

ELEKTROBUDOWA SA

**Interim condensed
financial statements**

for the six months ended 30 June 2015

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ELEKTROBUDOWA SA
Interim condensed financial statements for the six months ended 30 June 2015

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

Interim condensed statement of financial position

	note	as at 30.06.2015 (unaudited)	as at 31.12.2014
ASSETS			
Non-current assets		204 195	201 893
Property, plant and equipment	8	86 755	85 570
Intangible assets	10	18 658	18 441
Investments in associates	11	21 516	21 516
Interest in subsidiaries	12	47 523	47 901
Available-for-sale financial assets	13.1	6 631	6 631
Non-current receivables	14.1	4 754	5 272
Deferred income tax assets	24.3	16 695	15 285
Non-current prepayments	15	1 663	1 277
Current assets		646 799	710 891
Inventories	16	63 793	48 057
Trade and other receivables	14.2	253 316	327 344
Available-for-sale financial assets	13.1	24	24
Other non-finance assets	18	8 537	9 219
Amounts due from customers for construction contract work	28	220 752	271 091
Cash and cash equivalents	17	100 131	54 910
Non-current assets held for sale	19	246	246
Total assets		850 994	912 784
EQUITY, LIABILITIES AND PROVISIONS			
Equity		375 978	346 858
Issued share capital	20	10 003	10 003
Supplementary capital	21.1	335 518	306 417
Capital from valuation of available-for-sale investments	21.2	4 660	4 660
Exchange differences on translation of financial data of foreign branches		(1 870)	(1 947)
Retained earnings	21.3	27 667	27 725
Liabilities and provisions			
Non-current liabilities and provisions		21 315	20 429
Employee benefit provisions	25	5 959	5 692
Other liabilities	22.1	15 356	14 737
Current liabilities and provisions		453 701	545 497
Trade and other payables	22.2	323 123	355 770
Corporate income tax liabilities		1 944	4 282
Derivative financial instruments	27	0	71
Loans, borrowings and debt securities	23	43 515	103 160
Current provisions	25	4 464	4 305
Accrued expenses	26	19 330	22 141
Amounts due to customers for construction contract work	28	61 325	55 768
Total liabilities and provisions		475 016	565 926
Total equity, liabilities and provisions		850 994	912 784

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

Interim condensed statement of comprehensive income

	note	six months ended 30 June 2015 <u>(unaudited)</u>	six months ended 30 June 2014 <u>(unaudited)</u>
<u>Continuing operations</u>			
Revenue from sales of products, goods and materials		575 772	421 267
Cost of products, goods and materials sold		<u>(525 599)</u>	<u>(403 044)</u>
Gross profit on sales		50 173	18 223
Selling costs		(1 559)	(1 158)
General administration expenses		(6 741)	(6 193)
Other operating income	29	4 871	6 841
Other operating expenses	29	<u>(11 809)</u>	<u>(12 700)</u>
Operating profit		34 935	5 013
Finance income	30	3 177	6 156
Finance costs	30	<u>(2 211)</u>	<u>(1 300)</u>
Profit before tax		35 901	9 869
Income tax expense	24.1	<u>(6 858)</u>	<u>(1 998)</u>
Net profit from continuing operations for the period		29 043	7 871
<u>Discontinued operations</u>			
Net profit from discontinued operations for the period		0	0
Net profit for the period		29 043	7 871
Other comprehensive income		77	354
of which:			
Other comprehensive income to be reclassified to profit or loss		77	354
- exchange differences on translation of financial data of foreign branches		77	354
Total comprehensive income for the period		29 120	8 225
Earnings per share from continuing and continued operations (in PLN per one share)			
- basic / diluted	21.4	6.12	1.66

ELEKTROBUDOWA SA
Interim condensed financial statements for the six months ended 30 June 2015

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

Interim condensed 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	Total equity
note	20	21.1	21.2		21.3	
As at 1 January 2015	10 003	306 417	4 660	(1 947)	27 725	346 858
Net profit					29 043	29 043
Currency exchange differences				77		77
Total comprehensive income				77	29 043	29 120
Settlement of prior years' financial result		29 101			(29 101)	0
As at 30 June 2015 (unaudited)	10 003	335 518	4 660	(1 870)	27 667	375 978

	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	Total equity
note	20	21.1	21.2		21.3	
As at 1 January 2014	26 375	330 001	1 083	(2 006)	(31 101)	324 352
Net profit					7 871	7 871
Exchange differences				354		354
Total comprehensive income				354	7 871	8 225
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 30 June 2014 (unaudited)	10 003	306 417	1 083	(1 652)	7 231	323 082

ELEKTROBUDOWA SA
Interim condensed financial statements for the six months ended 30 June 2015

(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	Total equity
	20	21.1	21.2		21.3	
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

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

Interim condensed statement of cash flows

	Note	six months ended 30 June 2015 (unaudited)	six months ended 30 June 2014 (unaudited)
Cash flows from operating activities			
Gross profit before taxes		35 901	9 869
Depreciation and amortisation		6 999	6 212
Loss on currency translation differences		(91)	(968)
Interests and share of profit (dividends)		(966)	(4 856)
Gain/loss on sale of property, plant and equipment (PPE)		(62)	311
Change in inventories		(15 736)	(8 682)
Change in trade and other receivables	32	77 603	25 886
Change in liabilities, except loans and borrowings	32	(34 607)	(3 719)
Income tax paid	32	(10 633)	(668)
Change in other non-finance assets		(682)	7 742
Change in non-current prepayments and accrued expenses		(3 197)	(5 985)
Change in settlements of construction contracts		55 896	(76 335)
Other adjustments	32	4	(462)
Net cash flows from operating activities		111 793	(51 655)
Cash flows from investing activities			
Sale of intangible assets and PPE		104	140
Dividends and share of profits		82	1 400
Purchases of intangible assets and PPE		(5 026)	(6 843)
Net cash flows from investing activities		(4 840)	(5 303)
Cash flows from financial activities			
Loans and borrowings		22 270	51 736
Repayment of loans and borrowings		(81 736)	(12 000)
Interest on loans and leases		(1 318)	(564)
Commission on loans		(694)	(541)
Other outflows		(345)	(53)
Net cash flows from financing activities		(61 823)	38 578
Net change in cash		45 130	(18 380)
Balance sheet change in cash		45 221	(17 412)
Change in cash due to foreign exchange difference		91	968
Cash at beginning of period		54 910	70 900
Cash and current account overdrafts at end of period		100 131	53 488

ACCOUNTING POLICIES AND ADDITIONAL EXPLANATORY NOTES

1. General

The interim condensed financial statements of ELEKTROBUDOWA SA cover the period of six months ended 30 June 2015 and includes the comparative data:

- the statement of financial position as at 31 December 2014,
- the interim condensed statement of changes in equity for the six months ended 30 June 2014 and the statement of changes in equity for the year ended 31 December 2014,
- the interim condensed statement of comprehensive income and statement of cash flows for the six months ended 30 June 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:

- a full range of 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 systems.

In the six months ended 30 June 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 signing 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 interim consolidated financial statements

ELEKTROBUDOWA SA is a parent entity in the ELEKTROBUDOWA SA capital group. The company prepared the interim condensed consolidated financial statements for the six months ended 30 June 2015, subject to authorisation and issue on 31 August 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 Company's intention and ability to continue as a going concern in the foreseeable future.

Basing on the Company's current financial situation and forecast financial performance, the Management does not recognise any facts or circumstances, as of the date of authorization of the interim condensed 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

Until 28 April 2015 the Management Board was composed of:

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

Further, on 25 June 2015 the Supervisory Board passed a resolution to appoint Mr Paweł Skrzypczak Vice President of the Management Board of ELEKTROBUDOWA SA as of 1 August 2015. On 31 July 2015 Mr Piotr Janczyk resigned as Member of the Management Board.

Following the above, as at the date of submitting the present interim condensed financial statements, the Management Board is composed of:

Faltynowicz Jacek	-	President	-	Chief Executive Officer
Juszczuk Janusz	-	Vice President	-	Director of the Power Generation Division
Skrzypczak Paweł	-	Vice President	-	Chief Financial Officer

1.5 Composition of the Supervisory Board

As at 30 June 2015, the Supervisory Board of ELEKTROBUDOWA SA had the following composition:

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

Composition of the Supervisory Board did not change during the reporting period and until the date of issuing these interim condensed financial statements

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 interim condensed 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).

As at the date of authorization for issue of these interim condensed financial statements, considering the process of introducing the International Financial Reporting Standards ("IFRS") continuing in the European Union as well as business activity carried out by the Company, in respect of the accounting standards applied by the Company the IFRS do not differ from the IFRS endorsed by the European Union ("EU IFRS").

The interim condensed financial statements do not cover all information and disclosures required in the annual financial statements and should be read together with the Company's financial statements for the twelve months ended 31 December 2014 authorised for issue on 20 March 2015.

2.3 Functional currency and presentation currency of the interim condensed financial statements, and the rules of translating the financial data

Functional and presentation currency

Polish zloty (PLN) is the company's functional currency and the presentation currency of the present interim condensed financial statements. 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 interim condensed 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 interim condensed statement of financial position and the interim condensed 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 of each presented statement of financial position expressed in foreign currency 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 expressed in foreign currencies are translated at average exchange rate for each currency, which is the arithmetic mean of average rates on the last day of each month of the reporting period, and in justified cases – at the arithmetic mean of average rates on the last day of the previous financial year and the last day of a current financial year, announced by the NBP for each currency;
- exchange differences arising from translation into the Polish currency are recognized in the statement of financial position 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 or sold.

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	30 June 2015		31 December 2014	30 June 2014
	Interim condensed statement of financial position	Statement of comprehensive income	Statement of financial position	Statement of comprehensive income
	in PLN	in PLN	in PLN	in PLN
EUR	4.1944	4.1341	4.2623	4.1784
USD	3.7645	3.7269	3.5072	3.0539
UAH	0.1780	0.1729	0.2246	0.2840
RUB	0.0676	0.0649	0.0602	0.0867
SAR	0.9741	0.9834	0.9337	0.8125

2.4 Changes to the accounting policies

Standards and interpretations applied for the first time in 2015

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those which were followed in preparation of the company's annual financial statements for the year ended 31 December 2014, except for the adoption of new or amended standards and interpretations effective for financial years beginning on or after 1 January 2015:

- **Amendments to IFRS 3 Business combination**

The amendments clarify that not only joint ventures but also joint arrangements are outside the scope of IFRS 3. The scope exception applies only to the financial statements of the joint arrangement itself. The amendment is applied prospectively.

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

- **Amendments to IFRS 13 Fair value measurement**

The amendments clarify that the exception concerning investment portfolio applies not only to financial assets and financial liabilities but also to other agreements covered by IAS 39. The amendments are applied prospectively.

- **Amendments to IAS 40 Investment property**

Description of ancillary services in IAS 40 distinguishes investment properties from owner occupied property (i.e. property, plant and equipment). The amendments are applied retrospectively and clarify that it is IFRS 3, not the definition of ancillary service included in IAS 40, which is used to determine whether a transaction is a purchase of an asset or investment.

