

THE ELEKTROBUDOWA SA GROUP

Interim condensed consolidated financial statements

for the nine months ended 30 September 2015

*This is a translation from the Polish original document.
In case of discrepancies, the Polish version shall prevail.*

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ELEKTROBUDOWA SA GROUP
Interim condensed consolidated financial statements for the nine months ended 30 September 2015

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

Interim condensed consolidated statement of financial position

	Note	as at 30 September 2015 (unaudited)	as at 31 December 2014
ASSETS			
Non-current assets		187 352	174 263
Property, plant and equipment	8	89 871	88 319
Intangible assets	10	41 506	41 198
Investments in associates	11	14 704	13 869
Available-for-sale financial assets	12.1	6 982	6 982
Non-current receivables	13.1	4 950	5 272
Deferred income tax assets	23.3	27 540	17 346
Non-current prepayments and accrued income	14	1 799	1 277
Current assets		774 653	737 549
Inventories	15	72 197	50 353
Trade and other receivables	13.2	382 167	340 098
Available-for-sale financial assets	12.1	24	24
Other non-finance assets	17	9 714	9 648
Amounts due from contractors for construction contract work	27	237 551	274 941
Cash and cash equivalents	16	72 754	62 239
Fixed assets held for sale	18	246	246
Total assets		962 005	911 812
EQUITY, LIABILITIES AND PROVISIONS			
Equity		381 540	338 243
Issued share capital	19	10 003	10 003
Supplementary capital	20.1	334 147	305 046
Capital from valuation of available-for-sale investment	20.2	4 937	4 937
Exchange differences from translating data of foreign branches		(1 546)	(1 947)
Exchange differences from translating of financial statements of related parties		(10 256)	(9 509)
Retained earnings	20.3	44 193	29 516
Total equity attributable to shareholders of ELEKTROBUDOWA SA		381 478	338 046
Non-controlling interest		62	197
Liabilities and provisions			
Non-current liabilities and provisions		21 223	20 648
Employee benefits provisions	24	6 287	5 911
Other liabilities	21.1	14 936	14 737
Current liabilities and provisions		559 242	552 921
Trade and other payables	21.2	349 144	358 778
Corporate income tax liabilities		12 531	4 840
Derivative financial instruments	26	0	71
Loans, borrowings and debt securities	22	52 192	103 160
Current provisions	24	4 890	4 511
Accruals and deferred income	25	42 671	24 516
Amounts due to customers for construction contract work	27	97 814	57 045
Total liabilities and provisions		580 465	573 569
Total equity and liabilities		962 005	911 812

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Interim condensed consolidated financial statements for the nine months ended 30 September 2015

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

Interim condensed consolidated statement of comprehensive income

	Note	3 months ended 30 Sept 2015 (unaudited)	9 months ended 30 Sept 2015 (unaudited)	3 months ended 30 Sept 2014 (unaudited)	9 months ended 30 Sept 2014 (unaudited)
Continuing operations					
Revenue from sales of products, goods and materials		339 515	932 416	314 456	756 798
Cost of products, goods and materials sold		(312 204)	(851 643)	(291 370)	(712 835)
Gross profit on sales		27 311	80 773	23 086	43 963
Selling costs		(1 005)	(2 636)	(1 050)	(2 364)
General administrative expenses		(4 310)	(13 464)	(3 545)	(12 213)
Other operating income	28	1 841	6 933	1 997	8 880
Other operating expenses	28	(4 960)	(16 744)	(2 787)	(15 533)
Operating profit		18 877	54 862	17 701	22 733
Finance income	29	0	429	0	56
Finance costs	29	(660)	(2 493)	(594)	(1 808)
Share of net profit / loss of associates measured according to equity method		1 301	1 569	336	(169)
Gross profit before taxes		19 518	54 367	17 443	20 812
Income tax	23.1	(3 084)	(10 681)	(3 350)	(4 685)
Net profit from continuing operations for the period		16 434	43 686	14 093	16 127
Discontinued operations					
Net profit from discontinued operations for the period		0	0	0	0
Net profit for the period		16 434	43 686	14 093	16 127
of which:					
- profit of shareholders of ELEKTROBUDOWA SA		16 450	43 778	14 159	16 274
- non-controlling interests		(16)	(92)	(66)	(147)
Other comprehensive income		(2 134)	(389)	(1 386)	(2 620)
of which:					
Total other comprehensive income reclassifiable to profit or loss		(2 134)	(389)	(1 386)	(2 620)
- exchange differences on translation of financial data of foreign branches		324	401	35	389
- exchange differences from translation of associates allocated to the parent		(2 458)	(747)	(1 421)	(2 801)
- exchange differences from translation of data of subsidiaries, allocated to non-controlling interests		0	(43)	0	(208)
Total comprehensive income for the period		14 300	43 297	12 707	13 507
of which:					
- profit of shareholders of ELEKTROBUDOWA SA		14 316	43 432	12 773	13 862
- non-controlling interests		(16)	(135)	(66)	(355)
Earnings per share from continuing operations (in PLN per share)					
- basic / diluted	20.4	3.47	9.22	2.98	3.43

ELEKTROBUDOWA SA GROUP

Interim condensed consolidated financial statements for the nine months ended 30 September 2015

