) short-term trade and other receivables	amortised cost	297 728	324 590	169 454	0	(1 767)
2. Available-for-sale investments		6 655	6 655	2 239	0	0
a) shares of PI Biprohut Sp. z o.o.	fair value	6 631	6 631	2 215	0	0
b) shares of Famak S.A.	book value	24	24	24	0	0
3. Cash and cash equivalents	amortised cost	90 568	54 910	96 370	0	(1 123)
4. Derivative financial instruments		213	0	0	0	213
a) forward contract in foreign currencies	fair value	213	0	0		213
Total financial assets		400 082	391 427	280 968	0	(2 596)

As at 31 March 2015 the Company had forward currency transactions for the amount 1 320 thousand EUR unsettled (1 320 thousand EUR at 31 December 2014 and 0 EUR at 31 March 2014). Fair value of a forward transaction as at the reporting date is measured by the financial institution using the discounted cash flow method, basing on the closing rate at the relevant day. At 31 March 2015 the fair value of the forward closed at positive value of 213 thousand PLN. The company recognized the effect of measurement of derivatives in its statement of comprehensive income in the "Other operating expenses" line. The company also reversed the prior years' valuation amount (details in Note 24).

The company does not use hedge accounting, but the used transactions are not of a speculative nature and are used for the purpose of hedging the sales transactions denominated in foreign currencies. For information about the hedged sale transaction refer to Note 25.

(all amounts in thousands of PLN, unless otherwise stated)

13. Trade and other receivables

13.1 Receivables recognised in non-current assets

	as at 31.03.2015	as at 31.12.2014	as at 31.03.2014
Long-term receivables			
- disposal of property, plant and equipment	696	688	967
- contract retentions	4 222	4 584	11 938
Long-term receivables - net	4 918	5 272	12 905
Discount of receivables	224	305	791
Impairment of receivables	163	0	0
Long-term receivables - gross	5 305	5 577	13 696

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

13.2 Receivables recognised in current assets

	as at 31.03.2015	as at 31.12.2014	as at 31.03.2014
Current trade and other receivables			
- supplies and services	274 454	300 286	135 392
- other	25 457	27 058	37 626
Total current trade and other receivables -net	299 911	327 344	173 018
Impairment of receivables	35 039	33 819	23 570
Total current trade and other receivables -gross	334 950	361 163	196 588

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

	as at 31.03.2015	as at 31.12.2014	as at 31.03.2014
Other current receivables			
- receivables due to public and legal settlements	2 183	2 754	3 564
- retentions	19 444	21 352	27 620
- amounts receivable for other services performed	1 134	557	0
- receivables from sales of fixed assets	678	1 194	320
- amounts receivable from contractors as damages	209	188	351
- receivables from employees	232	58	187
- other	1 577	955	5 584
	25 457	27 058	37 626

(all amounts in thousands of PLN, unless otherwise stated)

As at 31 March 2015 the trade receivables for supplies and services in the amount of 24 374 thousand PLN (24 298 thousand PLN at 31 December 2014 and 16 741 thousand PLN at 31 March 2014) and other receivables amounting to 10 828 thousand PLN (9 521 thousand PLN at 31 December 2014 and 6 829 thousand PLN at 31 March 2014) were acknowledged as uncollectible and so they were impaired. Changes in the provision for impairment of receivables were as follows:

	3 months ended 31.03.2015	12 months ended 31.12.2014	3 months ended 31.03.2014
Provisions for impairment of trade and other receivables			
Impairment provision at beginning of period	33 819	23 865	23 865
Creating a provision, including:	2 371	18 956	666
- trade receivables	337	14 226	153
- other receivables	2 034	4 730	513
Use	(356)	(1 651)	0
Deduction of unused amounts (release)	(632)	(7 351)	(961)
Impairment provision at end of period	35 202	33 819	23 570
of which:			
- for trade receivables	24 374	24 298	16 741
- for other receivables	10 828	9 521	6 829

The provision for impairment of receivables from related entities is presented in Note 31. Changes in provisions for impairment of receivables in the statement of comprehensive income are described in Note 27.

14. Non-current prepayments

	as at 31.03.2015	as at 31.12.2014	as at 31.03.2014
Long-term prepayments			
- construction insurance policies	625	745	1 127
- other	558	532	358
	1 183	1 277	1 485

15. Inventories

	as at 31.03.2015	as at 31.12.2014	as at 31.03.2014
Inventories			
- materials	31 283	27 124	22 828
- semi-finished products and work in progress	35 467	17 954	25 228
- finished goods	2 261	2 345	3 952
- merchandise	634	634	4 433
	69 645	48 057	56 441
of which:			
- inventory write-down	(641)	(641)	(192)

(all amounts in thousands of PLN, unless otherwise stated)

ELEKTROBUDOWA SA regularly reviews the value of inventories and the possibility to use them. In the period ended 31 March 2015 the company did not create any provision for impairment of inventory of materials.

The company does not have any bank loans or other liabilities hedged by the inventories.

16. Other non-finance assets

	as at 31.03.2015	as at 31.12.2014	as at 31.03.2014
Other non-finance assets			
- future periods expenses (subscriptions, fees, insurance)	1 519	1 898	1 376
- prepayments for supplies	6 605	7 321	24 656
- contribution to Employee Benefit Fund	1 617	0	1 538
	<u>9 741</u>	<u>9 219</u>	<u>27 570</u>

17. Non-current assets held for sale

	as at 31.03.2015	as at 31.12.2014	as at 31.03.2014
Non-current assets held for sale			
a) fixed tangible assets, of which:			
- technical equipment and machines	129	129	145
- other fixed tangible assets	117	117	117
	<u>246</u>	<u>246</u>	<u>262</u>

ELEKTROBUDOWA SA has separated some of property, plant and equipment items, as there is no longer a demand for their continuing use in the operation processes. At the same time actions were commenced to dispose of them in an open tender procedure. An independent expert was engaged to estimate the market value of the held to sale assets. 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. Invitations to tender are placed in easily available national and local daily newspapers and also on the internet. As no buyer was found in the open tender procedure for the assets, which are highly specialized machines, ELEKTROBUDOWA SA offered the resale of the equipment to its initial seller. The Management of the Company expects the sale transaction to be finalised within the next twelve months.

18. Issued share capital

	as at 31.03.2015	as at 31.12.2014	as at 31.03.2014
Issued (registered) share capital at beginning of period	10 003	26 375	26 375
Coverage of results of restatement of issued share capital recognized in retained earnings pursuant to Resolution 8/2014 of the Annual General Meeting of ELEKTROBUDOWA SA of 22 May 2014	0	(16 372)	0
Issued (registered) share capital at end of period	<u>10 003</u>	<u>10 003</u>	<u>26 375</u>

(all amounts in thousands of PLN, unless otherwise stated)

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

The Annual General Meeting of ELEKTROBUDOWA SA held on 22 May 2014 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.

To each ordinary share, of nominal value 2.00 PLN fully paid, a single vote in the General Meeting of shareholders is attached. Shares of all series have the same preferences as to eligibility to dividend and return of capital. All shares were acquired for cash. ELEKTROBUDOWA SA has no treasury shares. The subsidiaries and associates do not hold shares in ELEKTROBUDOWA SA.