- **IFRIC 21 Levies**

This interpretation clarifies that an entity shall recognize a liability relating to levies when an obligating event, i.e. activity that binds the entity to pay a levy as determined in relevant legal regulations, occurs. In the case of levies triggered when a minimum threshold is reached, an entity does not recognize a liability until the threshold has been met. IFRIC 21 is applied retrospectively.

Application of the aforementioned amendments did 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 and interpretations have been issued by the International Accounting Standards Board or International Financial Reporting Interpretations Committee but are not yet effective:

- **IFRS 9 Financial Instruments** (issued on 24 July 2014) effective for financial years beginning on or after 1 July 2018 – not yet endorsed by EU till the date of approval of these financial statements.
- **Amendments to IAS 19 Defined Benefit Plans: Employee Contributions** (issued on 21 November 2013) – effective for financial years beginning on or after 1 July 2014, in EU effective at the latest for financial years beginning on or after 1 February 2015.
- **Annual Improvements to IFRSs 2010-2012** (issued on 12 December 2013)– some amendments effective for financial years beginning on or after 1 July 2014 and some effective prospectively for transactions occurring on or after 1 July 2014, in EU effective at latest for financial years beginning on or after 1 February 2015.
- **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.

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

- **Amendments to IAS 27 Equity Method in Separate Financial Statements** (issued on 12 August 2014) – effective for financial years beginning on or after 1 January 2016 – not yet endorsed by EU till the date of approval these financial statements.
- **Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture** (issued on 11 September 2014) - effective for financial years beginning on or after 1 January 2016, wherein the effective date was tentatively postponed by IASB – decision about terms of performing particular steps resulting in endorsement of the Amendments has not yet been made by EFRAG – 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 about earlier application of 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 influence that those changes may have on the company's financial statements is being considered by the Management.

3. Significant values based on professional judgements and estimates

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

In the period covered by these interim condensed financial statements no significant changes of estimated values or methodology of making estimates occurred, which could 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, the Management of ELEKTROBUDOWA SA 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, 6, 7 and 8. ELEKTROBUDOWA SA has all substantial risks and rewards of ownership of those assets. Basing on the economic content of each transaction, the Company has qualified the agreements to finance lease.

Finance lease liabilities are presented in Note 9.

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 reporting period, are described below. ELEKTROBUDOWA SA has based its assumptions and estimates concerning future on data available when the interim condensed 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 shares in associates and subsidiaries

As at the reporting date the Company analyses whether there is any objective evidence that its interest in associates and subsidiaries may have impaired in accordance with IAS 36. Therefore the company analyses the indications of impairment defined in IAS 39. Objective evidence include significant financial difficulties of an entity, occurrence of significant and unfavourable for an entity changes of technological, market, economic or legal nature in the environment in which the entity operates. The company, following the prudence concept and considering the evidence that has influence on the impairment of shares according to IAS 36, revalued its shares in associates and subsidiaries as at the end of the reporting period. Information about impairment of shares in associates and subsidiaries is presented in Note 11 and Note 12.

Impairment of assets

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

As at a reporting date the Company assesses whether there are any indications, coming from external and internal sources of information, that an asset may be impaired. When it is ascertained that there is at least one indication of impairment, The Company performs further stages of procedure assets revaluation procedure. Particular attention must be paid to those assets, value of which has already been adjusted in earlier periods by impairment provisions, and those which value is most sensitive to occurrence of indicators of impairment.

The impairment test procedure requires estimating recoverable amount and comparing it with the asset's carrying amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. The Company assesses the impairment on the level of an individual asset and also on the level of a group of related assets or assets that jointly contribute to cash generating. A test for a group of assets is performed on the level of a cash generating unit.

Assessing the probability of obtaining future economic benefits and applying reasonable, demonstrable assumptions, the Company has assessed the indications of impairment of property, plant and equipment and of intangible assets. The analysis has shown that in the period of six months ended 30 June 2015 such indications did not occur (Note 8 and Note 10).

Other impairment of assets at the end of the reporting period is presented in Note 14 "Provisions for impairment of receivables" and Note 16 "Inventory write-down".

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 30 June 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 essentially changed. Change in provision for employee benefits during the period results from recognition of projected value of benefits calculated by an independent actuary at the last day of the financial year (Note 25).

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 date of preparation of the interim condensed financial statements. Information about the deferred tax is provided in Note 24.3.

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 5 years preceding 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 25.

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 25.

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 reporting 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 28.

Fair value of financial instruments

Fair value of the financial instruments for which there is no active market is established using appropriate valuation techniques. In selection of appropriate methods and assumptions the company is guided by professional judgement. The way of establishing fair values of different financial instruments is presented in Note 13 and Note 27.

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.

Measurement 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 write down the asset's book value to its net realizable value. The company determines a reliable net selling price for each type or each item of inventories. The amounts of write-down are presented in Note 16.

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. Seasonality of business

Business carried out by the Company does not have a seasonal nature, therefore the presented results do not show significant fluctuations throughout the year.

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

No operation was discontinued by the company in the six months ended 30 June 2015 and no such discontinuation is planned in the next reporting period.

7. 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.

In the six months ended 30 June 2015 ELEKTROBUDOWA SA was 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.
- 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 high, medium and low voltage equipment, particularly low and medium voltage switchgear systems, gas-insulated high-voltage switchgear 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.

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 interim condensed 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.

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

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

Business segment performance for the six months ended 30 June 2015

	Power Generation Division	Industry Division	Power Distribution Division	Other segments	Total
<u>Continuing operations</u>					
Revenue					
of which:					
Sales to external customers	330 799	92 586	151 179	1 208	575 772
Inter-segment sales	2 841	3	33 877	4 248	40 969
Total revenue of segments	333 640	92 589	185 056	5 456	616 741
Operating profit / loss	22 928	(3 625)	16 545	(913)	34 935
Financial activities result	(171)	(190)	(1 849)	3 176	966
Gross profit / loss before tax	22 757	(3 815)	14 696	2 263	35 901
Income tax	(4 704)	557	(2 842)	131	(6 858)
Net profit/ loss for the period from continuing operations	18 053	(3 258)	11 854	2 394	29 043
<u>Discontinued operations</u>					
Net profit / loss from discontinued operations for the period	0	0	0	0	0
Net profit / loss for the period	18 053	(3 258)	11 854	2 394	29 043

Other items of business segments recognized in the interim condensed statement of comprehensive income for the six months ended 30 June 2015

	Power Generation Division	Industry Division	Power Distribution Division	Other segments	Total
Depreciation	1 653	384	1 391	1 381	4 809
Amortisation	266	172	1 685	67	2 190
Share of profit of associates	0	0	0	0	0
Share of profit of subsidiaries	0	0	0	2 809	2 809

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

Business segment performance for the six months ended 30 June 2014

	Power Generation Division	Industry Division	Power Distribution Division	Other segments	Total
<u>Continuing operations</u>					
Revenue					
of which:					
Sales to external customers	178 616	113 105	128 536	1 010	421 267
Inter-segment sales	808	18	20 781	4 196	25 803
Total revenue of segments	179 424	113 123	149 317	5 206	447 070
Operating profit / loss	6 717	(15 915)	12 856	1 355	5 013
Financial activities result	(94)	(204)	2 235	2 919	4 856
Gross profit / loss before tax	6 623	(16 119)	15 091	4 274	9 869
Income tax	(1 894)	3 017	(3 013)	(108)	(1 998)
Net profit/ loss for the period from continuing operations	4 729	(13 102)	12 078	4 166	7 871
<u>Discontinued operations</u>					
Net profit / loss from discontinued operations for the period	0	0	0	0	0
Net profit / loss for the period	4 729	(13 102)	12 078	4 166	7 871

Other items of business segments recognized in the interim condensed statement of comprehensive income for the six months ended 30 June 2014

	Power Generation Division	Industry Division	Power Distribution Division	Other segments	Total
Depreciation	1 682	506	981	1 351	4 520
Amortisation	269	194	1 139	90	1 692
Share of profit of associates	0	0	2 836	0	2 836
Share of profit of subsidiaries	0	0	401	2 919	3 320

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

Items of business segments recognized in the interim condensed statement of financial position

As at 30 June 2015

	Power Generation Division	Industry Division	Power Distribution Division	Other segments	Total
Assets	327 781	111 785	277 824	133 604	850 994
Liabilities	227 846	99 468	142 216	5 486	475 016
Capital expenditure	924	229	2 984	1 417	5 554
Investment in associates	0	0	21 516	0	21 516
Interest in subsidiaries	0	0	0	47 523	47 523

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

Other information

	as at 30 June 2015 (unaudited)	as at 31 Dec. 2014
Trade and other receivables in gross value		
of which:		
- long-term receivables	5 153	5 577
- short-term receivables	292 698	361 163
Total receivables of segments, in gross value	297 851	366 740

Provisions for impairment of receivables of segments

	Power Generation Division	Industry Division	Power Distribution Division	Other segments	Total
as at 30 June 2015	9 726	22 555	6 584	680	39 545
as at 31 December 2014	6 420	19 721	7 020	658	33 819
as at 30 June 2014	4 624	16 976	6 233	22	27 855

(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
six months ended 30 June 2015 (unaudited)	4 022	9 770	1 076	98	14 966
twelve months ended 31 December 2014	4 510	9 601	4 194	651	18 956
six months ended 30 June 2014 (unaudited)	2 584	5 177	2 316	15	10 092

Reversal of provisions for impairment of receivables of segments

	Power Generation Division	Industry Division	Power Distribution Division	Other segments	Total
six months ended 30 June 2015 (unaudited)	716	6 936	1 156	75	8 883
twelve months ended 31 December 2014	419	5 319	1 613	0	7 351
six months ended 30 June 2014 (unaudited)	289	3 900	773	0	4 962

Use of provisions for impairment of receivables of segments

	Power Generation Division	Industry Division	Power Distribution Division	Other segments	Total
six months ended 30 June 2015 (unaudited)	0	0	356	1	357
twelve months ended 31 December 2014	11	1 389	251	0	1 651
six months ended 30 June 2014 (unaudited)	11	1 129	0	0	1 140

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

Secondary reporting format – geographical segments

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

	six months ended 30 June 2015 (unaudited)	six months ended 30 June 2014 (unaudited)
Revenue from sale of products, goods and materials		
a) Poland	530 858	390 748
b) other countries, including:	44 914	30 519
- Finland	23 424	8 431
- Russia	9 154	4 267
- South Korea	3 466	0
- Turkey	3 346	4 429
- Angola	3 160	0
- Saudi Arabia	1 107	2 006
- Republic of South Africa	408	54
- Germany	316	267
- France	249	174
- Switzerland	139	2 405
- Ukraine	86	7 017
- other	59	1 469
	575 772	421 267

In the six months ended 30 June 2015 the Company recorded an increase in revenue from sales both in domestic and foreign markets. The Power Generation Division has the biggest share in the revenue, as it continues the essential stage of the contract for construction of a new heating unit with a fluidized-bed boiler, heating & condensing turbine and balance of plant in Tauron Ciepło Sp. z o.o. Zakład Wytwarzania Tychy. Revenue from sales in this contract generated in the reporting period amounted to 211 713 thousand PLN and rose by 183 273 thousand PLN compared with the period of six months ended 30 June 2014, when they amounted to 28 440 thousand PLN. The increase in export sales is mainly contributed to the 2015 commencement of further stage of works at the site of NPP OLKILUOTO 3, Finland. Revenue from this contract generated in the period of six months ended 30 June 2015 amounted to 23 340 thousand PLN and was 14 406 thousand PLN bigger than in the comparable period of the previous year when it amounted to 8 431 thousand PLN.