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

Interim condensed consolidated statement of changes in equity

	Attributable to shareholders of ELEKTROBUDOWA SA							Total equity
	Issued share capital	Supplementary capital	Capital from valuation of available-for-sale investment	Exchange differences from translation of data of foreign branches	Retained earnings	Exchange differences from translation of financial statements of related entities	Non-controlling interests	
note	19	20.1	20.2		20.3			
As at 1 January 2015	10 003	305 046	4 937	(1 947)	29 516	(9 509)	197	338 243
Currency exchange differences				401		(747)	(43)	(389)
Net profit					43 778		(92)	43 686
Total comprehensive income			0	401	43 778	(747)	(135)	43 297
Settlement of prior years' profit		29 101			(29 101)			0
As at 30 September 2015 (unaudited)	10 003	334 147	4 937	(1 546)	44 193	(10 256)	62	381 540

	Attributable to shareholders of ELEKTROBUDOWA SA							Total equity
	Issued share capital	Supplementary capital	Capital from valuation of available-for-sale investment	Exchange differences from translation of data of foreign branches	Retained earnings	Exchange differences from translation of financial statements of related entities	Non-controlling interests	
note	19							
As at 1 January 2014	26 375	328 630	1 326	(2 006)	(27 299)	(1 412)	1 110	326 724
Currency exchange differences					16 274		(147)	16 127
Net profit				389		(2 801)	(208)	(2 620)
Total comprehensive income			0	389	16 274	(2 801)	(355)	13 507
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)
Other changes					(206)		(372)	(578)
As at 30 September 2014 (unaudited)	10 003	305 046	1 326	(1 617)	19 230	(4 213)	383	330 158

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	Attributable to shareholders of ELEKTROBUDOWA SA							
note	Issued share capital	Supplementary capital	Capital from valuation of available-for- sale investment	Exchange differences from translation of data of foreign branches	Retained earnings	Exchange differences from translation of financial statements of related entities	Non- controlling interests	Total equity
	19	20.1	20.2		20.3			
As at 1 January 2014	26 375	328 630	1 326	(2 006)	(27 299)	(1 412)	1 110	326 724
Currency translation differences				59		(8 097)	(235)	(8 273)
Net profit					27 321		(306)	27 015
Valuation of available-for-sale-investments			4 459					4 459
Deferred tax on valuation of available-for-sale investments			(848)					(848)
Remeasurement of employee benefits liabilities					(940)			(940)
Deferred income tax from remeasurement of employee benefit liabilities					179			179
Total comprehensive income			3 611	59	26 560	(8 097)	(541)	21 592
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)		(372)	(9 867)
Other changes					(206)			(206)
As at 31 December 2014	10 003	305 046	4 937	(1 947)	29 516	(9 509)	197	338 243

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

Interim condensed consolidated statement of cash flows

	Note	9 months ended 30 September	
		2015 (unaudited)	2014 (unaudited)
Cash flows from operating activities			
Gross profit before taxes		54 367	20 812
Share of net profit of equity-accounted associates		(1 569)	169
Depreciation and amortisation		11 043	10 170
Loss on currency translation differences		(69)	(115)
Interests and share of profit (dividends)		2 063	1 752
Gain/loss on sale of property, plant and equipment (PPE)		(85)	228
Change in inventories		(21 844)	(6 012)
Change in trade and other receivables	31	(41 917)	30 294
Change in liabilities, except loans and borrowings	31	(12 022)	11 026
Income tax paid	31	(13 227)	(1 174)
Change in other non-finance assets		18 089	14 960
Change in non-current prepayments and accrued expenses		(522)	(1 489)
Change in settlements of construction contracts		78 159	(132 302)
Other adjustments	31	522	(2 101)
Net cash flows from operating activities		72 988	(53 782)
Cash flows from investing activities			
Sale of intangible assets and PPE		139	327
Dividends and share of profits		429	1 332
Purchases of intangible assets and PPE		(8 907)	(9 775)
Net cash flows from investing activities		(8 339)	(8 116)
Cash flows from financial activities			
Loans and borrowings		33 917	65 076
Repayment of loans and borrowings		(84 736)	(17 400)
Dividends and other payments to owners		0	(9 495)
Interest on loans and leases		(1 700)	(1 019)
Commission on loans		(942)	(718)
Other outflows		(742)	(235)
Net cash flows from financing activities		(54 203)	36 209
Net change in cash		10 446	(25 689)
Balance sheet change in cash		10 515	(25 574)
Change in cash due to foreign exchange difference		69	115
Cash at beginning of period		62 239	80 488
Cash and current account overdrafts at end of period		72 754	54 914

ACCOUNTING POLICIES AND ADDITIONAL EXPLANATORY NOTES

1. General information

ELEKTROBUDOWA SA group ("the Group") is composed of ELEKTROBUDOWA SA ("the parent") and its subsidiaries presented in Note 1.1. The consolidated financial statements of ELEKTROBUDOWA SA group cover the nine months ended 30 September 2015 and include the comparative information:

- the interim consolidated statement of financial position as at 31 December 2014,
- the interim condensed consolidated statement of changes in equity for the nine months ended 30 September 2014 and the consolidated statement of changes in equity for the year ended 31 December 2014,
- the interim condensed consolidated statement of comprehensive income for the three months beginning on 1 July 2014 and ended 30 September 2014, and for the nine months ended 30 September 2014,
- the interim condensed consolidated statement of cash flows for the nine months ended 30 September 2014.