Series /issue	Type of shares	Type of preference	Type of restriction	Number of shares	Value of series /issue at par	Date of registration	Right to dividend (since)
A	ordinary bearer	no preference	none	3 248 750	6 497	1995-06-07	1995-01-01
B	ordinary bearer	no preference	none	722 250	1 953	1995-12-11	1995-01-01
C	ordinary bearer	no preference	none	249 096	498	2006-12-06	2006-01-01
D	ordinary bearer	no preference	none	527 512	1 055	2008-01-23	2008-01-01
Total number of shares				4 747 608			

As at 15 May 2015, to the best knowledge of the company, the shareholders holding significant interest in ELEKTROBUDOWA SA were as below:

Shareholders of ELEKTROBUDOWA SA as at 15 May 2015		Number of shares = number of votes	Percentage
1.	AVIVA OFE AVIVA BZ WBK SA	579 301	12,20
2.	PKO BP Bankowy Otwarty Fundusz Emerytalny	467 415	9,85
3.	Otwarty Fundusz Emerytalny PZU "Złota Jesień"	454 446	9,57
4.	AXA Otwarty Fundusz Emerytalny	446 553	9,41
5.	ING Otwarty Fundusz Emerytalny	320 850	6,76
6.	PTE Allianz Polska SA	299 523	6,31
7.	MetLife Otwarty Fundusz Emerytalny	280 367	5,91
8.	Generali Otwarty Fundusz Emerytalny	241 640	5,09
9.	free float	1 657 513	34,90
Total number of shares in the share capital		4 747 608	100,00

According to information available to the company, the shareholding structure of ELEKTROBUDOWA SA as at 15 May 2015 did not change compared with the structure at 31 December 2014.

On 29 April 2015 composition of the Management Board changed (Note 1.4).

As at 15 May 2015 (date of issue of this report) the managing and supervising persons did not have shares of the Company.

(all amounts in thousands of PLN, unless otherwise stated)

19. Other capital

19.1 Supplementary capital

	as at 31.03.2015	as at 31.12.2014	as at 31.03.2014
Structure of the supplementary capital:			
- share premium	100 676	100 676	100 676
- created as required by law	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
- other (by type)	5 562	5 562	7 181
a) transferred from reserve capital	5 562	5 562	5 562
b) restatement due to hyperinflation	0	0	1 619
	<u>306 417</u>	<u>306 417</u>	<u>330 001</u>

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

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

19.2 Capital from valuation of available-for-sale investments

	as at 31.03.2015	as at 31.12.2014	as at 31.03.2014
Capital from valuation of available-for-sale investments			
- valuation of available-for-sale investments	5 752	5 752	1 336
- deferred tax related to investment valuation	(1 092)	(1 092)	(253)
	<u>4 660</u>	<u>4 660</u>	<u>1 083</u>

The capital from valuation of investments has been created by restatement of available-for-sale financial assets, referred to in Note 12.2. When a restated item of the financial assets is sold, the effectively realized part of the capital associated with this item is recognized in the statement of comprehensive income for the relevant period.

(all amounts in thousands of PLN, unless otherwise stated)

19.3 Retained earnings

	as at 31.03.2015	as at 31.12.2014	as at 31.03.2014
Retained earnings / losses carried forward			
- restatement of share capital due to hyperinflation	0	0	(17 991)
- actuarial gains / losses	0	(736)	0
- prior years' gains / losses	27 725	(640)	(13 110)
- net profit for the period	10 461	29 101	423
	38 186	27 725	(30 678)

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

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

19.4 Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share are calculated by dividing the net profit attributable to ordinary equity holders of the company by the weighted average number of ordinary shares outstanding during the reporting period adjusted by the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential equity instruments into ordinary shares.

The following reflects the information about income and shares used in the basic earnings per share computations:

	3 months ended 31 March 2015	3 months ended 31 March 2014
Net profit for the period (in PLN)	10 461 145	423 018
Weighted average number of shares	4 747 608	4 747 608
Basic earnings per share (in PLN)	2,20	0,09

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of these financial statements.

20. Trade and other payables

20.1 Long-term other payables

	as at 31.03.2015	as at 31.12.2014	as at 31.03.2014
Other financial liabilities (long-term)			
- long-term retention amounts	12 794	12 852	12 196
- lease commitments	1 995	1 885	29
Other long-term liabilities - net	14 789	14 737	12 225
Discount of liabilities	534	723	950
Other long-term liabilities - gross	15 323	15 460	13 175

(all amounts in thousands of PLN, unless otherwise stated)

20.2 Short-term trade and other payables

	as at 31.03.2015	as at 31.12.2014	as at 31.03.2014
Trade and other financial liabilities (short-term)			
- for supplies and services	203 639	225 934	161 426
- other (by titles)	12 062	12 748	9 062
of which:			
a) retentions from subcontracts	10 360	10 897	7 874
b) purchase of non-current assets	446	720	715
c) lease payment liabilities	833	687	44
d) deductions from payroll	409	384	390
e) other	14	60	39
	215 701	238 682	170 488

	as at 31.03.2015	as at 31.12.2014	as at 31.03.2014
Other non-finance liabilities (short-term)			
- advances received for supplies	80 012	90 749	110 995
- taxes, duties, insurance and other contributions	18 241	20 433	5 559
- salaries and wages	8 548	5 906	5 704
- relating to special funds	720	0	779
	107 521	117 088	123 037

As at 31 March 2015, the received advance payments for deliveries were secured against guarantees for the total amount 109 935 thousand PLN (144 315 thousand PLN at 31 December 2014, 143 049 thousand PLN at 31 March 2014).

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

21. Short-term liabilities due to loans and borrowings

	as at 31.03.2015	as at 31.12.2014	as at 31.03.2014
Loans, borrowings and debt securities			
- liabilities due to loans (nominal)	93 136	102 886	30 125
- liabilities due to interest on loans	0	274	0
	93 136	103 160	30 125

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Short-term liabilities due to loans, borrowings, and debt securities as at 31 March 2015

Lender	Registered office	Contractual loan amount		Amount to be repaid		Rate of interest	Contract validity	Collateral
		PLN'000	curr	PLN'000	curr			
ING BANK ŚLĄSKI S.A. overdraft	Katowice	17 000	PLN	0	PLN	WIBOR 1M + bank margin	30.01.2016	* assignment of receivables from contracts = 150% engagement due to guarantees and overdraft; registered charges including transfer of rights in insurance policy (8 selected fixed tangible assets); first charge up to 3 000 thousand PLN (Dąbrowa Górnicza) KW No.KA1D/00018183/0, incl. assignment of rights to insurance policy; assignment of receivables from the contract with PSE (Byczyna)
		55 000	PLN	53 200	PLN	WIBOR 1M + bank margin	30.01.2016	
working capital loan								
BANK HANDLOWY S.A. overdraft	Warszawa	15 000	PLN	0	PLN	WIBOR 1M + bank margin	12.11.2015	* assignment of receivables from contracts = 80% engagement; first charge up to 50 000 thousand PLN (Tychy) KW No. KA1T/00060238/5 incl. transfer of rights in 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. transfer of rights in insurance policy, assignment of receivables from a contract (PSE SA - OSP/DI/INW/14/2013 SKAWINA)
		52 000	PLN	39 936	PLN	WIBOR 1M + bank margin	31.12.2017	
		200	PLN	0	PLN			
working capital loan								
limit for credit cards								
BANK PEKAO S.A. overdraft	Kraków	10 000	PLN	0	PLN	WIBOR 1M + bank margin	30.04.2016	* 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. transfer of rights in insurance policy; 1 blank bill
PKO BP S.A. overdraft	Warszawa	25 000	PLN	0	PLN	WIBOR 1M + bank margin	28.02.2017	* assignment of receivables from contracts = 100% engagement; first charge up to 435 195 thousand PLN (Katowice) KW No. KA1K/00043349/3 including transfer of rights in insurance policy, 2 blank bills
mBank S.A. overdraft	Warszawa	10 000	PLN	0	PLN	WIBOR ON + bank margin	30.09.2015	* assignment of receivables from contracts = 100% engagement ; first charge up to 4 000 thousand PLN (Plock) KW No. PL1P/00119678/5 incl. transfer of rights in insurance policy; 1 blank bill
		184 200		93 136				