Information about key customers

The revenue from direct sales generated by the Power Generation Division includes the 211.7 million PLN income from the contract with the company's biggest customer (28.4 million PLN in H1 2014). The revenue from the biggest customer accounted for 36.8% of the company's H1 2015 revenue and for 6.7% of total revenues generated by the company in H1 2014.

The revenue from direct sales generated by the Power Distribution Division includes the 69.6 million PLN income from the contract with the company's second biggest customer (31.9 million PLN in H1 2014). The revenue from the second biggest customer accounted for 12.1% of the company's H1 2015 revenue, and for 7.6% of total revenues generated by the company in H1 2014.

In the six months ended 30 June 2015 the Company invoiced the revenue generated from contracts with the two leading customers which accounted for 48.9% of the company's total revenue, against 14.3% in H1 2014.

8. Property, plant and equipment

As at 30 June 2015 the net investment in third party's fixed assets amounted to 268 thousand PLN (286 thousand PLN as at 31 December 2014).

As at 30 June 2015 and as at 31 December 2014 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 30 June 2015 the company used fixed tangible fixed assets under finance leases and the hire purchase contracts, the initial value of which was 5 573 thousand PLN (2 721 thousand PLN at 31 December 2014), including technical equipment and machines 3 925 thousand PLN, vehicles 1 495 thousand PLN and other fixed tangible assets 153 thousand PLN. The depreciation charge of leased assets and assets under hire purchase contracts amounted to 325 thousand PLN at the reporting date (79 thousand PLN at 31 December 2014), of which technical equipment and machines 166 thousand PLN, vehicles 93 thousand PLN and other fixed assets 66 thousand PLN.

Fixed assets pledged as security

As at 30 June 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).

As at 30 June 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).

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

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

	land	buildings, civil engineering facilities	machinery and technical equipment	vehicles	other fixed tangible assets	fixed tangible assets in progress	advances for fixed tangible assets	Property, Plant & Equipment
Gross value of fixed tangible assets at 1 January 2015	4 970	65 665	47 438	24 944	17 516	4 049	70	164 652
Additions (of which):	0	89	2 481	1 029	918	1 152	330	5 999
- purchase	0	0	635	0	756	1 346	410	3 147
- takeover from investment	0	89	49	0	136	(274)	0	0
- takeover from advances	0	0	0	0	0	80	(80)	0
- other	0	0	1 797	1 029	26	0	0	2 852
Reductions (of which):	0	0	(565)	(476)	(128)	0	0	(1 169)
- selling	0	0	(169)	(476)	(78)	0	0	(723)
- liquidation	0	0	(396)	0	(50)	0	0	(446)
Gross value of fixed tangible assets at 30 June 2015	4 970	65 754	49 354	25 497	18 306	5 201	400	169 482
Accumulated depreciation at 1 January 2015	0	(14 718)	(33 273)	(19 367)	(11 724)	0	0	(79 082)
Current depreciation charge for the period	0	(1 147)	(1 656)	(1 125)	(881)	0	0	(4 809)
Reduction due to selling, liquidation of fixed tangible assets	0	0	563	476	125	0	0	1 164
Accumulated depreciation at 30 June 2015	0	(15 865)	(34 366)	(20 016)	(12 480)	0	0	(82 727)
Net tangible fixed assets at 30 June 2015 (unaudited)	4 970	49 889	14 988	5 481	5 826	5 201	400	86 755

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	land	buildings, civil engineering facilities	machinery and technical equipment	vehicles	other fixed tangible assets	fixed tangible assets in progress	advances for fixed tangible assets	Property, Plant & Equipment
Gross value of fixed tangible assets at 1 January 2014	4 035	65 249	45 905	24 919	14 422	4 685	0	159 215
Additions (of which):	957	1 414	3 168	1 741	3 579	(636)	70	10 293
- purchase	0	0	808	1 276	1 085	922	93	4 184
- takeover from investment	0	1 414	232	0	0	(1 646)	0	0
- takeover from advances	0	0	0	0	0	23	(23)	0
- other	957	0	2 128	465	2 494	65	0	6 109
Reductions (of which):	(22)	(998)	(1 183)	(1 716)	(150)	0	0	(4 069)
- selling	(15)	(29)	(799)	(1 716)	0	0	0	(2 559)
- liquidation	0	(969)	(384)	0	(150)	0	0	(1 503)
- other	(7)	0	0	0	0	0	0	(7)
Gross value of fixed tangible assets at 31 December 2014	0	0	(452)	0	(335)	0	0	(787)
Accumulated depreciation at 1 January 2014	4 970	65 665	47 438	24 944	17 516	4 049	70	164 652
Gross value of fixed tangible assets at 31 December 2014	0	(12 909)	(31 519)	(18 722)	(10 675)	0	0	(73 825)
Current depreciation charge for the period	0	(2 256)	(3 126)	(2 361)	(1 417)	0	0	(9 160)
Reduction due to selling, liquidation of fixed tangible assets	0	447	1 139	1 716	150	0	0	3 452
Other reductions	0	0	(90)	0	0	0	0	(90)
Transfer to held for sale	0	0	323	0	218	0	0	541
Accumulated depreciation at 31 December 2014	0	(14 718)	(33 273)	(19 367)	(11 724)	0	0	(79 082)
Net tangible fixed assets at 31 December 2014	4 970	50 947	14 165	5 577	5 792	4 049	70	85 570

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

	land	buildings, civil engineering facilities	machinery and technical equipment	vehicles	other fixed tangible assets	fixed tangible assets in progress	advances for fixed tangible assets	Property, Plant & Equipment
Gross value of fixed tangible assets at 1 January 2014	4 035	65 249	45 905	24 919	14 422	4 685	0	159 215
Additions (of which):	957	58	286	1 097	361	204	0	2 963
- purchase	0	0	286	800	361	239	23	1 709
- takeover from investment	0	58	0	0	0	(58)	0	0
- takeover from advances	0	0	0	0	0	23	(23)	0
- other	957	0	0	297	0	0	0	1 254
Reductions (of which):	(22)	(836)	(132)	(1 189)	(128)	0	0	(2 307)
- selling	0	(29)	(4)	(1 189)	0	0	0	(1 222)
- liquidation	0	(807)	(128)	0	(128)	0	0	(1 063)
- other	(22)	0	0	0	0	0	0	(22)
Transfer to held for sale	0	0	(518)	0	(335)	0	0	(853)
Gross value of fixed tangible assets at 30 June 2014	4 970	64 471	45 541	24 827	14 320	4 889	0	159 018
Accumulated depreciation at 1 January 2014	0	(12 909)	(31 519)	(18 722)	(10 675)	0	0	(73 825)
Current depreciation charge for the period	0	(1 126)	(1 611)	(1 191)	(592)	0	0	(4 520)
Reduction due to selling, liquidation of fixed tangible assets	0	388	130	1 189	128	0	0	1 835
Transfer to held for sale	0	0	283	0	218	0	0	501
Accumulated depreciation at 30 June 2014	0	(13 647)	(32 717)	(18 724)	(10 921)	0	0	(76 009)
Net tangible fixed assets at 30 June 2014 (unaudited)	4 970	50 824	12 824	6 103	3 399	4 889	0	83 009

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

9. Liabilities under finance lease agreements

	as at 30 June 2015		as at 31 December 2014	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
Within 1 year	78	74	100	92
1 - 5 years	161	156	195	189
Total minimum lease payments	239	230	295	281
Less finance costs	10		14	
Present value of minimum lease payments	229		281	
- short-term		74		92
- long-term		156		189

In the six months ended 30 June 2015 the Company did not make any contingent lease payments recognised as cost of the period (in the year ended 31 December 2014 they amounted to 27 thousand PLN).

10. Intangible assets

Finished research and development works

The main item of finished development works includes the settled outlays for R&D associated with the project of implementation to production a new product developed by ELEKTROBUDOWA SA, high voltage switchgear type OPTIMA 145. Outlays in the amount of 13 505 thousand PLN were qualified as costs of finished development works, for which the 10-year depreciation period was assumed. As at 30 June 2015 the outlays for the project less depreciation charge amount to 12 267 thousand PLN.

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

Cost of development works in progress

Outlay for research and development work made in the six months ended 30 June 2015 amounting to 1 732 thousand PLN, principally concerned the project "OPTIMA switchgear – Stage 2" worth 1 118 thousand PLN. The expenditure for this project as at 30 June 2015 totalled 1 914 thousand PLN. During the first half of 2015 the development works were finished and settled for the amount of 800 thousand PLN.

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

Intangible assets used as security

As at 30 June 2015 as well as at 31 December 2014, no liabilities were secured by the Company's intangible assets.

Other information concerning the intangible assets

As at 30 June 2015 as well as at 31 December 2014 no impairment charges relating to the intangible assets were made.

As at 30 June 2015 as well as at 31 December 2014 ELEKTROBUDOWA SA did not have any intangibles with restricted right of use.

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

	Cost of finished development works	Concessions, patents, licenses and software	Cost of development works in progress	Total intangible assets
Gross value of intangible assets at 1 January 2015	28 014	9 637	3 076	40 727
Additions, of which:	800	675	932	2 407
- purchased	0	675	0	675
- internally generated	0	0	1 732	1 732
- transferred to cost of finished development works	800	0	(800)	0
Reductions, of which:	0	(165)	0	(165)
- other	0	(165)	0	(165)
Gross value of intangible assets at 30 June 2015	<u>28 814</u>	<u>10 147</u>	<u>4 008</u>	<u>42 969</u>
Accumulated amortisation at 1 January 2015	(13 507)	(8 779)	0	(22 286)
Current amortisation charge	(1 408)	(782)	0	(2 190)
Other reductions	0	165	0	165
Accumulated amortisation at 30 June 2015	<u>(14 915)</u>	<u>(9 396)</u>	<u>0</u>	<u>(24 311)</u>
Net intangible assets as at 30 June 2015 (unaudited)	<u>13 899</u>	<u>751</u>	<u>4 008</u>	<u>18 658</u>

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

	Cost of finished development works	Concessions, patents, licenses and software	Cost of development works in progress	Total intangible assets
Gross value of intangible assets at 1 January 2014	14 509	8 491	13 764	36 764
Additions, of which:	13 505	1 146	(8 129)	6 522
- purchased	0	1 146	0	1 146
- internally generated	0	0	5 376	5 376
- taken over from investments	13 505	0	(13 505)	0
Transfer to property, plant and equipment	0	0	(2 559)	(2 559)
Gross value of intangible assets at 31 December 2014	<u>28 014</u>	<u>9 637</u>	<u>3 076</u>	<u>40 727</u>
Accumulated amortisation at 1 January 2014	(11 479)	(7 407)	0	(18 886)
Current amortisation charge	(2 028)	(1 372)	0	(3 400)
Accumulated amortisation at 31 December 2014	<u>(13 507)</u>	<u>(8 779)</u>	<u>0</u>	<u>(22 286)</u>
Net intangible assets as at 31 December 2014	<u>14 507</u>	<u>858</u>	<u>3 076</u>	<u>18 441</u>

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

	Cost of finished development works	Concessions, patents, licenses and software	Cost of development works in progress	Total intangible assets
Gross value of intangible assets at 1 January 2014	14 509	8 491	13 764	36 764
Additions, of which:	0	837	4 315	5 152
- purchased	0	837	0	837
- internally generated	0	0	4 315	4 315
Gross value of intangible assets at 30 June 2014	14 509	9 328	18 079	41 916
Accumulated amortisation at 1 January 2014	(11 479)	(7 407)	0	(18 886)
Current amortisation charge	(732)	(960)	0	(1 692)
Accumulated amortisation at 30 June 2014	(12 211)	(8 367)	0	(20 578)
Net intangible assets as at 30 June 2014 (unaudited)	2 298	961	18 079	21 338

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

11. Investment in associates

	Power Equipment Production Plant Vector Ltd. Votkinsk, Russia	SAUDI ELEKTROBUDOWA LLC Riyadh, the Kingdom of Saudi Arabia
Interest in the share capital at 30 June 2015	49%	33%
Purchase price	13 805	97
Increase of capital in 2009	7 711	0
Impairment of shares	0	(97)
Investment in associates at 30 June 2015	21 516	0
Selected data as at 30 June 2015		
Assets	55 529	381
Equity	32 530	(243)
Liabilities	22 999	624
Revenue from sales of products, goods and materials	46 624	0
Net profit	553	(3)

As at 30 June 2015 and 31 December 2014 the share in total number of votes held by the company in the associates is equal to the share in their equity.