ELEKTROBUDOWA SA is the parent entity of the group. Duration of the parent and other entities in the group shall be indefinite. The financial statements of the subsidiaries cover the same reporting period as the statements of the parent, according to the consistent accounting principles.

1.1 Composition of the group and its principal business

As at 30 September 2015 the Group was composed of ELEKTROBUDOWA SA as a parent company, and three subsidiaries.

At the date ending the reporting period the Group also had two associated companies, recognised in the consolidated financial statements using the equity method.

At 30 September 2015 and 30 September 2014 the interest held by the Group in subsidiaries and associates was equal to the share of the Group in equity of those entities.

1.1.1 The parent entity

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:

- production and selling of power equipment;
- comprehensive services in the scope of design, procurement, trading, installation, supervision, commissioning, start-up, operation and after-sales service of power and automation equipment and systems;
- erection of complete facilities;
- organization and conducting specialist training.

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

In the nine months ended 30 September 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.

1.1.2 Subsidiaries

KONIP Sp. z o.o. based at 12, Porcelanowa Street, 40 -246 Katowice.

ELEKTROBUDOWA SA holds a 100% stake in KONIP Sp. z o.o.

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

ENERGOTEST sp. z o.o. based at 44 B, Chorzowska Street, 44-100 Gliwice.

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

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

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

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

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

1.1.2 Associates

Power Equipment Production Plant VECTOR Ltd. with registered office at 2, Pobiedy Street in Votkinsk the Udmurt Republic of the Russian Federation.

As at 30 September 2015 ELEKTROBUDOWA SA held 49% of VECTOR's share capital. The percentage of ELEKTROBUDOWA's stake in the equity of VECTOR is equal to the percentage of voting rights in its General Meeting of Shareholders.

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

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

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

As at 30 September 2015 ELEKTROBUDOWA SA held 33% of shares representing 33% of the share capital of SAUDI ELEKTROBUDOWA, equal to the percentage of voting rights in the General Meeting of Shareholders.

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

1.2 Going concern concept

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

Basing on the current financial situation and forecast performance, as the date of disclosing of the interim consolidated financial statements the Management of the parent does not recognise any facts or circumstances which could indicate a risk to continuation of the Group's operational activities in the foreseeable future.

1.3 Composition of the Management board of the parent entity

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 from 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

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

1.4 Composition of the Supervisory Board of the parent entity

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

Karol Żbikowski	-	Chairman
Eryk Karski	-	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 consolidated financial statements

1.5 Issue of the financial statements

The present interim consolidated financial statements were accepted for issue by the Management of the parent on 16 November 2015.

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

2.1 Basis of preparation

The interim condensed consolidated financial statements of the Group 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 consolidated 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 authorisation of these interim consolidated financial statements for issue, 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 Group, in respect of the accounting standards applied by the Group the IFRS do not differ from the IFRS endorsed by the European Union ("EU IFRS").

Certain entities of the Group keep their accounting books in accordance with the accounting policies specified in the Accounting Act of 29 September 1994 ("the Act") as amended and with the regulations issued on the basis of this Act ("Polish Accounting Standards"). The consolidated financial statements include adjustments not included in the books of account of the entities of the Group, which were made to reconcile the financial statements of those companies to be in conformity with IFRS.

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

Functional and presentation currency

The interim consolidated financial statements of the Group are presented in Polish zloty (PLN) and all amounts, unless otherwise indicated, are shown in thousands of Polish zloty.

Polish zloty is the functional currency of the parent company and the Polish subsidiaries. The functional currency of ELEKTROBUDOWA UKRAINE Ltd. is Ukrainian hryvnia, of the Power Equipment Production Plant VECTOR Ltd. Russian ruble and of SAUDI ELEKTROBUDOWA LLC – Saudi riyal. Items of the financial statements of foreign entities are translated according to relevant exchange rates into the presentation currency of ELEKTROBUDOWA SA Group.

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 and repayment of receivables transactions are translated at the buying rate applied by the bank used by an entity in the Group;
- purchase of foreign currency and repayment of payables transactions are translated at the selling rate applied by the bank used by an entity in the Group;
- other transactions are translated 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 reporting date are translated 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 consolidated statement of comprehensive income, unless they are deferred in the equity when qualified as hedges for cash flows and hedges of shares in net assets.

Translation of items of the interim condensed consolidated statement of financial position and the interim consolidated statement of comprehensive income

Foreign branches of the parent and the related companies prepare their financial statements in functional currency of the primary economic environment in which a foreign branch and a subsidiary or an associate operates.

The statements of financial position and the statements of comprehensive income of the related companies and establishments located outside Poland, none of which conducts business in the hyper-inflationary conditions, are translated into the presentation currency as follows:

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

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

The following exchange rates have been applied in measurement of assets and liabilities as at the reporting date and for converting the items of the interim condensed consolidated statements of comprehensive income:

currency	30 September 2015		31 December 2014	30 September 2014
	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	4.2386	4.1585	4.2623	4.1803
USD	3.7754	3.7453	3.5072	3.1030
UAH	0.1774	0.1742	0.2246	0.2729
RUB	0.0576	0.0629	0.0602	0.0865
SAR	1.0064	0.9877	0.9337	0.8239

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 consolidated financial statements are consistent with those which were followed in preparation of the Group's consolidated 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.

- **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 Group's financial position, performance results or the scope of information presented in the consolidated financial statements.