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

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Short-term liabilities due to loans and borrowings as at 31 December 2014

Lender	Registered office	Contractual loan amount		Amount to be repaid		Rate of interest	Contract validity	Collateral
		PLN'000	curr	PLN'000	curr			
ING BANK ŚLĄSKI S.A. overdraft	Katowice	17 000	PLN	0	PLN	WIBOR 1M + bank margin	30.01.2016	* assignment of receivables from contracts = 150% engagement due to guarantees and overdraft; registered charges including transfer of rights in insurance policy (8 selected fixed tangible assets); first charge up to 3 000 thousand PLN (Dąbrowa Górnicza) KW No.KA1D/00018183/0, incl. transfer of rights in insurance policy; assignment of receivables from the contract with PSE (Byczyna)
		85 000	PLN	53 200	PLN	WIBOR 1M + bank margin	30.01.2016	
working capital loan								
BANK HANDLOWY S.A. overdraft	Warszawa	15 000	PLN	2 645	PLN	WIBOR 1M + bank margin	12.11.2015	* assignment of receivables from contracts = 80% engagement; first charge up to 50 000 thousand PLN (Tychy) KW No. KA1T/00060238/5 incl. transfer of rights in 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. transfer of rights in insurance policy, assignment of receivables from a contract (PSE SA - OSP/DI/INW/14/2013 SKAWINA)
		52 000	PLN	46 884	PLN	WIBOR 1M + bank margin	31.12.2017	
		200	PLN		PLN			
working capital loan								
limit for credit cards								
BANK PEKAO S.A. overdraft	Kraków	10 000	PLN	0	PLN	WIBOR 1M + bank margin	30.04.2015	* assignment of receivables from contracts = 100% engagement due to guarantees and current account overdraft; first charge up to 22 400 thousand PLN (Konin) KW No.KN1N/00013390/8, incl. transfer of rights in insurance policy; 1 blank bill
PKO BP S.A. overdraft	Warszawa	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 including transfer of rights in insurance policy, 2 blank bills
mBank S.A. overdraft	Warszawa	10 000	PLN	157	PLN	WIBOR ON + bank margin	30.09.2015	* assignment of receivables from contracts = 100% engagement ; first charge up to 4 000 thousand PLN (Płock) KW No. PL1P/00119678/5 incl. transfer of rights in insurance policy; 1 blank bill
		214 200		102 886				

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

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Short-term liabilities due to loans and borrowings as at 31 March 2014

Lender	Registered office	Contractual loan amount		Amount to be repaid		Rate of interest	Contract validity	Collateral
		PLN'000	curr	PLN'000	curr			
ING BANK ŚLĄSKI S.A. overdraft	Katowice	5 000	PLN	1 328	PLN	WIBOR 1M + bank margin	18.12.2015	* assignment of receivables from contracts = 150% engagement; pledged equipment and assigned rights to insurance policy registered charges including transfer of rights in the insurance policy (4 selected fixed assets, the line in Konin, TRUPUNCH punching machine) first charge up to 3 000 thousand PLN (Dąbrowa Górnicza) KW no. KA1D/00018183/0, including rights in the insurance policy
		12 000	PLN	12 000	PLN	WIBOR 1M + bank margin	30.06.2014	
working capital loan								
BANK HANDLOWY S.A. overdraft	Warszawa	15 000	PLN	707	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. transfer of rights in 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. transfer of rights in insurance policy, assignment of receivables from a contract (PSE SA - OSP/DI/INW/14/2013 SKAWINA)
		52 000	PLN	13 646	PLN	WIBOR 1M + bank margin	31.12.2017	
		200	PLN		PLN			
working capital loan								
limit for credit cards								
BANK PEKAO S.A. overdraft	Kraków	10 000	PLN	0	PLN	WIBOR 1M + bank margin	30.04.2014	* assignment of receivables from contracts = 100% engagement; first charge up to 11 504 thousand PLN (Konin) KW no. KN1N/00013390/8, incl. transfer of rights in insurance policy; 1 blank bill
PKO BP S.A. overdraft	Warszawa	5 000	PLN	0	PLN	WIBOR 1M + bank margin	20.02.2015	* assignment of receivables from contracts = 100% engagement; first charge up to 232 500 thousand PLN (Katowice) KW no. KA1K/00043349/3 incl. transfer of rights in insurance policy; 2 blank bills of exchange
mBank S.A. overdraft	Warszawa	10 000	PLN	2 444	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. transfer of rights in insurance policy; 1 blank bill
		109 200		30 125				

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

(all amounts in thousands of PLN, unless otherwise stated)

Movements in working capital loans during the reporting period

		date of change	amount released	amount repaid	balance
Working capital loans at 31 December 2014					100 084
ING Bank Śląski S.A.	at 31.12.2014		53 200	0	53 200
	at 31.03.2015		53 200	0	53 200
	at 31.12.2014		46 884	0	46 884
Bank Handlowy S.A.	changes during the reporting period	09.01.2015	0	(17 798)	29 086
		30.01.2015	2 200	0	31 286
		19.02.2015	4 565	0	35 851
		20.03.2015	4 085	0	39 936
		total in 2015	10 850	(17 798)	
	at 31.03.2015		57 734	(17 798)	39 936
Working capital loans at 31 March 2015					93 136

22. Income tax

22.1 Tax expense

The major components of income tax expense for the periods ended 31 March 2015 and 31 March 2014 are as follows:

	3 months ended 31 March	
	2015	2014
Income tax recognised in the statement of comprehensive income		
- deferred tax	2 272	2 537
- tax of foreign branches	406	53
- other settlements	0	(7)
Tax charge recognised in profit	2 678	2 583

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 the opinion of the Management, as at the date of issuing these consolidated financial statements, no circumstances indicate that any significant tax liabilities could arise due to additional tax assessment with interests and penalties.

(all amounts in thousands of PLN, unless otherwise stated)

22.2 Reconciliation of the effective tax rate

Reconciliation of income tax on the gross profit before tax according to the tax rate, with the income tax calculated according to the effective tax rate for the company for the periods ended 31 March 2015 and 31 March 2014 is as follows:

	3 months ended 31 March	
	2015	2014
Gross profit before tax	13 139	3 006
Tax calculated according to the 19% rate	2 496	571
Permanent differences settled in Poland	226	2 097
Permanent differences of foreign branches income	(440)	(106)
Temporary differences settled in Poland	3 119	(1 643)
Correction of deferred tax for 2011 - 2012	0	1 611
Tax on tax loss	(3 129)	0
Tax of foreign branches	406	53
Income tax	2 678	2 583
Effective tax rate (%)	20.4	85.9

22.3 Deferred income tax

	as at 31.03.2015	as at 31.12.2014	as at 31.03.2014
Deferred income tax assets	54 330	69 866	51 863
Provisions for deferred income tax	(41 317)	(54 581)	(36 846)
Deferred corporate income tax assets recognized in assets in the statement of financial position	13 013	15 285	15 017
Provisions for deferred income tax of foreign branches	0	0	(1 309)
Provisions for deferred corporate income tax recognized in liabilities in the statement of financial position	0	0	(1 309)
Total deferred income tax	13 013	15 285	13 708