The interest of ELEKTROBUDOWA SA in the share capital of the associates as at 30 June 2015 did not change compared with 31 December 2014.

As at 30 June 2015 ELEKTROBUDOWA SA had a 49% interest in equity of the Russian company, Power Equipment Production Plant VECTOR Ltd., valued at 21 516 thousand PLN. 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.

Current political situation in Russia does not directly influence business operations of "VECTOR". Neither Vector-manufactured products nor imported goods are embargoed by any party. Despite slowly progressing economic stabilization, continual modification of long- and short-term development of Russia's Power industry can be noticed. Current modifications of the power generation development strategy and general political uncertainty in that country was a key factor determining the level of sales plan of VECTOR Ltd. and export sales of ELEKTROBUDOWA SA to those markets.

"VECTOR" is a private company, not quoted in a stock exchange, so it is not possible to obtain market quotation of its shares. Therefore, ELEKTROBUDOWA SA has analysed indications of impairment of its interest in the associate's share capital as at 30 June 2015.

In the opinion of Management of ELEKTROBUDOWA SA the 2015 budget forecast assumed as the base for the impairment test of investment in the associate VECTOR Ltd. performed by an independent valuation specialist as at 31 December 2014 needs no adjustments and to the best knowledge available at the reporting date, performance of the budget forecast is not at risk. In the first quarter of 2015 there was a rapid change of the rate of a ruble against other currencies, what had favourable influence on the realization of orders from the second quarter of 2015. Observable stabilization of the rate of ruble against other currencies permits to reduce foreign currency risk associated with the import of materials. Essentially, VECTOR will base the realization of its annual plan on its own manufacture of power equipment in Votkinsk, only temporarily supplying finished products manufactured by ELEKTROBUDOWA SA to be sold by VECTOR in the Russian market.

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

Also, market and economic environment in the Russian Federation favour domestic business. Political reluctance shown to "Western" competitors opens up plenty of growth opportunity for VECTOR as a Russian supplier.

Exchange rate relation of the ruble to other currencies, actions taken by VECTOR Ltd. to reduce the currency risk associated with imports of finished goods, and also economic and political situation of the country, support achieving financial results forecast for 2015.

The analysis of the financial situation and liquidity of the assets held in VECTOR does not indicate that the share in the company's capital owned by ELEKTROBUDOWA SA may be impaired in the foreseeable future.

The Management estimates that the carrying value of the investment in the associate VECTOR Ltd. as at 30 June 2015 did not change compared with the value as at 31 December 2014.

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 resume its business activity.

12. Interest in subsidiaries

	KONIP Sp. z o.o. Katowice	ENERGOTEST sp. z o.o. Gliwice	ELEKTROBUDOWA UKRAINE Ltd. Sevastopol, Ukraine
Interest in the share capital at 30 June 2015	100%	100%	62%
Purchase price	70	47 453	376
Increase of capital	0	0	2
Impairment of shares	0	0	(378)
Interest in subsidiaries at 30 June 2015	70	47 453	0
Selected data as at 30 June 2015			
Assets	979	33 484	1 433
Equity	850	20 331	206
Liabilities	129	13 153	1 227
Revenue from sales of products, goods and materials	628	25 901	143
Net profit / loss	70	895	(199)

Business activity of ENERGOTEST sp. z o.o. comprises supply of high, medium and low voltage electrical systems, installation of switchgear and controlgear, maintenance and service of switchgear and controlgear.

In the opinion of Management of ELEKTROBUDOWA SA the company's 2015 budget forecast, which was the base for impairment test of investment in the subsidiary performed as at 31 December 2014 by an independent valuation specialist, is not at risk. Value in use of ENERGOTEST sp. z o.o. was estimated according to IAS 36, basing on the income method (discounted cash flows method).

In the six months of 2015 ENERGOTEST was awarded orders on the level of 31 000 thousand PLN, what means that the 2015 budget assumptions are realized in 51.7%. ENERGOTEST sp. z o.o. enters the second half of 2015 with the order backlog worth 25862 thousand PLN. Revenue from sale of products, goods and materials generated for the period of six months amounted to 25 901 thousand PLN and constituted 42.9% of the 2015 budget assumptions.

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

After the six months of the year ENERGOTEST earned 895 thousand PLN of net profit and the budgeted amount of the profit was realized in 32.5%. With the similar level of revenue (25 901 thousand PLN compared to 25 757 thousand PLN in the same period of the previous year) the gross profit is 825 thousand PLN higher. The company received a few orders of significant value, which contributed to the change in the sales structure and margins.

ENERGOTEST sp. z o.o. operates in the power sector which is characterized by permanent restructuring and big investment expenditure because of aging power stations and industrial systems. The market where the company operates provides good prospects for development.

The analysis of the financial situation and liquidity of the assets held in ENERGOTEST sp. z o.o. does not indicate that the share in the company's capital owned by ELEKTROBUDOWA SA may be impaired in the foreseeable future.

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.

Changes in the economic situation of Ukraine have negative impact on investment activity in that country, what involves a decrease in demand for products offered by ELEKTROBUDOWA SA. Reorganisation of ELEKTROBUDOWA UKRAINE Ltd., caused by the relocation of the company, has not been completed yet because of disputable political status of Crimea. This situation hinders the use of the company's intellectual resources allocated there. Although the company is continuing active marketing, but the results of these actions depend on stabilization of political or economic situation of that region.

As at 30 June 2015 ELEKTROBUDOWA SA held 62% of shares representing 62% of the share capital of ELEKTROBUDOWA UKRAINE Ltd., having the nominal value 378 thousand PLN. Unfavourable financial situation of the company, lost liquidity and difficulties in winning new orders made the Management of ELEKTROBUDOWA SA decide to impair the shares in the subsidiary.

In the statement of comprehensive income prepared for the period from 21 January 2015 to 30 June 2015, impairment of shares in ELEKTROBUDOWA UKRAINE in the amount of 378 thousand PLN has been recognized in finance costs (Note 30).

13. Financial assets

13.1 Available-for-sale financial assets

	as at 30 June 2015 (unaudited)	as at 31 Dec. 2014
Available-for-sale financial assets		
- non-current	6 631	6 631
- current	24	24
	6 655	6 655

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

As of 30 June 2015 ELEKTROBUDOWA SA had 23.07% share in the share capital 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 30 June 2015 the strategic investor of PI Biprohut Sp. z o.o. held 75.96% stake which entitled him to 73.77% 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, and the investment itself is classified as available-for-sale assets and measured in accordance with IAS 39.

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

PI Biprohut Sp. z o.o. is not listed in the stock exchange, so it is not possible to obtain market quotation of its shares. Therefore, ELEKTROBUDOWA SA estimated the value of shares held in the share capital of PI Biprohut, basing on the asset-based approach. The adjusted net assets method was applied for the measurement of the fair value of shares of PI Biprohut Sp. z o.o. as at 31 December 2014 performed by an independent valuation specialist; the value of shares was established at 6 631 thousand PLN. Estimating the value of shares in PI Biprohut Sp. z o.o. as at 30 June 2015, ELEKTROBUDOWA SA used:

- 2015 budget of PI Biprohut Sp. z o.o.
- Financial result of PI Biprohut Sp. z o.o. for the six months ended 6 months 2015.
- A Revaluation Clause to the Appraisal Study prepared as at 5 March 2014 by an independent valuation specialist using the investment method, discounting cash flows techniques. In the Revaluation Clause the valuation specialist has confirmed the validity of the above quoted Appraisal Study which estimated the market value of the property as at 7 July 2015 and set the validity of the revaluation clause until December 2015.

Basing on the gathered material, the Management of ELEKTROBUDOWA SA analysed the change in value of the investment in PI Biprohut Sp. z o.o. as at 30 June 2015 and the analysis confirmed that the value of owned shares did not show any essential deviations from the fair value of shares measured by the independent expert as at 31 December 2014, so the fair value of shares in the company held by ELEKTROBUDOWA SA as at 30 June 2015 can be estimated as unchanged.

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 FAMUR 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 30 June 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 of FAMUR FAMAK is classified to Level 3 of the fair value hierarchy.

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

13.2 Classification of assets to groups of financial instruments

Type of financial instrument	method of measurement as at 30 June 2015	as at 30 June 2015 (unaudited)	as at 31 Dec. 2014	amount charged to revaluation capital in the period of six months ended 30 June 2015	amount charged to profit or loss in the period of six months ended 30 June 2015
1. Loans extended and own receivables		251 713	329 862	0	(5 325)
a) long-term receivables due to sale of non-current assets	amortised cost	540	688	0	12
b) long-term receivables due to retentions	amortised cost	4 214	4 584	0	(109)
c) short-term trade and other receivables	amortised cost	246 959	324 590	0	(5 228)
2. Available-for-sale investments		6 655	6 655	0	0
a) shares of PI Biprohut Sp. z o.o.	fair value	6 631	6 631	0	0
b) shares of FAMUR FAMAK S.A.	book value	24	24	0	0
3. Cash and cash equivalents	amortised cost	100 131	54 910	0	(1 294)
Total financial assets		358 499	391 427	0	(6 619)

Value of the specified above financial instruments recognised in the interim condensed statement of financial position is the same as their fair value.