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

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.
- **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.

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

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

The Group has not assessed the impact of the amended standards or interpretations on the consolidated financial statements. The influence that those changes may have on the Group's interim condensed consolidated financial statements is being considered by the Management.

2.6 Consolidation

Subsidiaries

These interim condensed consolidated financial statements include the financial statements of ELEKTROBUDOWA SA and of the entities controlled by it (subsidiaries), each prepared for the period of nine months ended 30 September 2015.

The financial statements of subsidiaries are prepared for the same reporting period as the statements of the parent entity, basing on the consistent accounting principles applied for economic events and transactions of similar nature. Corrections are made in order to eliminate any discrepancies in the applied accounting principles.

All significant balances and transactions among the entities of the Group, including unrealised gains from transactions within the Group, have been eliminated. Unrealised losses are eliminated unless they clearly indicate impairment.

Subsidiaries are consolidated from the date on which control over them is transferred to the Group, they are de-consolidated from the date on which control ceases. The parent controls an entity if it:

- has power over the entity,
- is exposed to or has rights to variable returns from its involvement with the entity; and
- has ability to use its power over the entity to affect the amount of generated returns.

The parent company verifies the fact of control over other entities if a situation occurs which indicates a change in one or more of the above conditions of control.

When the company has less than a majority of voting rights in a given entity but the number of voting rights are enough to unilaterally direct the essential operations of the entity, it means that it has control over the entity. In assessing whether the voting rights in an entity are enough to have power over it, the company analyses all essential circumstances, including:

- the size of owned package of voting rights compared with the size of shares and a degree of dispersion of voting rights held by other shareholders;
- hypothetical voting rights held by the company, other shareholders or other parties;
- rights embedded in other contractual arrangements; and
- other additional circumstances which may indicate that the company has or has not an ability to direct essential operations at the moments of decision making, including voting schemes observed in earlier meetings of shareholders.

The changes in shareholding of the parent which do not result in loss of control over the subsidiary are recognised as equity transactions. In such cases, in order to reflect the changes in relative shares in the subsidiary, the Group adjusts the carrying amount of controlling interest and non-controlling interest. Any differences between the amount of non-controlling interest adjustment amount and the fair value of the amount paid or received are charged to equity and attributed to owners of the parent.

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

Associates

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

Profits or losses, assets and liabilities of associates are recognised in the interim condensed consolidated financial statements using the equity method.

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

3. Significant values based on professional judgement and assumptions

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

3.1 Professional judgment

In the process of applying the accounting policies, Management of each entity in the Group 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 Group is a lessee

The Group classifies a lease as operating or financial on the basis of assessment what portion of risks and rewards of ownership is transferred to the lessor and what portion to the lessee.

The parent company concluded lease agreements for the use of fixed tangible assets qualified to group 4, 6, 7 and 8. ELEKTROBUDOWA SA Group has all substantial risks and rewards of ownership of those assets. Basing on the economic content of each transaction, the Group has qualified the agreements to finance lease.

Finance lease liabilities are presented in Note 9.

Joint operation arrangements

After signing a construction contract to be performed within a consortium, an entity in the Group 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 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. The parent company based its assumptions and estimates on its knowledge available when the interim consolidated financial statements were prepared.

However, the existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions or estimates when they occur.

Impairment of interest in associates

As at each reporting date the Group assesses whether there is objective evidence that its interest in associates may be impaired in accordance with IAS 36. Therefore the Group analyses indications of impairment defined in IAS 36. 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 Group, 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 as at the end of the reporting period (Note 11).

Impairment of assets, including goodwill and intangibles

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

As at a reporting date the Group 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 Group 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 Group 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 Group has assessed the indications of impairment of property, plant and equipment and of intangible assets. The analysis has shown that in the period of nine months ended 30 September 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 13 "Provisions for impairment of receivables" and Note 15 "Inventory write-down".

Depreciation rates

The Group 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 of the parent company, 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.

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

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 September 2015 the entities of the Group estimate 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 24).

Deferred tax asset

The Group 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 consolidated financial statements. Information about the deferred tax is provided in Note 23.3.

Warranty provisions measurement

The Group 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 24.

Provision for possible costs of delay in completion of contracts

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

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

At the end of each reporting period the entities of the Group review 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 Group uses the percentage of completion method to determine the amounts due to or due from the construction contract customers. The stage of completion is measured by reference to the contract costs incurred up to the 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 27.

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 an entity of the Group is guided by professional judgement. The way of establishing fair values of different financial instruments is presented in Note 12.2 and Note 26.

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, an entity of the Group engages external professional valuation specialists to perform measurement.

Details of valuation techniques and the input data for fair value measurement are presented in Note 12.1.

Measurement of inventories

As at the end of the reporting period the entities of the Group assessed whether there was any indication that the inventories might 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 Group's entity determines a reliable net selling price for each type or each item of inventories. The amounts of write-down are presented in Note 15.

4. Changes in the composition of the Group

In the period of 9 months ended 30 September 2015 there were no changes in the composition of Group compared to 31 December 2014.

5. Seasonality of business

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

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

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

No operation was discontinued by the Group entities in the period of nine months ended 30 September 2015 and no such discontinuation is planned for the next reporting period.

7. Segment information

Primary reporting format – business segments

Business activity of the group 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 group'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.