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Structure of the deferred income tax:

	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 2015	59 062	6 688	541	2 948	0	627	69 866
- changes credited/charged to financial result	(18 237)	(739)	13	229	3 129	69	(15 536)
end of period 31 March 2015	40 825	5 949	554	3 177	3 129	696	54 330
Provisions							
beginning of period 1 January 2015	(51 507)	0	(643)	(861)	0	(1 570)	(54 581)
- changes credited/charged to financial result	13 304	0	(19)	(41)	0	20	13 264
end of period 31 March 2015	(38 203)	0	(662)	(902)	0	(1 550)	(41 317)
End of period 31 March 2015 -total	2 622	5 949	(108)	2 275	3 129	(854)	13 013

	Construction contracts	Provisions, prepayments and accrued expenses	Fixed tangible assets	Revaluation of assets	Tax on tax loss	Other	Total
Assets							
beginning of period 1 January 2014	38 042	6 982	468	2 053	0	316	47 861
- changes credited/charged to financial result	21 020	(467)	73	895	0	311	21 832
- changes charged to capital	0	173	0	0	0	0	173
end of period 31 December 2014	59 062	6 688	541	2 948	0	627	69 866
Provisions							
beginning of period 1 January 2014	(29 454)	0	(576)	(22)	0	(1 564)	(31 616)
- changes credited/charged to financial result	(22 053)	0	(67)	0	0	(6)	(22 126)
- changes charged to capital	0	0	0	(839)	0	0	(839)
end of period 31 December 2014	(51 507)	0	(643)	(861)	0	(1 570)	(54 581)
End of period 31 December 2014 - total	7 555	6 688	(102)	2 087	0	(943)	15 285

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		Construction contracts	Provisions, prepayments and accrued expenses	Fixed tangible assets	Revaluation of assets	Tax on tax loss	Other	Total
Assets	beginning of period 1 January 2014	38 042	6 982	468	2 053	0	316	47 861
	- changes credited/charged to financial result	4 654	(516)	38	(130)	0	(44)	4 002
	end of period As at 1 January 2014	42 696	6 466	506	1 923	0	272	51 863
Provisions	beginning of period 1 January 2014	(29 454)	0	(576)	(22)	0	(1 564)	(31 616)
	- changes credited/charged to financial result	(5 754)	0	(18)	0	0	(767)	(6 539)
	end of period 31 March 2014	(35 208)	0	(594)	(22)	0	(2 331)	(38 155)
End of period 31 March 2014 - total		7 488	6 466	(88)	1 901	0	(2 059)	13 708

(all amounts in thousands of PLN, unless otherwise stated)

23. Provisions for liabilities and other charges

	Provision for warranty repair works	Provision for employee benefits	Provision for penalties and damages	Total provisions
As at 1 January 2015	845	5 938	3 214	9 997
creation	0	0	21	21
use	0	(166)	0	(166)
As at 31 March 2015	845	5 772	3 235	9 852
of which:				
- long-term	0	5 575	0	5 575
- short-term	845	197	3 235	4 277
As at 1 January 2014	701	5 331	4 177	10 209
creation	1 985	1 308	4 070	7 363
use	(1 841)	(881)	(2 044)	(4 766)
reversal	0	0	(2 989)	(2 989)
other	0	180	0	180
As at 31 December 2014	845	5 938	3 214	9 997
of which:				
- long-term	0	5 692	0	5 692
- short-term	845	246	3 214	4 305
As at 1 January 2014	701	5 331	4 177	10 209
creation	0	0	1 184	1 184
use	0	(309)	0	(309)
As at 31 March 2014	701	5 022	5 361	11 084
of which:				
- long-term	0	4 945	0	4 945
- short-term	701	77	5 361	6 139

ELEKTROBUDOWA SA creates provisions for future payables whose maturities or amounts are not certain.

Maintenance warranties

A provision is recognised for expected warranty claims, based on past experience of repairs during the last 5 years. It is expected that most of these costs will be incurred in the next financial year. Assumptions used to calculate the provision for maintenance warranties was based on current sales levels and current information available about warranty repair costs incurred during the 5-year warranty period for all products sold.

The company created provisions for warranty repairs amounting to 0.30% (0.30% at 31 December 2014 and 0.20% at 31 March 2014) of the revenue from the production orders completed in the period preceding the reporting period.

(all amounts in thousands of PLN, unless otherwise stated)

Provisions for employee benefits

According to the Regulations for Remuneration employees are eligible for post-employment benefits. The employees taking disability pension or retirement pension are eligible to a single severance pay in the amount established according to the company's internal regulations. Current value of such liabilities is calculated by an independent actuary for the last day of a financial year.

Provisions for penalties and damages

Change in provisions for penalties and liquidated damages results from the change of the Management's estimates and assumptions concerning expected possible penalties to be charged due to delayed or defective performance of construction contracts.

Created by the company provisions for future penalties and liquidated damages concerned mainly the company's future liabilities to the contractors in respect of delayed completion of contracts.

24. Accrued expenses

	as at 31.03.2015	as at 31.12.2014	as at 31.03.2014
Accrued expenses concerning:			
- unused holidays	4 019	4 019	3 779
- annual bonuses	4 453	7 141	5 082
- services relating to the present reporting period but invoiced in the next period	3 073	2 400	335
- provision for expected losses on completion of contracts	4 267	6 581	9 122
- provision for employee claims	2 000	2 000	2 000
	17 812	22 141	20 318

Provision for employee claims

For details of the created provision for employee claims refer to Note 35 (item 1).

Provision for expected losses on completion of contracts

ELEKTROBUDOWA SA created provisions for expected losses on contracts where it is probable that costs of the contract realization will exceed the amount of revenue.

In the opinion of the Management, the provisions created as at 31 March 2015 for expected losses on contracts cover the whole identified risk of generating losses until the completion of the contracts.

Structure of provisions for expected losses on completion of contracts by segments

	Power Generation Division	Industry Division	Power Distribution Division	All other segments	Total
At 31 March 2015	0	2 987	1 280	0	4 267
At 31 December 2014	0	4 197	2 384	0	6 581
At 31 March 2014	7	5 522	3 593	0	9 122

(all amounts in thousands of PLN, unless otherwise stated)

25. Classification of financial instruments recognized in liabilities

Type of financial instrument	method of measurement as at 31 March 2015	as at 31.03.2015	as at 31.12.2014	as at 31.03.2014	amount charged to revaluation capital in Q1 2015	amount charged to profit and loss in Q1 2015
1. Other financial liabilities						
a) other long-term payables	amortised cost	14 789	14 737	12 225	0	(221)
b) short-term trade and other payables	amortised cost	215 701	238 682	170 488	0	854
c) loans	amortised cost	93 136	103 160	30 125	0	(498)
d) forward contract in foreign currency	fair value	0	71	0	0	71
Financial instruments recognised in liabilities - total		323 626	356 650	212 838	0	206

As at 31 March 2015 pricing of fair value of forward closed with a positive value, so the Company reversed the negative pricing of derivative instruments of 31 December 2014 in the amount of 71 thousand PLN which is recognized in "other operating income" line of the statement of comprehensive income. Positive valuation of the forward contract as at 31 March 2015 is presented in Note 12.2.