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

14. Trade and other receivables

14.1 Receivables recognised in non-current assets

	as at 30 June 2015 (unaudited)	as at 31 Dec. 2014
Long-term receivables		
- disposal of property, plant and equipment	540	688
- contract retentions	4 214	4 584
Long-term receivables - net	4 754	5 272
Discount of receivables	236	305
Impairment of receivables	163	0
Long-term receivables - gross	5 153	5 577

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

14.2 Receivables recognised in current assets

	as at 30 June 2015 (unaudited)	as at 31 Dec. 2014
Current trade and other receivables		
- for supplies and services	224 481	300 286
- other	28 835	27 058
Total current trade and other receivables -net	253 316	327 344
Impairment of receivables	39 382	33 819
Total current trade and other receivables -gross	292 698	361 163

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

	as at 30 June 2015 (unaudited)	as at 31 Dec. 2014
Other current receivables		
- receivables due to public and legal settlements	6 357	2 754
- retentions	15 772	21 352
- amounts receivable for other services performed	1 359	557
- receivables from sales of fixed tangible assets	800	1 194
- receivables due to bid deposit	656	707
- amounts receivable from contractors as damages	200	188
- receivables from employees	236	58
- receivables due to dividend	3 095	0
- other	360	248
	28 835	27 058

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

	six months ended 30 June 2015 (unaudited)	twelve months ended 31 December 2014
Provisions for impairment of trade and other receivables		
Impairment provision at beginning of period	33 819	23 865
Creating a provision, including:	14 803	18 956
- trade receivables	8 757	14 226
- other receivables	6 046	4 730
Use	(357)	(1 651)
Deduction of unused amounts (release)	(8 883)	(7 351)
Impairment provision at end of period	39 382	33 819
of which:		
- for trade receivables	25 275	24 298
- for other receivables	14 107	9 521

The amount of provisions for impairment of receivables increased by 5 563 thousand PLN in the period of six months ended 30 June 2015.

Changes in provisions for impairment of receivables in the interim condensed statement of comprehensive income are described in Note 29 in "Other operating expenses".

The provision for impairment of receivables from related entities is presented in Note 34.

15. Non-current prepayments

	as at 30 June 2015 (unaudited)	as at 31 Dec. 2014
Long-term prepayments		
- construction insurance policies	504	745
- other costs settled over time	1 159	532
	1 663	1 277

16. Inventories

	as at 30 June 2015 (unaudited)	as at 31 December 2014
Inventories		
- materials	31 153	27 124
- semi-finished products and work in progress	30 079	17 954
- finished products	1 927	2 345
- goods	634	634
	63 793	48 057
of which:		
- inventory write-down	(641)	(641)

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

The increase in stock of semi-finished products and work in progress was caused by the nature of the production cycle of finished goods in the Power Distribution segment.

ELEKTROBUDOWA SA periodically analyses the value of inventories and the possibility to use them. In the period of 6 months ended 30 June 2015 the company created a provision for write-down of inventory of materials in the amount of 80 thousand PLN and reversed a provision for write-down of materials in the same amount.

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

17. Cash and cash equivalents

	as at 30 June 2015 (unaudited)	as at 31 Dec. 2014
Cash at banks and on hand		
- cash at banks	100 095	54 893
- cash on hand	36	17
	100 131	54 910

18. Other non-finance assets

	as at 30 June 2015 (unaudited)	as at 31 Dec. 2014
Other non-finance assets		
- future periods expenses (subscriptions, fees, insurance) standing charges)	2 001	1 898
- prepayments for supplies	5 459	7 321
- contribution to Employee Benefit Fund	1 077	0
	8 537	9 219

19. Non-current assets held for sale

	as at 30 June 2015 (unaudited)	as at 31 Dec. 2014
Non-current assets held for sale		
a) fixed tangible assets, of which:		
- technical equipment and machines	129	129
- other fixed tangible assets	117	117
	246	246

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

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 the assets held for sale are highly specialized machines, no buyer was found in the open tender procedure.

The Management expects the sale transaction to be finalised by the end of the financial year.

20. Issued share capital

	six months ended 30 June 2015 (unaudited)	twelve months ended 31 Dec. 2014	six months ended 30 June 2015 (unaudited)
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)	(16 372)
Issued (registered) share capital at end of period	10 003	10 003	10 003

In previous years, in accordance with IAS 29 Financial Reporting in Hyperinflationary Economies, the issued share capital of the Company recognised in the interim condensed 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			

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

As at 30 June 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 30 June 2015	number of shares = number of votes	percentage
AVIVA OFE AVIVA BZ WBK SA	579 301	12,20
PKO BP Bankowy Otwarty Fundusz Emerytalny	467 415	9,85
Otwarty Fundusz Emerytalny PZU "Złota Jesień"	454 446	9,57
AXA Otwarty Fundusz Emerytalny	446 553	9,41
ING Otwarty Fundusz Emerytalny *	320 850	6,76
PTE Allianz Polska SA	299 523	6,31
MetLife Otwarty Fundusz Emerytalny	280 367	5,91
Generali Otwarty Fundusz Emerytalny	241 640	5,09
free float	1 657 513	34,90
Total number of shares in the share capital	4 747 608	100,00

* since 20 July 2015 National Nederlanden Otwarty Fundusz emerytalny

According to information available to the company, the shareholding structure of ELEKTROBUDOWA SA as at 30 June 2015 did not change compared with the structure at 31 December 2014.

As at 30 June 2015 the managing and supervising persons did not have shares of the Company.

21. Other capital

21.1 Supplementary capital

	as at 30 June 2015 (unaudited)	as at 31 Dec. 2014
Structure of the supplementary capital:		
- share premium	100 676	100 676
- created as required by law	3 334	3 334
- created acc. to the Articles of Association, over (minimum) value required by law	225 946	196 845
- transferred from reserve capital	5 562	5 562
	335 518	306 417

By Resolution of the Annual General Meeting of ELEKTROBUDOWA SA of 29 April 2015, the whole amount of net profit for 2014 was transferred to supplementary capital, increasing its value by 29 101 thousand PLN.

21.2 Capital from valuation of available-for-sale investments

	as at 30 June 2015 (unaudited)	as at 31 Dec. 2014
Capital from valuation of available-for-sale investments		
- valuation of available-for-sale investments	5 752	5 752
- deferred tax related to investment valuation	(1 092)	(1 092)
	4 660	4 660

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

21.3 Retained earnings

	as at 30 June 2015 (unaudited)	as at 31 Dec. 2014
Retained earnings		
- actuarial losses	(1 376)	(1 376)
- net profit for the period	29 043	29 101
	27 667	27 725

21.4 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:

	six months ended 30 June 2015 (unaudited)	six months ended 30 June 2014 (unaudited)
Net profit for the period (in PLN)	29 043 400	7 870 606
Weighted average number of shares	4 747 608	4 747 608
Basic earnings per share (in PLN)	6,12	1,66

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

22. Trade and other payables

22.1 Long-term other payables

	as at 30 June 2015 (unaudited)	as at 31 Dec. 2014
Other financial liabilities (long-term)		
- long-term retention amounts	11 991	12 852
- lease commitments	3 365	1 885
Other long-term liabilities - net	15 356	14 737
Discount of liabilities	550	723
Other long-term liabilities - gross	15 906	15 460

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

22.2 Short-term trade and other payables

	as at 30 June 2015 (unaudited)	as at 31 Dec. 2014
Trade and other financial liabilities (short-term)		
- for supplies and services	196 511	225 934
- other (by titles)	15 387	12 748
of which:		
a) retentions from subcontracts	12 306	10 897
b) purchase of non-current assets	862	720
c) lease payment liabilities	1 650	687
d) deductions from payroll	411	384
e) employee payables	13	60
f) other	145	0
	211 898	238 682

	as at 30 June 2015 (unaudited)	as at 31 Dec. 2014
Other non-finance liabilities (short-term)		
- advances received for supplies	93 317	90 749
- taxes, duties, insurance and other contributions	11 081	20 433
- salaries and wages	6 827	5 906
	111 225	117 088

As at 30 June 2015, the received advance payments for deliveries were secured against guarantees for the total amount 126 449 thousand PLN (144 315 thousand PLN at 31 December 2014).

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

23. Short-term liabilities due to loans and borrowings

	as at 30 June 2015 (unaudited)	as at 31 December 2014
Loans, borrowings and debt securities		
- liabilities due to loans (nominal value)	43 420	102 886
- liabilities due to interest on loans	95	274
	43 515	103 160

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

Short-term liabilities due to loans, borrowings, and debt securities as at 30 June 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	19 700	PLN	0		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)
		32 000	PLN	32 000	PLN	WIBOR 1M + bank margin	31.07.2015	
working capital loan								
BANK HANDLOWY S.A. overdraft	Warsaw	15 000	PLN	0		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	11 420	PLN	WIBOR 1M + bank margin	31.12.2017	
		200	PLN	0				
working capital loan								
limit for credit cards								
BANK PEKAO S.A. overdraft	Kraków	10 000	PLN	0		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	Warsaw	25 000	PLN	0		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	Warsaw	10 000	PLN	0		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.
		163 900		43 420				

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

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

Short-term liabilities due to loans, borrowings, and debt securities 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 SŁĄSKI S.A. overdraft	Katowice	17 000	PLN	0	PLN	WIBOR 1M	30.01.2016 *	assignment of receivables from contracts = 150% engagement due to guarantees and overdraft; registered charges including assignment of rights to insurance policy (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)
working capital loan		85 000	PLN	53 200	PLN	+ bank margin WIBOR 1M + bank margin	30.01.2016	
BANK HANDLOWY S.A. overdraft	Warsaw	15 000	PLN	2 645	PLN	WIBOR 1M	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. assignment of rights to insurance policy; 2 blank bills collateralized by the said charge, 1 blank bill secured by the first charge up to 4 375 thousand PLN (Mikołów) KW No. KA1M/00065708/0 incl. assignment of rights to insurance policy, assignment of receivables from a contract (PSE SA - OSP/DI/INW/14/2013 SKAWINA)
working capital loan		52 000	PLN	46 884	PLN	WIBOR 1M	31.12.2017	
limit for credit cards		200	PLN		PLN	+ bank margin		
BANK PEKAO S.A. overdraft	Cracow	10 000	PLN	0	PLN	WIBOR 1M	30.04.2015 *	assignment of receivables from contracts = 100% engagement due to guarantees and current account overdraft; first charge up to 22 400 thousand PLN (Konin) KW No.KN1N/00013390/8, incl. assignment of rights to insurance policy; 1 blank bill.
PKO BP S.A. overdraft	Warsaw	25 000	PLN	0	PLN	WIBOR 1M	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 assignment of rights from insurance policy, 2 blank bills.
mBank S.A. overdraft	Warsaw	10 000	PLN	157	PLN	WIBOR ON	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. assignment of rights to insurance policy; 1 blank bill.
		<u>214 200</u>		<u>102 886</u>				

* 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
at 31.12.2014		53 200	0	53 200
ING Bank Śląski S.A.	30.04.2015	0	(19 200)	34 000
	01.06.2015	0	(1 000)	33 000
	30.06.2015	0	(1 000)	32 000
	total in 2015	0	(21 200)	
	at 30 June 2015 (unaudited)		53 200	(21 200)
at 31.12.2014		46 884	0	46 884
Bank Handlowy S.A.	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
	17.04.2015		(39 936)	0
	29.04.2015	3 519	0	3 519
	29.05.2015	3 261	0	6 780
	26.06.2015	4 640	0	11 420
	total in 2015	22 270	(57 734)	
at 30 June 2015 (unaudited)		69 154	(57 734)	11 420
Working capital loans at 30 June 2015 (unaudited)				43 420