The Group has been organized into the following reportable segments:

- Power Generation segment which provides services including engineering design, procurement, installation/erection, commissioning and start-up. Business activities of the segment include: manufacture, sales and after-sales service of high-current busducts and provision of EPC contracts for power sector and industrial sector.
- Power Distribution segment, which provides integrated services for the power distribution sector, mining, transport and supplies its power products. 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, production and sale of control and signalling equipment, production and sale of installation fittings, supply of complete distribution substations and turnkey contracts for power transmission and distribution projects.
- Other items include other tangible and intangible services provided for external customers.

During the nine months ended 30 September 2015 two operating segments of the Group have been combined, the Industry Division with the Power Generation Division, following the changes to the Organizational Regulations and the Organizational Structure of ELEKTROBUDOWA SA introduced by the parent with the effect from 1 July 2015. Principal change to the structure, reflected in the Regulations consisted in integrating the organizational unit of ELEKTROBUDOWA SA, Industry Division into Power Generation Division. The whole activity of rendering services was integrated into the Power Generation Division.

The recovery measures, which having been implemented in the Industry Division for more than two years, have not brought an expected result. Therefore the Management of the parent decided to withdraw from unprofitable activities which generated losses. The contracts in progress which were started by the Industry Division, have been transferred to the Power Generation Division to be completed by this business segment. At present the Group intends to continue former activity of the Industry Division only in the selected, narrow scope, which has so far provided expected positive financial result.

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

The Management of the parent entity 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 consolidated financial statements.

The Group'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 level of the Group.

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

Presented below is the analysis of the Group's revenue and performance in its reportable segments.

Business segment performance for the nine months ended 30 September 2015

	Power Generation Division	Power Distribution Division	Automation Division	All other segments	Total group
<u>Continuing operations</u>					
Revenue					
of which:					
Sales to external customers	663 727	238 279	28 770	1 640	932 416
Inter-segment sales	5 030	57 122	10 687	6 579	79 418
Total revenue of segments	668 757	295 401	39 457	8 219	1 011 834
Operating profit / loss	26 692	26 340	2 354	(524)	54 862
Financial activities result	(497)	(1 995)	61	367	(2 064)
Share of net profit of equity accounted companies	0	1 569	0	0	1 569
Gross profit / loss before tax	26 195	25 914	2 415	(157)	54 367
Income tax	(5 298)	(4 952)	(481)	50	(10 681)
Net profit/ loss for the period	20 897	20 962	1 934	(107)	43 686
<u>Discontinued operations</u>					
Net profit (loss) from discontinued operations for the period	0	0	0	0	0
Net profit/ loss for the period	20 897	20 962	1 934	(107)	43 686
of which:					
- net profit / loss of shareholders of ELEKTROBUDOWA SA	20 897	21 054	1 934	(107)	43 778
- non-controlling interest	0	(92)	0	0	(92)

Sales revenue from contracts executed but not completed by the Industry Division for the nine months ended 30 September 2015 amounted to 126 872 thousand PLN, operating loss 7 309 thousand PLN, gross loss 7 582 thousand PLN. In the comparative period of 2014 sales revenue from contracts performed by the Industry Division amounted to 185 991 thousand PLN, operating loss 18 012 thousand PLN, gross loss 18 172 thousand PLN.

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

Other items of business segments recognized in the interim condensed consolidated statement of comprehensive income for the nine months ended 30 September 2015

	Power Generation Division	Power Distribution Division	Automation Division	All other segments	Total group
Depreciation	3 018	2 173	494	2 074	7 759
Amortisation	518	2 527	131	108	3 284

Business segment performance for the nine months ended 30 September 2014

	Power Generation Division	Power Distribution Division	Automation Division	All other segments	Total group
<u>Continuing operations</u>					
Revenue					
of which:					
Sales to external customers	475 008	247 537	32 776	1 477	756 798
Inter-segment sales	1 868	44 454	6 878	6 547	59 747
Total revenue of segments	476 876	291 991	39 654	8 024	816 545
Operating profit / loss	(783)	20 966	1 738	812	22 733
Financial activities result	(455)	(1 353)	56	0	(1 752)
Share of net profit of equity accounted companies	0	(169)	0	0	(169)
Gross profit / loss before tax	(1 238)	19 444	1 794	812	20 812
Income tax	(627)	(3 645)	(406)	(7)	(4 685)
Net profit/ loss for the period from continuing operations	(1 865)	15 799	1 388	805	16 127
<u>Discontinued operations</u>					
Net profit (loss) from discontinued operations for the period	0	0	0	0	0
Net profit/ loss for the period	(1 865)	15 799	1 388	805	16 127
of which:					
- net profit / loss of shareholders of ELEKTROBUDOWA SA	(1 865)	15 946	1 388	805	16 274
- non-controlling interest	0	(147)	0	0	(147)

Other items of business segments recognized in the interim condensed consolidated statement of comprehensive income for the nine months ended 30 September 2014

	Power Generation Division	Power Distribution Division	Automation Division	All other segments	Total group
Depreciation	3 238	1 645	459	2 037	7 379
Amortisation	550	1 837	262	142	2 791

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

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

As at 30 September 2015

	Power Generation Division	Power Distribution Division	Automation Division	All other segments	Total group
Segment assets	478 506	321 062	51 883	110 554	962 005
Segment liabilities	380 998	171 808	11 597	16 062	580 465
Capital expenditure	1 972	5 093	607	1 793	9 465
Investment in associates	0	14 704	0	0	14 704