(all amounts in thousands of PLN, unless otherwise stated)

26. Construction contracts

	3 months ended 31 March	
	2015	2014
Estimated revenues from contracts in progress (cumulative)	1 678 094	1 538 378
Recognised profits less recognised losses (planned profit margin)	47 948	41 530
Costs incurred on contracts in progress (cumulative)	1 630 146	1 496 848
Receivables dependable on contract completion (partial invoices cumulative)	1 431 366	1 332 495
Gross amounts due from customers for contract work	201 069	271 091
Gross amounts due to customers for contract work	(52 785)	(55 768)
Provision for penalties due to delay in completion	(2 859)	(2 859)
Provisions for losses resulting from contracts	(4 267)	(6 581)
Revenue from contracts for the period	207 879	870 843
Costs of contracts for the period	191 059	843 285
Profits less recognised losses for the period	16 820	27 558
Advances received for contracts in progress	77 540	88 860
Retentions kept by customers	13 437	13 471

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

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

In 2014 ELEKTROBUDOWA SA entered into a forward transaction for the amount of 1 320 thousand EUR to secure the contract for "Construction of Boiler in Świecie" for Andritz Oy denominated in the foreign currency, which price is 1 900 thousand EUR. The transaction will be settled in August 2015.

(all amounts in thousands of PLN, unless otherwise stated)

The table below presents the construction contracts with substantial amounts of accounts receivable as at 31 March 2015:

Extension and modernization of Byczyna electrical substation for PSE S.A. including connection to 400 kV line for PSE S.A.	80.7	million PLN	Some events, on which the Parties could not have control, have occurred during execution of the project, which hindered proper performance in accordance with the Schedule of works and expenditures (Appendix 3 to the Contract). As at 31 March 2015, change of deadline which is 31 December 2016 as set in the Contract, is not foreseen. However, it is necessary to change the deadlines for the Stages defined in the Schedule.
"Design and build" execution of the project „Extension of the Słupsk 400/110kV Substation” – Stage 1 and 2 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.	22.1	million PLN	At present, the contract progress is well advanced. As determined in the Schedule of works and expenditures, the investment will be settled in two stages. The drafted investment plan does not allow to complete stage 1 of the investment if some works which belong to stage 2 are not performed. The Purchaser received an updated schedule of extension of the Słupsk substation in which it is assumed that the contract should be completed until 31 May 2015. This means that the initial deadline is postponed by 5.5 month. The postponement is caused by the lack of possibility to disconnect the transmission system between Poland and Sweden and the Northern link, including the Dunowo line, for the period of 45 days which is required by Contractor in order to perform the scheduled scope of works. To shorten the period of disconnecting the Poland – Sweden transmission system to minimum, the specification of transient stages of operation of the Poland – Sweden transmission and the Northern link was drafted.
Civil works and other services required for completion of the project - construction of the Franowo tram depot in Poznań, for MPK w Poznaniu Sp. z o.o.	20.2	million PLN	ELEKTROBUDOWA SA completed the scope of works, assigned to it within the consortium, in May 2014. The amount will be invoiced after the terms of the contract with Purchaser are fulfilled, that is after the whole investment is completed and an occupancy permit obtained. Details of the present status of the project are presented below.
Construction of a new heat generation unit with fluidized bed boiler, heating and condensing turbine and balance of plant in TAURON Ciepło SA Zakład Wytwarzania Tychy, for TAURON Ciepło Spółka Akcyjna.	13.5	million PLN	The contract progress is well advanced, it is being performed in accordance with the Schedule of works and expenditures attached to the contract. As at the reporting date there is no risk that the deadline would not be met. Scheduled date of completion is 30 June 2016.
Design and construction of Resko wind farm, stage 2 for total installed capacity 76MW including generator connection for PGE Energia Odnawialna S.A.	10.0	million PLN	The rate of progress of contractual works meets the Schedule of works and expenditures attached to the contract. As at the reporting date there is no indication that the deadline would not be met. Completion of the contract is scheduled at 30 June 2016.

(all amounts in thousands of PLN, unless otherwise stated)

Construction of the Franowo tram depot in Poznań

On 11 April 2011 ELEKTROBUDOWA SA entered into a consortium agreement for joint bidding in the public procurement tender for "Construction of the Franowo tram depot in Poznań". In the agreement, the parties regulated the matter of powers to represent the consortium and make settlements with the Purchaser through the consortium leader, of division of the scope of works, and of liability for penalties and damages (each party is liable for its scope of works).

After the contract had been awarded to the consortium, on 13 July 2011 a public procurement contract for "Construction of Franowo Tram Depot in Poznań" was signed for the total price 208 806 thousand PLN. In their agreement, the parties regulated: duties of contractors, schedule of works and date of completion of the project (according to the Appendices, completion deadline: 28 February 2014), remuneration (according to Appendices, 211 580 thousand PLN, terms of payment (partial payment of 80% for the performed works), final settlement after the final decision concerning the occupancy permit is obtained, security of the contract performance, liquidated damages (0.02% of total price for each day of delay, up to 20% of the gross price).

The percentage share of the consortium partners is as follows: the consortium partner (ELEKTROBUDOWA SA) – 48%; the leader – 52%. The scope of works to be performed by ELEKTROBUDOWA SA was priced at 101 191 thousand PLN.

Presented below are the items recognised in these statements and relating to the execution of the above described project as at the comparative reporting dates:

	as at 31.03.2015	as at 31.12.2014
Revenue, invoiced and settled (cumulative)	80 954	80 954
Revenue calculated (cumulative) / amounts due from the Purchaser	20 237	20 237
Provisions for the contract costs (losses / potential penalties)	2 088	2 326
Extended guarantees liabilities (off-balance sheet)	3 722	3 722

The project is divided into three stages, performed in succession. A separate occupancy permit must be obtained for each stage. Occupancy permits have been obtained for the scope of works of the first and the second stage and the facilities have been handed over to Investor who started their operation. The scope of works attributable to ELEKTROBUDOWA SA within the third stage was completed and on 5 May 2014 the relevant occupancy permit was issued. For the remaining works of the third stage, which belong to the scope provided by the consortium leader, an occupancy permit was issued on 5 May 2015.

According to the public procurement contract, final invoice for the remaining 20% of total contract price can be issued after formal final acceptance certificate for the whole project is issued. As the occupancy period concerning the paint shop was issued on 5 May 2015, final acceptance should be carried soon. The value of works completed by ELEKTROBUDOWA SA and waiting for the above condition to be fulfilled is estimated as 20 237 thousand PLN, net.

(all amounts in thousands of PLN, unless otherwise stated)

Risks and hazards associated with the above contract are bound with dependence of settlement of the remaining part of remuneration on the final acceptance of the whole project and with liability for delay in contract completion (joint and several liability of the consortium members). In respect of the first element it must be noted that (as indicated above) the scope of works attributable to ELEKTROBUDOWA SA within the third stage has been completed (which is documented by relevant partial acceptance against written reports) and on 5 May 2014 the related occupancy permit was issued. As far as the risk is concerned, for which final responsibility could be assigned to ELEKTROBUDOWA SA, and associated mainly with potential charging of the company with liquidated damages for delay in completion of the contract, it was assessed and accounted for in the financial result for 2014. It is mainly associated with delays in performance of works executed by ELEKTROBUDOWA SA. As the date of completion of the whole project is postponed, there is a risk that liquidated damages will be charged by Investor. However, in the opinion of the Management, an attempt to calculate higher amount of damages than relating to the delay attributable to ELEKTROBUDOWA SA would be unjustified (and would lead ELEKTROBUDOWA SA to take appropriate legal steps).