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

24. Income tax

24.1 Tax expense

The major components of income tax expense for the periods of six months ended 30 June 2015 and 30 June 2014 are as follows:

	six months ended 30 June 2015 (unaudited)	six months ended 30 June 2014 (unaudited)
Income tax recognised in the statement of comprehensive income		
- current tax	7 539	0
- deferred tax	(1 410)	1 804
- tax of foreign branches	729	201
- other settlements	0	(7)
Tax charge recognised in profit	6 858	1 998

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 interim condensed 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)

24.2 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 applicable for the company for the periods of six months ended 30 June 2015 and 30 June 2014 is as follows:

	six months ended 30 June 2015 (unaudited)	six months ended 30 June 2014 (unaudited)
Gross profit before tax	35 901	9 869
Tax calculated according to the 19% rate	6 821	1 875
Permanent differences settled in Poland	660	815
Permanent differences settled abroad	(693)	(291)
Dividend from related companies	(604)	(554)
Temporary differences settled in Poland	151	1 609
Temporary differences settled abroad	(218)	(117)
Tax of foreign branches	729	201
Adjustments of deferred tax of the years 2011 - 2012	0	(1 611)
Differences in tax rates	12	71
Income tax	6 858	1 998
Effective tax rate (%)	19.1	20.2

24.3 Deferred income tax

	as at 30 June 2015 (unaudited)	as at 31 Dec. 2014	as at 30 June 2014 (unaudited)
Deferred income tax assets	61 609	69 866	59 598
Provisions for deferred income tax	(44 914)	(54 581)	(45 452)
Deferred corporate income tax assets recognized in assets in the statement of financial position	16 695	15 285	14 146
Provisions for deferred income tax of foreign branches	0	0	(1 316)
Provisions for deferred corporate income tax recognized in liabilities in the statement of financial position	0	0	(1 316)
Total deferred income tax	16 695	15 285	12 830

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

Structure of the deferred income tax:

six months ended 30 June 2015 (unaudited)		Construction contracts	Provisions, prepayments and accrued expenses	Fixed tangible assets	Revaluation of assets	Tax on tax loss	Other	Total
	beginning of period 1 January 2015	59 062	6 688	541	2 948	0	627	69 866
Assets	- changes credited/charged to financial result	(8 701)	(238)	26	840	0	(184)	(8 257)
	end of period 30 June 2015 (unaudited)	50 361	6 450	567	3 788	0	443	61 609
	beginning of period 1 January 2015	(51 507)	0	(643)	(861)	0	(1 570)	(54 581)
Provisions	- changes credited/charged to financial result	9 564	0	(39)	0	0	142	9 667
	end of period 30 June 2015 (unaudited)	(41 943)	0	(682)	(861)	0	(1 428)	(44 914)
End of period 30 June 2015 - total (unaudited)		8 418	6 450	(115)	2 927	0	(985)	16 695

twelve months ended 31 December 2014		Construction contracts	Provisions, prepayments and accrued expenses	Fixed tangible assets	Revaluation of assets	Tax on tax loss	Other	Total
	beginning of period 1 January 2014	38 042	6 982	468	2 053	0	316	47 861
Assets	- 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
	beginning of period 1 January 2014	(29 454)	0	(576)	(22)	0	(1 564)	(31 616)
Provisions	- 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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(all amounts in thousands of PLN, unless otherwise stated)

six months ended 30 June 2014 (unaudited)		Construction contracts	Provisions, prepayments and accrued expenses	Fixed tangible assets	Revaluation of assets	Tax on tax loss	Other	Total
	beginning of period 1 January 2014	38 042	6 982	468	2 053	0	316	47 861
Assets	- changes credited/charged to financial result	11 287	(2 084)	49	203	2 247	35	11 737
	end of period 30 June 2014 (unaudited)	49 329	4 898	517	2 256	2 247	351	59 598
	beginning of period 1 January 2014	(29 454)	0	(576)	(22)	0	(1 564)	(31 616)
Provisions	- changes credited/charged to financial result	(14 882)	0	(35)	0	0	(235)	(15 152)
	end of period 30 June 2014 (unaudited)	(44 336)	0	(611)	(22)	0	(1 799)	(46 768)
	End of period 30 June 2014 - total (unaudited)	4 993	4 898	(94)	2 234	2 247	(1 448)	12 830

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

25. 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	802	491	21	1 314
use	(615)	(273)	0	(888)
As at 30 June 2015 (unaudited)	1 032	6 156	3 235	10 423
of which:				
- long-term	0	5 959	0	5 959
- short-term	1 032	197	3 235	4 464
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	573	0	2 096	2 669
use	0	(496)	(1 188)	(1 684)
reversal	(584)		(2 989)	(3 573)
As at 30 June 2014 (unaudited)	690	4 835	2 096	7 621
of which:				
- long-term	0	4 770	0	4 770
- short-term	690	65	2 096	2 851

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

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

Provisions for warranties

The Company created provisions for costs of warranty repairs equal to 0.40% of the amount of internal and external sales of finished goods budgeted for the financial year (as at 31 December 2014: 0.30% of sales generated in the financial year).

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.

Change in provisions for employee benefits during the period results from recognition of the amount of benefits forecast by an independent actuary.

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.

26. Accrued expenses

	as at 30 June 2015 (unaudited)	as at 31 Dec. 2014
Accrued expenses in respect of:		
- unused holidays	5 682	4 019
- annual bonuses	2 977	7 141
- services relating to the present reporting period but invoiced in the next period	1 638	2 400
- provision for expected losses on completion of contracts	7 033	6 581
- provision for employee claims	2 000	2 000
	19 330	22 141

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

Provision for employee claims

For details of the created provision for employee claims refer to Note 38 (item 1).

Provision for expected losses on completion of contracts

ELEKTROBUDOWA SA creates 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 30 June 2015 for expected losses on contracts cover the whole identified risk of generating losses until the completion of the contracts.

Provisions for expected losses on completion of contracts by segments

	<u>Power Generation Division</u>	<u>Industry Division</u>	<u>Power Distribution Division</u>	<u>All other segments</u>	<u>Total</u>
At 30 June 2015	0	4 897	2 136	0	7 033
At 31 December 2014	0	4 197	2 384	0	6 581

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

27. Classification of financial instruments recognized in liabilities

Type of financial instrument	method of measurement as at 30 June 2015	as at 30 June 2015	as at 31 Dec. 2014	amount charged to revaluation capital in the period of 6 months ended 30 June 2015	amount charged to profit or loss in the period of 6 months ended 30 June 2015
1. Other financial liabilities					
a) other long-term payables	amortised cost	15 356	14 737	0	(230)
b) short-term trade and other payables	amortised cost	211 898	238 682	0	1 194
c) loans	amortised cost	43 515	103 160	0	(1 081)
d) forward contract in foreign currency	fair value	0	71	0	493
Financial instruments recognised in liabilities - total		270 769	356 650	0	376

The value of the above financial instruments recognised in the interim condensed statement of financial position is equal to their fair value.

ELEKTROBUDOWA SA has entered into forward transactions to secure sales transactions denominated in foreign currency. The company does not apply hedge accounting, and the transactions did not have a speculative nature.

As at 31 December 2014 the company had forward transactions in the amount of 1 320 thousand EUR. By 30 June 2014 the transactions had been settled and the 422 thousand PLN gains from settlement of derivatives were recognised in the interim condensed statement of comprehensive income, in "other operating income" line. The gains from settlement of the forward transaction are increased by 71 thousand PLN from reversal of measurement of derivatives as at 31 December 2014.

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

Settlement of forward transactions for the period of six months ended 30 June 2015

Currency	Value of a tranche of FORWARD in currency	Date of transaction	Forward rate	Planned value acc. to forward rate	Date of settlement	The bank exchange rate on the date of settlement	Value settled acc. to the bank's exchange rate	Gains from transaction
EUR	50 000.00 PLN	2014-10-28	4.2405 PLN	212 025.00 PLN	2015-04-09	3.8897 PLN	194 485.00 PLN	17 540.00 PLN
EUR	130 000.00 PLN	2014-10-28	4.2435 PLN	551 655.00 PLN	2015-04-09	3.8897 PLN	505 661.00 PLN	45 994.00 PLN
EUR	380 000.00 PLN	2014-10-28	4.2507 PLN	1 615 266.00 PLN	2015-04-24	3.8819 PLN	1 475 122.00 PLN	140 144.00 PLN
EUR	380 000.00 PLN	2014-10-28	4.2490 PLN	1 614 620.00 PLN	2015-04-30	3.8945 PLN	1 479 910.00 PLN	134 710.00 PLN
EUR	190 000.00 PLN	2014-10-28	4.2581 PLN	809 039.00 PLN	2015-06-10	4.0498 PLN	769 462.00 PLN	39 577.00 PLN
EUR	95 000.00 PLN	2014-10-28	4.2567 PLN	404 386.50 PLN	2015-06-17	4.0255 PLN	382 422.50 PLN	21 964.00 PLN
EUR	95 000.00 PLN	2014-10-28	4.2540 PLN	404 130.00 PLN	2015-06-17	4.0255 PLN	382 422.50 PLN	21 707.50 PLN
	1 320 000.00 PLN			5 611 121.50 PLN			5 189 485.00 PLN	421 636.50 PLN

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

28. Construction contracts

	six months ended 30 June 2015 (unaudited)	six months ended 30 June 2014 (unaudited)
Estimated revenues from contracts in progress (cumulative)	1 812 406	1 294 330
Recognised profits less recognised losses (planned profit margin)	74 345	30 824
Costs incurred on contracts in progress (cumulative)	1 738 061	1 263 506
Receivables dependable on contract completion (partial invoices cumulative)	1 662 871	1 115 417
Gross amounts due from customers for contract work	220 752	232 823
Gross amounts due to customers for contract work	(61 325)	(46 890)
Provisions for penalties due to delay in completion	(2 859)	(2 096)
Provisions for losses resulting from contracts	(7 033)	(4 924)
Revenue from contracts for the period	494 085	338 754
Costs of contracts for the period	453 163	335 556
Profits less recognised losses for the period	40 922	3 198
Advances received for contracts in progress	92 938	121 793
Retentions kept by customers	13 397	25 720

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, basing 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.