As at 31 December 2014

	Power Generation Division	Power Distribution Division	Automation Division	All other segments	Total group
Segment assets	417 275	338 626	51 516	104 395	911 812
Segment liabilities	344 364	201 895	11 353	15 957	573 569
Capital expenditure	2 793	6 661	754	1 281	11 489
Investment in associates	0	13 869	0	0	13 869

Other information

	as at 30 Sept. 2015 (unaudited))	as at 31 Dec. 2014	as at 30 Sept. 2014 (unaudited)
Trade and other receivables, gross			
including:			
- long-term receivables	5 190	5 577	12 208
- short-term receivables	421 695	374 103	258 987
Total segment receivables, gross	426 885	379 680	271 195

Provisions for impairment of receivables of segments

	Power Generation Division	Power Distribution Division	Automation Division	All other segments	Total group
as at 30 September 2015 (unaudited)	32 725	5 905	210	688	39 528
as at 31 December 2014	26 141	6 986	220	658	34 005
as at 30 September 2014 (unaudited)	21 322	6 304	272	22	27 920

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

Amounts of created provisions for impairment of receivables of segments

	Power Generation Division	Power Distribution Division	Automation Division	All other segments	Total group
nine months ended 30 September 2015 (unaudited)	14 586	876	10	106	15 578
twelve months ended 31 December 2014	14 111	4 160	59	651	18 981
nine months ended 30 September 2014 (unaudited)	8 720	2 387	58	15	11 180

Reversal of provisions for impairment of receivables of segments

	Power Generation Division	Power Distribution Division	Automation Division	All other segments	Total group
nine months ended 30 September 2015 (unaudited)	8 002	1 490	20	76	9 588
twelve months ended 31 December 2014	5 738	1 613	101	0	7 452
nine months ended 30 September 2014 (unaudited)	5 166	773	48	0	5 987

Use of provisions for impairment of receivables of segments

	Power Generation Division	Power Distribution Division	Automation Division	All other segments	Total group
nine months ended 30 September 2015 (unaudited)	0	467	0	0	467
twelve months ended 31 December 2014	1 400	251	0	0	1 651
nine months ended 30 September 2014 (unaudited)	1 400	0	0	0	1 400

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

Secondary reporting format – geographical segments

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

	9 months ended 30 September	
	2015	2014
	(unaudited)	(unaudited)
Revenue from sale of products, goods and materials		
a) Poland	855 336	711 589
b) other countries, including:	77 080	45 209
- Finland	47 082	11 179
- Russia	11 983	6 392
- South Korea	5 197	0
- Turkey	3 346	6 273
- Angola	3 160	0
- Libya	2 068	0
- Saudi Arabia	991	3 054
- Switzerland	702	2 405
- Belarus	603	797
- Japan	583	1 895
- Republic of South Africa	452	54
- Germany	294	1 425
- France	294	631
- Ukraine	162	9 458
- Czech Republic	118	125
- other	45	1 521
	932 416	756 798

In the nine months ended 30 September 2015 the Group 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 309 536 thousand PLN and rose 220 422 thousand PLN compared with the period of nine months ended 30 September 2014, when they amounted to 89 114 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 nine months ended 30 September 2015 amounted to 46 998 thousand PLN and was 35 819 thousand PLN bigger than in the comparative period of the previous year when it amounted to 11 179 thousand PLN.

Information about key customers

The revenue from direct sales generated by the Power Generation Division includes the 309.5 million PLN income from the contract with the Group's biggest customer (89.1 million PLN in the period of nine months ended 30 September 2014). Revenue from the biggest customer accounted for 33.2% of the Group's revenue of the nine months ended 30 September 2015 and for 11.8% of total revenues generated by the Group in the nine months ended 30 September 2014.

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

The revenue from direct sales generated by the Power Distribution Division includes the 79.8 million PLN income from the contract with the Group's second biggest customer (51.0 million PLN in the period of nine months ended 30 September 2014). The revenue from the second biggest customer accounted for 8.6% of the Group's revenue of the nine months ended 30 September 2015, and for 6.7% of total revenues generated by the Group in the comparative period of 2014.

In the nine months ended 30 September 2015 the Group invoiced the revenue generated from contracts with the two leading customers which accounted for 41.8% of the Group's total revenue, against 18.5% in the comparative period of 2014.

8. Property, plant and equipment

As at 30 September 2015 the net investment in third party's fixed assets amounted to 816 thousand PLN (942 thousand PLN as at 31 December 2014).

As at 30 September 2015 and as at 31 December 2014 there were no provisions for impairment of fixed assets.

The Group did not have any property, plant or equipment with restricted right of use.

Leased fixed tangible assets

As at 30 September 2015 the parent entity, ELEKTROBUDOWA SA used fixed tangible assets under finance lease contracts and lease contracts with a purchase option, the initial value of which was 6 186 thousand PLN (2 721 thousand PLN at 31 December 2014), including technical equipment and machines 3 988 thousand PLN, vehicles 1 800 thousand PLN and other fixed tangible assets 398 thousand PLN. The depreciation charge of leased assets amounted to 542 thousand PLN at the reporting date (79 thousand PLN at 31 December 2014), of which technical equipment and machines 291 thousand PLN, vehicles 173 thousand PLN and other fixed assets 78 thousand PLN.