Considering the actual state of affairs described above, on 3 February 2015 ELEKTROBUDOWA SA serviced to the consortium leader a notice to terminate the consortium agreement under which the partners had been performing the contract for construction works and other necessary works and activities relating to the construction of Franowo tram depot in Poznań, and a letter revoking the power of attorney. On the same day ELEKTROBUDOWA SA sent a letter to the Purchaser informing him about termination of the agreement and revocation of the power of attorney granted to the consortium leader. In another letter ELEKTROBUDOWA SA provided extensive interpretation in respect of the legal status after termination of the consortium agreement and revocation of the power of attorney granted to the consortium leader, indicating that Purchaser would be liable to pay the remaining part of remuneration due to ELEKTROBUDOWA SA directly to the company's account. At the same time the company confirmed its full involvement and determination to act jointly with the consortium leader and Investor in order to complete the whole investment as soon as possible. The actions described above have been taken in order to achieve financial settlement of the performed works, and to be able to pursue independently the due payment from the Investor. In the letter received on 5 February 2015, the consortium leader refused to agree to termination and revocation of the power of attorney. However, ELEKTROBUDOWA SA, with the assistance of lawyers will continue its actions aiming at settlement of the scope of works, performed and completed by the company, directly with Investor. The above actions taken by ELEKTROBUDOWA SA aim at securing the settlement of the scope of works performed by the company and at securing the risk of ungrounded charging with potential damages for delays which are not attributable to ELEKTROBUDOWA SA.

Also, in respect of the performed contract, in 2014 the consortium leader drew up a payment, in the amount of 1 712 thousand PLN, from the guarantee provided by ELEKTROBUDOWA SA, relating to the demand from ELEKTROBUDOWA SA to pay liquidated damages charged by the Purchaser. ELEKTROBUDOWA SA took a legal action against the consortium leader for repayment of the amount paid by the guarantor. Court of first instance issued an order of payment and ordered to pay back the whole amount, including interests, to ELEKTROBUDOWA SA. On 31 October 2014 the consortium leader filed an appeal to dismiss the claim in its entirety. The first hearing in this action was scheduled for 23 June 2015. In the opinion of the Management there are no legal grounds for dismissing the claim, as the amount paid by the guarantor to the consortium leader does not refer to fulfillment of any obligation by the consortium partners within the relations with the Purchaser.

Taking into account the above described state of affairs, in 2014 the Company created a provisions for claims relating to this project. The relevant estimation by the Management did not change as at 31 March 2015. The Management is of the opinion that, considering the documents collected and the legal steps undertaken, there is no essential risk of realizability of the recognised receivables and occurrence of liabilities which would exceed the scope recognized in these statements.

(all amounts in thousands of PLN, unless otherwise stated)

27. Other operating income and expenses

	3 months ended 31 March	
	2015	2014
Other operating income		
- profit from disposal of non-finance fixed assets	57	0
- provision for impairment of receivables	0	294
- interest on cash on bank accounts	88	76
- currency exchange differences	0	840
- penalties and damages	517	533
- legal costs	50	290
- compensation received from insurance policies	194	100
- forward contract pricing	284	0
- other	76	71
	1 230	2 204

Penalties and liquidated damages received in Q1 2015 were mainly related to the construction contracts. They concerned calculated and paid penalties relating to the executed construction services.

	3 months ended 31 March	
	2015	2014
Other operating expenses		
- loss on disposal of non-finance fixed assets	0	(450)
- donations	(37)	(22)
- provisions for impairment of receivables	(1 739)	0
- interest due to delayed payments	(26)	(118)
- fees and charges relating to bank guarantees	(1 155)	(1 564)
- court fees	(111)	(254)
- penalties	(24)	(1 333)
- currency exchange differences	(340)	0
- claims handling expenses	(20)	(45)
- other	(122)	(314)
	(3 574)	(4 100)

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

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

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

During the period of three months ended 31 March 2015 the impairment provisions referred to the following receivables:

- in bankruptcy proceedings 36 thousand PLN,
- in court proceedings (172) thousand PLN,
- other overdue debtors (1 603) thousand PLN.

(all amounts in thousands of PLN, unless otherwise stated)

28. Finance income and costs

	3 months ended 31 March	
	2015	2014
Financial income		
- dividends and share of profit	0	2 836

Dividends received by the Company in Q1 2014 are the share in the related parties' profits.

	3 months ended 31 March	
	2015	2014
Financial costs		
- interest on loans	(498)	(138)
- interest on leases	(32)	(3)
- bank commission on loans	(400)	(95)
	(930)	(236)

29. Dividend per share (paid or declared)

By the Resolution 20/2015 of 29 April 2015 the Annual General Meeting of ELEKTROBUDOWA SA decided to allocate the whole amount, that is 29 100 878.40 PLN, of net profit earned by the Company for the period from 1 January 2014 to 31 December 2014 to the supplementary capital.

30. Joint ventures where the company is a venturer

ELEKTROBUDOWA SA does not have any joint ventures, neither with related nor unrelated parties.

31. Related party transactions

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

Transactions between ELEKTROBUDOWA SA and the related parties in the reporting period:

	3 months ended 31 March	
	2015	2014
a) sales:		
- sale of goods - Power Equipment Production Plant "VECTOR" Ltd.	5 064	1 565
- sale of materials - Power Equipment Production Plant "VECTOR" Ltd.	85	88
- sale of services - KONIP Sp. z o.o.	21	22
- sale of materials - KONIP Sp. z o.o.	0	5
- sale of services - ENERGOTEST sp. z o.o.	28	9
- sale of goods - ELEKTROBUDOWA UKRAINE Ltd.	86	4 631

(all amounts in thousands of PLN, unless otherwise stated)

b) purchases:

purchase of services - Power Equipment Production Plant		
- "VECTOR" Ltd.	1	1
- purchase of services - SAUDI ELEKTROBUDOWA LLC	47	0
- purchase of services - KONIP Sp. z o.o.	317	314
- purchase of services - ENERGETEST sp. z o.o.	3 426	437
- purchase of goods - ENERGETEST sp. z o.o.	1 039	519

Mutual balances between the related parties:

	as at 31.03.2015	as at 31.12.2014	as at 31.03.2014
- payables to KONIP Sp. z o.o.	120	122	138
- payables to ENERGETEST sp. z o.o.	3 996	4 257	1 840
- payables to Power Equipment Production Plant "VECTOR" Ltd.	1	1	1
- receivables from Power Equipment Production Plant "VECTOR" Ltd.	0	794	3 083
- receivables from SAUDI ELEKTROBUDOWA LLC	0	0	243
- receivables from ELEKTROBUDOWA UKRAINE Ltd.	470	181	2 803
- receivables from KONIP Sp. z o.o.	9	9	9
- receivables from ENERGETEST sp. z o.o.	0	93	0
- advance paid to ENERGETEST sp. z o.o.	8	0	0
- advance paid to SAUDI ELEKTROBUDOWA LLC.	215	171	133

As at 31 March 2015 ELEKTROBUDOWA SA created a provision for the default trade receivables from ELEKTROBUDOWA UKRAINE Ltd. in the amount 266 thousand USD and for receivables due to dividend in the amount of 1 561 thousand UAH.

In respect of other associates, no costs relating to doubtful or bad debts relating to the transactions with related parties were recognized in the reporting period. Unsettled balances of receivables and payables with the related parties are not secured and will be settled in cash when mature.

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

32. Contingent liabilities and bills payable

	as at 31.03.2015	as at 31.12.2014	as at 31.03.2014
Contingent liabilities			
a) guarantees to secure:	344 093	325 342	322 443
- contract performance and defect removal	320 855	299 235	302 436
- timely payments	3 239	1 066	2 343
- bid bond	5 538	10 078	5 399
- other	14 461	14 963	12 265
b) bills of exchange	18 519	19 740	20 766
	362 612	345 082	343 209

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

(all amounts in thousands of PLN, unless otherwise stated)

During the three months ended 31 March 2015 the company provided its counterparties with guarantees issued by banks or insurance companies for the total amount of 59 339 thousand PLN, including security of:

- contract performance and defect liability 56 801 thousand PLN,
- bid bond 2 538 thousand PLN.