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

The table below presents the construction contracts with substantial amounts of accounts receivable as at 30 June 2015:

Extension and modernization of Byczyna electrical substation including connection to 400 kV line for PSE S.A.	101.0	million PLN	As circumstances, on which the Contractor could not have control, have occurred during execution of the project, ELEKTROBUDOWA SA requested the Purchaser (PSE SA) to agree to change the Schedule of works and expenditures which is Appendix 3 to the Contract and postpone the completion deadline to 31 July 2017. Despite delay in performance, the works at the site are advanced in 40% of total scope. Many items of the contract scope have been submitted to technical approval, and after positive recommendation ELEKTROBUDOWA SA will apply to PSE S.A. for acceptance of those works. Partial rescheduling of costs should not have influence on the final profit margin. Recently ELEKTROBUDOWA SA has received permits to relocation, including partial damage, of protected habitats; the works are in progress. When the site of 400kV switchgear is prepared, the relevant works can be started in the beginning of September 2015. ELEKTROBUDOWA SA is going to file a request for new decision concerning environmental constraints of the project and expects to receive the relevant decision in February 2016. The presented scenario will allow to have the whole project completed, including final acceptance procedure, by 31 July 2017.
Extension and modernization of Skawina 220/110kV electrical substation including connection to 2x2x400kV line for PSE S.A.	19.7	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. The planned date of issue of the first invoice has been met, completion of the contract is scheduled at 31 December 2017.
"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.	18.1	million PLN	The contract progress reached nearly 97% completion. As determined in the Schedule of works and expenditures, the investment will be settled in two stages. ELEKTROBUDOWA SA received an updated schedule of extension of the Słupsk substation in which it is assumed that the contract should have been completed by 27 July 2015. Present status of completion assumes completion by 30 September 2015. The initial contractual deadline is postponed by 20 months. 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. The factor which hinders performance of the contract in the agreed time is the insufficient time of disconnecting the transmission system; shortened period of disconnecting can make the performance of the whole scope of works impossible. In the opinion of the Management, the updated budget of the contract accounts for all costs of delay in completion. The adjusted profit margin covers all risks of extended time for completion identified as at the reporting date.
Design and construction of Resko wind farm, stage 2 for total installed capacity 76MW including generator connection for PGE Energia Odnawialna S.A.	16.6	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)

29. Other operating income and expenses

	six months ended 30 June 2015 (unaudited)	six months ended 30 June 2014 (unaudited)
Other operating income		
- profit from disposal of non-finance fixed assets	55	0
- interests on delayed payments	1 213	1 067
- interest on cash on bank accounts	152	98
- currency exchange differences	0	110
- penalties and damages	946	3 950
- legal costs	59	326
- compensation received from insurance policies	362	204
- redemption of penalties	1 322	0
- gains from secured foreign currency transactions	493	0
- recognised property, plant and equipment (land)	0	957
- other	269	129
	4 871	6 841

Penalties and liquidated damages received in the six months ended 30 June 2015 were mainly related to the construction contracts. They concerned charged and paid penalties relating to the executed construction services.

	six months ended 30 June 2015 (unaudited)	six months ended 30 June 2014 (unaudited)
Other operating expenses		
- loss on disposal of non-finance fixed assets	0	(352)
- donations	(122)	(96)
- provision for impairment of receivables	(6 083)	(5 130)
- inventory write-downs	0	(244)
- fees and charges relating to bank guarantees	(2 339)	(2 640)
- court fees	(124)	(307)
- penalties	(1 961)	(2 926)
- currency exchange differences	(775)	0
- claims handling expenses	(154)	(296)
- employee compensations and service benefits	(131)	(428)
- other	(120)	(281)
	(11 809)	(12 700)

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.

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

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 collectability of which is at risk.

In the six months ended 30 June 2015 the impairment provisions referred to the following receivables:

- in bankruptcy proceedings 29 thousand PLN,
- in court proceedings (184) thousand PLN,
- other overdue debtors (5 928) thousand PLN.

30. Finance income and costs

	six months ended 30 June 2015 (unaudited)	six months ended 30 June 2014 (unaudited)
Financial income		
- dividends and share of profit	3 177	6 156

Dividends received by the Company in the six months ended 30 June 2015 include the share in profits of the subsidiaries in the amount 2 809 thousand PLN and in other entities 368 thousand PLN.

	six months ended 30 June 2015 (unaudited)	six months ended 30 June 2014 (unaudited)
Financial costs		
- interest on loans	(1 081)	(657)
- interest on leases	(58)	(5)
- impairment of shares	(378)	(97)
- bank commission on loans	(694)	(541)
	(2 211)	(1 300)

31. 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.

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

32. Clarification of differences between the changes resulting from the interim condensed statements of financial position and the changes resulting from the interim condensed statements of cash flow

	six months ended 30 June 2015 (unaudited)	six months ended 30 June 2014 (unaudited)
Change in trade and other receivables		
- balance sheet change in receivables, including:	74 546	19 519
a) balance sheet change in trade and other receivables recognised in non-current assets	518	10 201
b) balance sheet change in trade and other receivables recognised in current assets	74 028	9 318
- dividend of related and other companies	3 095	4 756
- change in receivables due to sale of non-current asset items	(38)	0
- adjustment of receivables for years 2011 - 2012	0	1 611
Change in trade and other receivables recognised in the interim condensed statement of cash flows	77 603	25 886
	six months ended 30 June 2015 (unaudited)	six months ended 30 June 2014 (unaudited)
Change in trade and other payables		
- net change in payables:	(31 602)	6 071
a) balance sheet change in long-term payables	886	1 031
b) balance sheet change in short-term trade and other payables	(32 647)	7 367
c) balance sheet change in provisions	159	(2 327)
- change in deferred income tax liabilities	0	(28)
- lease obligations	(2 507)	(244)
- payables due to dividend	0	(9 495)
- change in net payables due to investment expenditure	(527)	(19)
- other	29	(4)
Change in accounts payable in the interim condensed statement of cash flows	(34 607)	(3 719)
	six months ended 30 June 2015 (unaudited)	six months ended 30 June 2014 (unaudited)
Income tax paid		
current income tax in the interim condensed statement - of comprehensive income	(7 539)	0
- income tax of foreign branches in the interim condensed statement of comprehensive income	(729)	(201)
- change in corporate income tax liabilities	(2 338)	(450)
- advance corporate income tax payment	0	0
- other	(27)	(17)
Income tax paid recognised in the interim condensed statement of cash flows	(10 633)	(668)

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

	six months ended 30 June 2015 (unaudited)	six months ended 30 June 2014 (unaudited)
Other adjustments		
- valuation of a forward contract	(71)	0
- perpetual usufructuary right to land	0	(935)
- currency translation differences	75	383
- other	0	90
Other adjustments in the interim condensed statement of cash flows	4	(462)

33. Joint ventures where the company is a venturer

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

34. 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:

	six months ended 30 June 2015 (unaudited)	six months ended 30 June 2014 (unaudited)
a) sales:		
- sale of goods - Power Equipment Production Plant "VECTOR" Ltd.	9 070	4 003
- sale of materials - Power Equipment Production Plant "VECTOR" Ltd.	85	264
- sale of services - KONIP Sp. z o.o.	43	44
- sale of materials - KONIP Sp. z o.o.	0	5
- sale of services - ENERGETEST sp. z o.o.	168	36
- sale of goods - ENERGETEST sp. z o.o.	0	1 270
- sale of goods - ELEKTROBUDOWA UKRAINE Ltd.	86	6 764
b) purchases:		
- purchase of services - Power Equipment Production Plant "VECTOR" Ltd.	1	1
- purchase of services - SAUDI ELEKTROBUDOWA LLC	126	0
- purchase of services - KONIP Sp. z o.o.	616	614
- purchase of services - ENERGETEST sp. z o.o.	6 312	2 550
- purchase of goods - ENERGETEST sp. z o.o.	2 318	1 632
- other purchase - ENERGETEST sp. z o.o.	0	5

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

Mutual balances between ELEKTROBUDOWA SA and the related parties:

	as at 30 June 2015 (unaudited)	as at 31 Dec. 2014
- payables to KONIP Sp. z o.o.	120	122
- payables to ENERGETEST sp. z o.o.	5 029	4 257
- payables to Power Equipment Production Plant "VECTOR" Ltd.	0	1
- receivables from Power Equipment Production Plant "VECTOR" Ltd.	1 604	794
- receivables from ELEKTROBUDOWA UKRAINE Ltd.	0	181
- receivables from KONIP Sp. z o.o.	9	9
- receivables from ENERGETEST sp. z o.o.	2 727	93
- advance to SAUDI ELEKTROBUDOWA LLC.	215	171

In the six months 30 June 2015 ELEKTROBUDOWA SA created a 340 thousand USD impairment provision for past due trade receivables from ELEKTROBUDOWA UKRAINE Ltd., and a 1 561 thousand UAH provision for receivables concerning dividend (as at 31 December 2014: 266 thousand USD for trade receivables and 1 561 thousand UAH for receivables due to dividend).

In respect of other associates, costs relating to doubtful or bad debts relating to the transactions with related parties were not recognized. 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.

35. Contingent liabilities and bills payable

	as at 30 June 2015 (unaudited)	as at 31 Dec. 2014
Contingent liabilities		
a) guarantees to secure:	359 134	325 342
- contract performance and defect removal	331 366	299 235
- timely payments	218	1 066
- bid bond	12 783	10 078
- other	14 767	14 963
b) bills of exchange	18 530	19 740
	377 664	345 082

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.

During the six months ended 30 June 2015 the company submitted to its counterparties guarantees issued by banks or insurance companies for the total amount 92 526 thousand PLN, of which to secure:

- contract performance and defect liability 80 242 thousand PLN,
- bid bond 12 284 thousand PLN.

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

During the six months ended 30 June 2015 ELEKTROBUDOWA SA provided guarantees, which amount concerning two counterparties exceeded 10% of the Company's equity. The performance bonds and bid bonds were issued for the sum 51.2 million PLN and concerned:

- PSA SA 27 582 thousand PLN,
- Emerson Progress Management, Power and Water Solution Sp. z o.o. 23 636 thousand PLN.

Details of other contingent liabilities, concerning the following issues: taxes, pending lawsuits, execution of construction contracts, are provided in Note 24.1, Note 28 and Note 38, respectively.

In the presented reporting periods ELEKTROBUDOWA SA did not provide any sureties to the related parties.

36. Aggregate compensation and rewards (in cash, in kind or in any other form) paid or due to the managing or supervisory persons

	in the period from 01.01.2015 to 30.06.2015				in the period from 01.01.2014 to 30.06.2014			
	Compensation paid				Compensation paid			
	Basic salary	Bonus for 2014	Total compensation	Extra benefits *	Basic salary	Bonus for 2013	Total compensation	Extra benefits *
Management Board	906	1 509	2 415	38	929	305	1 234	42

* Extra benefits include tied accommodation benefit and a company car.

	in the period from 01.01.2015 to 30.06.2015				in the period from 01.01.2014 to 30.06.2014			
	Compensation paid				Compensation paid			
	Basic salary	Bonus for 2014	Total compensation	Extra benefits *	Basic salary	Bonus for 2013	Total compensation	Extra benefits *
Supervisory Board	344	0	344	10	376	0	376	21

* Extra benefits include reimbursement of business travel expenses.

37. 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 periods of six months ended 30 June of the years 2104 to 2017 as well as auditing 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 2015 was agreed as 105 thousands PLN, VAT excluded.

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

38. Significant litigations, court proceedings

Presented below are major litigations and court proceedings in which ELEKTROBUDOWA SA is a party

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.

On 8 June 2015 the Finnish Electrical Workers' TU submitted a statement to the District Court of Satakunta, in which they stated that the maximum amount of the claim is 14 200 thousand EUR, and includes the employee receivables for further work periods. The exact amount of claim covering previous and further periods of work performed by the employees who assigned their claim to the trade union can be determined after the payroll documents relating to further periods of service are submitted to the trade union. The said statement increasing the amount of claim has not been substantiated with concrete, detailed computations.

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 Directive of the European Parliament and of the Council.

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 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 *Sahkoalojen 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 European Court of Justice 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 it must be paid on the same conditions as those governing the allowance paid to local workers, which must, however, be decided by Finland's national court.