Fixed assets pledged as security

As at 30 September 2015, land and buildings of which the parent ELEKTROBUDOWA SA is an owner or a perpetual user, were subject to collateral mortgage up to the maximum amount of 514 595 thousand PLN (544 775 thousand PLN as at 31 December 2014).

As at 30 September 2015, owned by the parent 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	68 092	50 111	26 518	19 104	4 049	70	172 914
Additions (of which):	0	147	3 893	2 128	1 777	1 442	1	9 388
- purchase	0	0	1 984	793	1 371	1 258	467	5 873
- takeover from investment	0	147	49	0	136	(332)	0	0
- takeover from advances	0	0	0	0	0	516	(516)	0
- other	0	0	1 860	1 335	270	0	50	3 515
Reductions (of which):	0	0	(688)	(785)	(223)	0	0	(1 696)
- selling	0	0	(172)	(785)	(78)	0	0	(1 035)
- liquidation	0	0	(516)	0	(145)	0	0	(661)
Change due to currency exchange differences	0	0	(57)	(20)	(9)	0	0	(86)
Gross value of fixed tangible assets at 30 September 2015	4 970	68 239	53 259	27 841	20 649	5 491	71	180 520
Accumulated depreciation at 1 January 2015	0	(15 996)	(35 199)	(20 182)	(13 218)	0	0	(84 595)
Current depreciation charge for the period	0	(1 811)	(2 716)	(1 882)	(1 350)	0	0	(7 759)
Reduction due to selling, liquidation of fixed tangible assets	0	0	686	777	209	0	0	1 672
Change due to currency exchange differences	0	0	17	10	6	0	0	33
Accumulated depreciation at 30 September 2015	0	(17 807)	(37 212)	(21 277)	(14 353)	0	0	(90 649)
Net tangible fixed assets at 30 September 2015 (unaudited)	4 970	50 432	16 047	6 564	6 296	5 491	71	89 871

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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	67 676	48 633	26 740	16 074	4 703	7	167 868
Additions (of which):	957	1 414	3 526	1 976	3 659	(653)	63	10 942
purchase	0	0	1 166	1 504	1 151	919	93	4 833
takeover from investment	0	1 414	232	0	14	(1 660)	0	0
takeover from advances	0	0	0	7	0	23	(30)	0
other	957	0	2 128	465	2 494	65	0	6 109
Reductions (of which):	(22)	(998)	(1 393)	(2 114)	(241)	0	0	(4 768)
selling	(15)	(29)	(862)	(2 114)	(57)	0	0	(3 077)
- liquidation	0	(969)	(531)	0	(184)	0	0	(1 684)
- other	(7)	0	0	0	0	0	0	(7)
Change due to currency exchange differences	0	0	(203)	(84)	(53)	(1)	0	(341)
Transfer to held for sale	0	0	(452)	0	(335)	0	0	(787)
Gross value of fixed tangible assets at 31 December 2014	4 970	68 092	50 111	26 518	19 104	4 049	70	172 914
Accumulated depreciation at 1 January 2014	0	(14 037)	(33 426)	(19 615)	(12 216)	0	0	(79 294)
Current depreciation charge for the period	0	(2 406)	(3 382)	(2 640)	(1 463)	0	0	(9 891)
Reduction due to selling, liquidation of fixed tangible assets	0	447	1 321	2 044	214	0	0	4 026
Other reductions	0	0	(90)	0	0	0	0	(90)
Change due to currency exchange differences	0	0	55	29	29	0	0	113
Transfer to held for sale	0	0	323	0	218	0	0	541
Accumulated depreciation at 31 December 2014	0	(15 996)	(35 199)	(20 182)	(13 218)	0	0	(84 595)
Net tangible fixed assets at 31 December 2014	4 970	52 096	14 912	6 336	5 886	4 049	70	88 319

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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	67 676	48 633	26 740	16 074	4 703	7	167 868
Additions (of which):	957	773	734	1 802	3 142	(170)	63	7 301
- purchase	0	0	734	1 498	634	529	93	3 488
- takeover from investment	0	773	0	0	14	(787)	0	0
- takeover from advances	0	0	0	7	0	23	(30)	0
- other	957	0	0	297	2 494	65	0	3 813
Reductions (of which):	(22)	(836)	(996)	(1 799)	(215)	0	0	(3 868)
- selling	(15)	(29)	(823)	(1 799)	(58)	0	0	(2 724)
- liquidation	0	(807)	(173)	0	(157)	0	0	(1 137)
- other	(7)	0	0	0	0	0	0	(7)
Change due to currency exchange differences	0	0	(163)	(69)	(47)	(1)	0	(280)
Transfer to held for sale	0	0	(452)	0	(335)	0	0	(787)
Gross value of fixed tangible assets at 30 September 2014	4 970	67 613	47 756	26 674	18 619	4 532	70	170 234
Accumulated depreciation at 1 January 2014	0	(14 037)	(33 426)	(19 615)	(12 216)	0	0	(79 294)
Current depreciation charge for the period	0	(1 801)	(2 563)	(1 995)	(1 020)	0	0	(7 379)
Reduction due to selling, liquidation of fixed tangible assets	0	387	833	1 727	189	0	0	3 136
Change due to currency exchange differences	0	0	45	21	22	0	0	88
Transfer to held for sale	0	0	323	0	218	0	0	541
Accumulated depreciation at 30 September 2014	0	(15 451)	(34 788)	(19 862)	(12 807)	0	0	(82 908)
Net tangible fixed assets at 30 September 2014 (unaudited)	4 970	52 162	12 968	6 812	5 812	4 532	70	87 326

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

9. Obligations under finance lease agreements

Lease agreements concluded by the parent ELEKTROBUDOWA SA have been classified to finance lease, because of the extent to which risks and rewards of ownership of the leased items are transferred to the Group.