In Q1 2015 ELEKTROBUDOWA SA provided guarantees, which amount concerning two counterparties exceeded 10% of the Company's equity. The guarantees were issued to secure good performance of contracts for the sum of 44.8 million PLN and concerned:

- a) Emerson Progress Management, Power and Water Solution Sp. z o.o. 23.6 million PLN,
- b) Areva GmbH 21.2 million PLN.

Details of other contingent liabilities, concerning the following issues: taxes, pending lawsuits, execution of construction contracts, are provided in Note 22.1, Note 26 and Note 35, respectively.

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

33. Changes in presentation of the financial statements

In the financial statements prepared as at 31 March 2015 the following changes were made in presentation of comparative data disclosed therein:

Description in the approved financial statements for Q1 2014	Data from the approved financial statements for Q1 2014	Adjustments	Description in the financial statements for Q1 2015	Comparative data in the financial statements for Q1 2015
Statement of financial position				
a) change in presentation of the perpetual usufructuary right to land				
Property, plant and equipment		1 086	Property, plant and equipment	1 086
Long-term prepayments	1 086	(1 086)		
Statement of comprehensive income				
a) change in presentation of other operating income and expenses				
Other operating expenses	(3 247)	3 247		
Other profit (loss) - net	1 256	(1 256)		
		2 204	Other operating income	2 204
		(4 100)	Other operating expenses	(4 100)
b) change in presentation of finance cost and income				
Finance income (costs) - net	2 695	(2 695)		
		2 836	Finance income	2 836
		(236)	Finance costs	(236)
Statement of cash flows				
a) change in presentation of the perpetual usufructuary right to land				
Change in long-term accruals and deferred income	4	(4)		
		4	Other operating adjustments	4
b) change in presentation of fee for working capital loans				
Other operating adjustments	(95)	95		
		(95)	Commission on loans (cash flows from financial activities)	(95)

(all amounts in thousands of PLN, unless otherwise stated)

The above presentation changes do not have significant influence on the analysis of the financial position of the Company.

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

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

A contract for reviewing the interim financial statements of ELEKTROBUDOWA SA and the ELEKTROBUDOWA SA group for the six months ended 30 June of the years 2104 to 2017 as well as the annual financial statements of ELEKTROBUDOWA SA and the consolidated financial statements of the ELEKTROBUDOWA SA group for the years 2014 to 2017 was concluded with ERNST & YOUNG Audyt Polska sp. z o.o. sp. k having their registered office in Warsaw on 8 August 2014.

The remuneration for the review and auditing of the above mentioned statements for 2014 was agreed as 105 thousands PLN, VAT excluded.

35. Litigations, court proceedings

Presented below are the litigations and court proceedings brought by ELEKTROBUDOWA SA as at the reporting date:

1. In August 2011 and in January 2012 the Finnish Electrical Workers' Trade Union filed suits against ELEKTROBUDOWA SA as an employer employing its workers at the site of Olkiluoto Nuclear Power Plant for payment of total amount of EUR 4 725 643.91 with due interests. The claim concerns additional payments from ELEKTROBUDOWA SA to supplement remuneration paid to the employees for work in the period of their employment at the site of Olkiluoto NPP, Finland. After the TU had acknowledged ELEKTROBUDOWA's arguments of violation of the EU legislation, total amount of claim was reduced to 4 360 299.41 EUR.

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

Because of complexity of the case and the fact that the claim concerns 186 employees, it has to be suitably supported with documents and lawyers' opinions have to be presented. Due to Finnish jurisdiction and the fact that the Finnish law is applicable to significant part of the claim, ELEKTROBUDOWA SA commissioned a lawyers' firm in Finland to represent the company in proceedings at law. The Management is 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, 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

(all amounts in thousands of PLN, unless otherwise stated)

Directive of the European Parliament and of the Council. The Court applied for expedited preliminary ruling procedure in the issue of assignment of right to claim receivables, which issue is decisive and crucial for the whole procedure.

On 24 September 2013 the European Court of Justice Office notified ELEKTROBUDOWA SA that the President of the Court did not extend the right to apply expedited preliminary ruling procedure, requested for by the Satakunta District Court. ELEKTROBUDOWA SA has a right to submit pleadings or written comments to the Court of Justice. The stance of ELEKTROBUDOWA SA in this case was prepared by a team of Polish employees in cooperation with a Finnish lawyer who represents ELEKTROBUDOWA SA before the Court in Finland. Written comments prepared by ELEKTROBUDOWA SA were submitted to the European Court of Justice Office on 12 December 2013.

On 11 June 2014 the European Court of Justice examined the request, filed by ELEKTROBUDOWA SA, to analyse the documents and hear the involved parties to the claim. In the hearings, apart from lawyers representing the contending parties, the representatives of the following institutions presented their stance: Finland's Ministry of Foreign Affairs, the European Commission, the Ministry of Foreign Affairs of Poland, Germany and Norway. Opinion in the case including the judgement of the Adjudicator was given and presented to the Judges by the Court of Justice on 18 September 2014.

On 12 February 2015 the Court of Justice of the European Union (further "ECJ") gave a judgment in Case C-396/13, the request for a preliminary ruling from the court of first instance of Satakunta Region, Finland in the proceedings *Sahkoaloijen ammattiliitto ry vs ELEKTROBUDOWA SA*. The judgement has been announced on the webpage Info Curia – Judgements of the Court of Justice.

In its judgement the ECJ decided that the Finnish trade union had had standing to represent employees of ELEKTROBUDOWA SA, arguing that the rule set out in the Polish labour law which prohibits assignment of the right to remuneration to another person is not applicable to this case.

The Court was not clear about the minimum wage concept and ruled that Article 3(1) and (7) of Directive 96/71 does not preclude a calculation of the minimum wage for hourly work and/or piecework as provided for in the generally binding law of the host country. The Court of Justice explained, that it must be carried out in accordance with rules that are binding and transparent in the host country, which it is for the national court in Finland to verify.

As regards the questions of daily allowance, the ECJ is of the opinion that they must be paid on the same conditions as those governing the allowance paid to local workers, which must, however, be decided by the national court.

The next step is the proceeding in the District Court of the complainant (Finnish Electrical Workers' Union) in Rauma, Finland. The date of hearing was set on 16 June 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 euros valid until 30 September 2015. The proceedings before the District Court involving the Finnish Electrical Workers' Trade Union and ELEKTROBUDOWA SA was suspended until the preliminary decision is ruled by the European Court of Justice.

The Management of ELEKTROBUDOWA SA, basing on lawyers' opinions, has analysed legitimacy of each component of the claim. In respect of daily allowance and reimbursement of costs of daily travel to the place of work the Management believes that there are no legal grounds for accepting the claim. In respect of classification of some workers to appropriate wage categories, having reviewed the scope of this claim (each employee was reviewed), in 2011 the company created a relevant provision in the amount of 2 million PLN relating to this part of claim which is likely to be payable (refer to Note 24). The Management's estimate in this respect did not change as at 31 March 2015. The Management is of the opinion that ELEKTROBUDOWA SA has complied with the provisions of Directive 96/71EC concerning the posting of workers in the framework of the provision of services, particularly its Article 1 "Terms and conditions of employment" and that the created provision secures the risk associated with the settlement by the Finnish local court.