Following the judgment by the European Court of Justice, on 16 – 17 June 2015 the second preparatory hearing was held in the District Court of Satakunta, in which the issues of the litigation raised by the parties in the first preparatory hearing held on 18 September 2012 were systematized. First of all, ELEKTROBUDOWA SA was obligated to submit information about the period of service and to supplement missing payroll data of employees included in the claim. New argumentation was presented, concerning the lack of transparency of the system of Finland's collective agreements, exclusions from the applicability of the collective agreement of the Trade Union *Sahkoalojen ammattiliitto ry* of the electrical installation industry, proportions in types of works performed by ELEKTROBUDOWA SA at the site of OL3 and periods of validity of the collective agreement of the Trade Union *Sahkoalojen ammattiliitto ry* of the electrical installation industry.

After the new arguments had been presented, the Court decided to request for an opinion from the Finnish Labour Court on the matter which collective agreement, for electrical industry or technological industry, is applicable to the contracts of employment which are subject of the litigation. The opinion of the Labour Court is not binding for the court or the parties of the dispute. A binding decision concerning the applicable collective agreement and transparency of law provisions will be taken by the District Court in Rauma.

Claims of the Finnish Electrical Workers' Trade Union, following the decision of the District Court Satakunta in Rauma, were secured by a bank guarantee for the amount of 2 900 thousand euros valid until 30 September 2015.

Basing on counsels' opinions, the Management of ELEKTROBUDOWA SA has analysed the legitimacy of all elements of the claim. In respect of the claim concerning payment of daily allowance and travel time compensation the Management is of the opinion that there are no legal grounds to consider such claim justified. The Management of ELEKTROBUDOWA SA is of an opinion that the collective agreement referred to by the Finnish trade union is not applicable to the services provided by ELEKTROBUDOWA for the project in Finland, what is confirmed by relevant counsels' opinions. In respect of qualifying the 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 27). The Management's estimate in this respect did not change as at 30 June 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 3 "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) The Court appointed the dates of further hearings of witnesses for 16 September 2015 and 18 September 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) At present the case in the court of first instance, the trial has been scheduled for 5 August 2015.

ELEKTROBUDOWA SA has created a 6 442 thousand PLN provision for impairment of receivables due for the works performed by ELEKTROBUDOWA SA.

Furthermore, in connection with performance of the project “Warsaw National Stadium” ELEKTROBUDOWA SA has filed:

- a claim for statutory interest.
 - a) The defendant: Alpine Constructin Polska Sp. z o.o. and Hydrobudowa Polska S.A. in liquidation bankruptcy.
 - b) Claimed amount: 304 thousand PLN.
 - c) The proceedings had 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 claim for payment of remuneration under the settlement between EQA consortium and Narodowe Centrum Sportu Sp. z o.o. agreed on 19 December 2012.
 - a) The defendant: the State Treasury - Minister of Sport and Tourism.
 - b) Claimed amount: 1 221 thousand PLN.
 - c) Date of filing the claim: 2 February 2015.
 - d) The date of proceedings has not been set yet. The parties are exchanging written pleadings.
- A dispute between General Contractor and the NCS consortium and State Treasury:
 - a) Claimants: the Reciver of Hydrobudowa Polska S.A., PBG S.A. in arrangement bankruptcy, the Reciver of Alpine Bau Deutschland AG, the Reciver of Alpine Bau GmbH, Alpine Construction Polska Sp. z o.o.
 - b) Th defendant the State Treasury – Minister of Sport and Tourism, Narodowe Centrum Sportu - Rozliczenia Sp. z o.o.
 - c) Third party respondents: Official receiver of PBG S.A. in arrangement bankruptcy, ELEKTROBUDOWA SA,
 - d) Claimed amount: 461 312 thousand PLN.
 - e) date of joining the dispute by ELEKTROBUDOWA SA: 31 January 2014.
 - f) 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.

In the opinion of the Management based on legal screening, realizability of claimed receivables is highly probable.

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

39. Additional information

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 interim condensed statements and relating to the execution of the above described project as at the comparative reporting dates:

	period ended 30 June 2015 (unaudited)	period ended 31 Dec. 2014
Revenue, invoiced and settled (cumulative)	101 983	80 954
Revenue calculated (cumulative) / amounts due from the Purchaser	0	20 237
Provisions for the contract costs (losses / potential penalties)	3 220	2 326
Extended guarantees (off-balance sheet liabilities)	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 the Owner 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 and became final on 19 May 2015.

Because of protracting final acceptance procedure, having recognized that the actual completion of the contract was achieved on the day when the occupancy permit for Paint Shop became final, that is on 19 May 2015 at the latest, on 26 May 2015 ELEKTROBUDOWA SA issued final invoices for its scope of performed works for the total of 20 145 thousand PLN (net). As the consortium agreement had been terminated, the invoices were issued directly for the Purchaser and sent to his address. The Purchaser, adhering literally to the provisions of the public procurement contract and ignoring the actual state resulting from termination of the consortium agreement by ELEKTROBUDOWA SA of which he was informed accordingly, returned the invoices to ELEKTROBUDOWA SA, substantiating that in his opinion they had been issued in breach of the provisions of the public procurement contract.

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

The 20 145 thousand PLN amount due to ELEKTROBUDOWA SA, resulting from the final settlement with the Purchaser, has become a subject of baseless claim of the ex-leader of consortium. Having learnt that ELEKTROBUDOWA SA had issued an invoice to the Purchaser for the part of contract remuneration due only to the Company, the ex-leader had no legal ground for including the same claimed amount in his invoice to the Purchaser. Groundlessly, the ex-leader of consortium claims the right to act as ELEKTROBUDOWA's attorney in this matter. Actions by the ex-leader of consortium and his unauthorized demand that the Purchaser pay the debt to his account, caused the Purchaser to apply for a consent to place the subject of the cash consideration in the gross amount of 24 778 thousand PLN at the court deposit, as payment of the final part of receivables due to ELEKTROBUDOWA SA.

The certificate of completion of the whole project was finally signed on 10 June 2015.

During the same time the total price of additional works performed by ELEKTROBUDOWA SA was agreed with the Purchaser at 884 079.89 PLN, net, i.e. 1 087 418.56 PLN gross, and a separate acceptance report for those works was signed; ELEKTROBUDOWA SA issued a relevant invoice for the Purchaser.

At present, threats and risk associated with the contract come down to the way of fulfilling by MPK its obligation relating to remuneration which is due to ELEKTROBUDOWA SA, and to liability for delay in completion (joint and several liability of the consortium partners).

The risk concerning fulfilling by MPK its obligation relating to remuneration due to ELEKTROBUDOWA SA is bound with the fact that the Purchaser has not acknowledged termination of the consortium agreement by ELEKTROBUDOWA SA and withdrawal of powers of attorney given to the consortium leader. However, as at the time of payment of the obligation, the Purchaser did not maintain his earlier standpoint and decided that the remuneration due to ELEKTROBUDOWA SA would not be settled in the way provided for in the consortium agreements. At the same time he applied for establishing an escrow deposit and transferred the payment due to ELEKTROBUDOWA SA to the deposit account of the Ministry of Finance, informing about it in the letter dated 11 August 2015. According to the received notification, the application for establishment of the escrow deposit entitles ELEKTROBUDOWA SA to pursue collection of the due remuneration from the escrow deposit. At present, ELEKTROBUDOWA SA waits for a relevant decision of the court.

As to the risk relating to delay in completion, liability for which could be finally attributed to ELEKTROBUDOWA SA, which could potentially result in charging the Company with liquidated damages, was assessed and accounted for in the financial result of the year 2014. However, due to serious (over 1 year) delay in performance of the scope (Paint Shop) by the Leader of the former consortium, there is a risk that the Investor will charge substantial damages. In the opinion of the Management, an attempt to charge the Company with penalties exceeding the amount of liquidated damages relating to the delays of works in the scope of ELEKTROBUDOWA SA (covered by a suitable provision) will be baseless (what will be reflected in relevant legal steps taken by ELEKTROBUDOWA SA). If the court allows depositing the payment to the escrow deposit, the Company will be legitimized to collect the money from the escrow deposit, which is backed up by relevant lawyers' analyses.

In connection with the actual state of the contract execution described above, the Management notices (the company provided details in its report for Q1 2015) that on 3 February 2015 ELEKTROBUDOWA SA serviced to the Leader a notice of terminating the Consortium Agreement under which the partners were jointly executing a public procurement contract for construction works and other services and activities necessary and essential for complete execution of the project of Construction of the Franowo tram depot in Poznań, together with a written revocation of related Power of Attorney. On the same day ELEKTROBUDOWA SA sent a letter to the Purchaser in which it informed about termination of the consortium agreement and revocation of the power of attorney for the consortium leader. In the next letter ELEKTROBUDOWA SA provided the Purchaser with detailed legal interpretation, backed by relevant lawyers' analyses, in respect of the legal status after termination of the agreement and revocation of the power of attorney, indicating clearly that Investor will be obliged to pay the remaining part of remuneration due to ELEKTROBUDOWA SA directly to its account. 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, and also to hedge the risk of baseless charging with potential liquidated damages for delay for which ELEKTROBUDOWA SA is not responsible.

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

In the letter received by ELEKTROBUDOWA SA on 5 February 2015, the consortium leader refused to agree to termination of the consortium agreement 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 have the purpose of securing the settlement of the scope of works performed by the company and securing the risk of ungrounded charging with potential damages for delays which are not attributable to ELEKTROBUDOWA SA.

Total amount of receivables recognized in the "Trade and other receivables" item of the interim consolidated statement of financial position equals 24 778 thousand PLN (gross). Having considered the documentation, legal steps which have been taken, backed up by relevant legal analyses, and the acts of Investor (depositing the subject to the escrow deposit), the Management of ELEKTROBUDOWA SA is of the opinion that there is no risk that the recognized receivable would not be realized and that any liability exceeding the scope recognized in these financial statements would occur.

Additionally, 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 filed a claim against the consortium leader for repayment of the amount paid by the guarantor. A 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 took place on 23 June 2015. As expected the court did not dismiss the claim file by ELEKTROBUDOWA SA and ordered the defendant to submit detailed justification for realization of the guarantee provided by ELEKTROBUDOWA SA for the sum of 1 712 thousand PLN.

40. Significant events after the reporting date

1 July 2015 - the Company informed that it had been awarded a contract for "Modernization of the 220/110kV station Konin" for Polskie Sieci Elektroenergetyczne Spółka Akcyjna (further: PSE S.A.) having its registered office in Konstancin-Jeziorna.

The contract has been signed for a complete, "design and build" execution of the project. Its scope covers construction of 220kV switchyard consisting of 13 bays, construction of a process building, purchase and installation of the 28-bay 110kV GIS with a double system of busbars. The station infrastructure is also included in the scope. The net contract price is 114 490 000.00 PLN.

No other events have occurred after the reporting date, except for presented above and described in Note 1.4 and Note 20 which should be, but were not, disclosed in these interim condensed financial statements.

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

SIGNATURES OF MEMBERS OF THE MANAGEMENT BOARD

First name and surname	Position / Function	Date	Signature
Jacek Faltynowicz	President	31.08.2015	
Janusz Juszczyk	Vice President	31.08.2015	
Paweł Skrzypczak	Vice President	31.08.2015	

SIGNATURE OF A PERSON RESPONSIBLE FOR KEEPING ACCOUNTING RECORDS

First name and surname	Position / Function	Date	Signature
Sylwia Wojtas	Chief Accountant	31.08.2015	