(all amounts in thousands of PLN, 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 November 2013.
 - c) In April 2015 there were hearings of witnesses. The next trials have been scheduled for June 2015.
 - A lawsuit for payment of remuneration from Contract Amendments (amendment No. 109011/567/2011 of 30.12.2011 and No. 109011/577/2011 of 30.12.2011)
 - a) Claimed amount: 3 522 thousand PLN.
 - b) Date of filing the suit: 20 January 2014.
 - c) In April 2015 there were hearings of witnesses. The next trial has been scheduled for 25 May 2015.
 - 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. On 31 December 2014, the court ruled about resuming the suspended proceedings but the date of trial has not been set by now.
 - A lawsuit for payment of remuneration under the settlement between EQA consortium and Narodowe Centrum Sportu Sp. z o.o. agreed on 19 December 2012.
 - a) Claimed amount: 1 221 thousand PLN.
 - b) Date of filing the suit: 2 February 2015.
 - c) The date of proceedings has not been set yet.
3. A dispute between the General Contractor (the Reciver of Hydrobudowa Polska S.A., Pb S.A. under arrangement bankructcy, the Reciver of Alpine Bau Deutschland AG, the Receiver of Alpine Bau GmbH, Alpine Construction Polska Sp. z o.o.) and Narodwe Centrum Sportu sp. z o.o. (“NCS”) with the State Treasury:
- a) claimed amount: 461 312 thousand PLN,
 - b) date of joining the dispute by EQA: 31 January 2014 as a third party respondent (for General Contractor),
 - c) on 3 February 2015 the Court stayed the proceedings. The proceedings were stayed by mutual agreement of the parties, because of the pending settlement negotiations.

(all amounts in thousands of PLN, unless otherwise stated)

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

Having considered the Company's performance in Q1 2015, the Management board is of the opinion that realization of the published budget is not at risk.

Published on 25 February 2015 budget of ELEKTROBUDOWA SA assumes that the annual sales revenues will be realized on the level of 1 148 868 thousand PLN and the net profit will amount to 42 326 thousand PLN. After the three months of 2015 the company generated a net profit amounting to 10 461 thousand PLN, while the sales revenues amounted to 239 714 thousand PLN (a 36% growth on Q1 2014 sales). The company enters the second quarter of 2015 with a considerable order backlog worth 1 721 818 thousand PLN, whereas the value of orders received during the three months amount to 258 107 thousand PLN. Therefore the annual sales should be realized according to the budget assumptions.

The above data show that the annual sales were realized in 21% and the net profit in 25%.

37. Additional information

Pursuant to the Regulation of the Minister of Finance dated 19 February 2009 on current and interim information provided by issuers of securities and with the conditions of acknowledging the equivalence of information required by laws of a non-member country, we disclose the key events concerning the company which took place during the first quarter of 2015:

6 February 2015 - the Company disclosed signing another Amendment to the Contract No. 234510 of 3 January 2008 made with AREVA GmbH having its registered office in Erlangen, Germany for erection and precommissioning of electrical and I&C components and systems for OLKILUOTO 3 Project in Finland. The agreed price of the Amendment increases the value of the Company's scope of works at the NPP OLKILUOTO 3, Finland by 23 590 836.00 EUR, VAT excluded, which was an equivalent of 98 465 790.38 PLN.

9 February 2015 - the Company informed about signing another Amendment to the Cooperation Agreement I No. 11/234/06/Z/PX made with mBank SA having its registered office in Warsaw, by which the amount of Limit granted by the Agreement. Limit of Line for the Bank products was increased up to 90.0 million PLN. Other essential provisions of the Agreement remained unchanged.

17 February 2015 - the Company informed that on 12 February 2015 the Court of Justice of the European Union gave a judgment in Case C-396/13, the request for a preliminary ruling from the court of first instance of Satakunta Region, Finland, on applicability of legal regulations concerning employment relationships of employees of ELEKTROBUDOWA SA posted to Finland to carry out works.

20 February 2015 - the Company announced that on 19 February 2015 another Amendment was signed to the loan agreement in the form of multi-purpose credit limit with Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna based in Warsaw. With this Amendment the validity of the agreement was extended until 28 February 2017 and capping of the limit amount has been decreased from 307 193 750.00 PLN to 290 129 880.05 PLN.

25 February 2015 – the Company announced the 2015 performance forecast for the Company and for the Group.

2 March 2015 – the Company informed that by the resolution of the Management Board of 2 March 2015 the commercial proxy granted to Mr Mariusz Luto was revoked.

2 March 2015 - the Company informed that by the resolution of the Management Board of 2 March 2015 with the prior approval of the Supervisory Board, Mr Roman Grzelak was granted independent commercial proxy.

(all amounts in thousands of PLN, unless otherwise stated)

20 March 2015 – the Company informed that the Supervisory Board of the Company on its meeting on 20 March 2015 approved the motion of the Management Board to allocate the whole 2014 net profit in the amount of 29 100 878.40 PLN to supplementary capital.

26 March 2015 - the Company informed about having been notified by Polskie Sieci Elektroenergetyczne Spółka Akcyjna (PSE SA) based in Konstancin-Jeziorna that the offer submitted by ELEKTROBUDOWA SA was selected in the public procurement procedure for “Modernization of the 220/110 kV Station in Konin”. The net value of works as per the offer is 114 490 000.00 PLN.

30 March 2015 – the company disclosed convening the Annual General Meeting of ELEKTROBUDOWA SA for 29 April 2015. The company released the text of announcement, the agenda and the draft resolutions.

38. Significant events after the reporting date

29 April 2015 – the Company publicized the texts of resolutions passed by the Annual General Meeting of ELEKTROBUDOWA SA held on 29 April 2015.

30 April 2015 – the Company informed that on 29 April 2015 an amendment was signed to the Framework Agreement on the revolving line of credit for bank guarantees with Bank Handlowy w Warszawie Spółka Akcyjna, based in Warsaw. According to covenants of the Amendment to the Agreement, the Bank increased the amount of the renewable lending limit from 52 800 000.00 PLN to the amount of 90 000 000.00 PLN. The terms of the Agreement on the revolving line for guarantees do not change and do not differ from standard market terms for agreements of this type.

5 May 2015 - the Company informed that on 4 May 2015 another amendment was signed to the Multi-product Agreement No. 687/2011/00004937/00 dated 25 March 2011 concluded with ING Bank Śląski SA having its registered office in Katowice. As part of the debt under the working capital loan had been repaid, the available limit was reduced from 77.0 million PLN to 56.0 million PLN effective from 1 May 2015. The amendment provides for further reductions of the limit in monthly installments and repayment of the whole amount of debt under the working capital loan within 31 July 2015. The limit is available until 30 January 2016. The other terms of the agreement remained unchanged.

5 May 2015 – the Company publicized a list of shareholders holding at least 5% of total number of votes in the Annual General Meeting of ELEKTROBUDOWA SA held on 29 April 2015.

6 May 2015 – information was disclosed that the Company received an Amendment to the Agreement on the multi-purpose credit limit signed with Bank Polska Kasa Opieki S.A. having its registered office in Warsaw. By the Amendment the validity of the multi-purpose limit granted in the amount of 80 000.00 PLN (say: eighty million Polish zloty) was extended until 30 April 2016. The other terms of the agreement on the multi-purpose limit do not differ from standard market terms applied in agreements of this type.

No other events have occurred after the reporting date, except for presented above and described in Note 1.4, which should be but have not been disclosed in these financial statements.