Finance leasing recognised by ELEKTROBUDOWA SA relates to equipment belonging to groups 4, 6, and 8 of the fixed tangible assets and vehicles from group 7.

A lease instalment consists of an initial instalment and monthly lease payments comprising a principal amount as payment for the value of the equipment and an interest amount which is generally a payment for using the equipment and financing its purchase.

The agreements have been secured with two promissory notes up to the total amount of 5 118 thousand PLN.

As at 30 September 2015 and 31 December 2014 future minimum lease payments and the present value of minimum net payments under finance lease agreements were as follows:

	as at 30 September 2015 (unaudited)		as at 31 December 2014	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
Within 1 year	1 949	1 773	782	687
1 - 5 years	3 530	3 396	1 980	1 885
Total minimum lease payments	5 479	5 169	2 762	2 572
Less finance costs	310		190	
Present value of minimum lease payments	5 169		2 572	
- short-term		1 773		687
- long-term		3 396		1 885

In the nine months ended 30 September 2015 the Company made contingent lease payments recognised as cost of the period in the amount of 23 thousand PLN (in the year ended 31 December 2014 they amounted to 27 thousand PLN).

10. Intangible assets

Goodwill

Irrespective of whether there is an indication of impairment of goodwill, the parent is required to test goodwill for impairment annually.

As at the acquisition date the acquired goodwill is allocated to each of the CGUs which may benefit from the synergies arising from business combination. The operating segment, defined according to IFRS 8 Operating Segments, was acknowledged the lowest level in the Group to which the goodwill can be allocated and on which goodwill is monitored for internal management needs. The cash generating unit within this segment is the company ENERGETEST sp. z o.o.

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

In the opinion of the Management of ELEKTROBUDOWA SA the forecast of the 2015 budget, which was the base for impairment test for goodwill of ENERGETEST sp. z o.o. performed as at 31 December 2014 by an independent expert, is not at risk. Verification of the asset, goodwill of ENERGETEST sp. z o.o., was made according to the income method based on discounted cash flows according to IAS 36.

In the period of nine months ended 30 September 2015 ENERGETEST received orders on the level of 46 790.9 thousand PLN, this amount covers the 2015 budget assumptions in 78.0%. ENERGETEST sp. z o.o. enters the last quarter of 2015 with the 34 687.8 thousand PLN order backlog.

Summary of main financial items, performed and forecast, for the nine months ended 30 September 2015:

	nine months 2015	
	Performance	Forecast
Revenue from sale of products, goods and materials	39 457.4	42 220.9
Profit on operating activities	2 385.5	1 302.4
Gross profit	2 446.7	1 302.4
Net profit	1 958.8	1 022.3

Revenue from sales of products, goods and materials generated for the nine months ended 30 September 2015 amounted to 39 457.4 thousand PLN and constituted 93.5% of the forecast amount for the nine months of 2015. After the nine months ENERGETEST sp. z o.o. earned net profit of 1 958.8 thousand PLN, so the 9-months 2015 forecast was exceeded by 91.6%. With a comparable level of revenue (39 457.4 thousand PLN, compared with 39 653.4 thousand PLN in the same period of the previous year) the gross profit is 634.2 thousand PLN higher. The company was awarded a few orders of significant value, what had an impact on the sales structure and profit margins. Therefore, the Management is of the opinion that there were no indications of impairment of the company's goodwill as at 30 September 2015 and that the assumptions on which the test performed as at 31 December 2014 was based are still valid.

ENERGETEST sp. z o.o. operates in the power sector which is characterized with constant restructuring and huge expenditure for investment, because of aging process of power stations and industrial systems. The market on which the company operates offers big prospects for development.

The analysis of the financial situation of ENERGETEST sp. z o.o. and liquidity of its assets does not indicate that the goodwill of ENERGETEST sp. z o.o. could be impaired in the foreseeable future.

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 September 2015 the outlays for the project less depreciation charge amount to 11 929 thousand PLN.

The parent 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 consolidated financial statements no indicators of their impairment were identified.

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

Cost of development works in progress

Outlay for research and development work made in the nine months ended 30 September 2015 amounted to 2 829 thousand PLN and principally concerned the project "OPTIMA switchgear – Stage 2" worth 1 354 thousand PLN. The expenditure for this project as at 30 September 2015 totalled 2 149 thousand PLN. During the nine months ended 30 September 2015 the development works were finished and settled for the amount of 911 thousand PLN.

The ELEKTROBUDOWA SA Group 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 September 2015 as well as at 31 December 2014, no liabilities were secured by the Group's intangible assets.

Other information concerning the intangible assets

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

As at 30 September 2015 as well as at 31 December 2014 the Group 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	Goodwill	Intangible assets not put to use	Total intangible assets
Gross value of intangible assets at 1 January 2015	29 585	11 334	3 175	22 164	0	66 258
Additions, of which:	911	870	1 675	0	136	3 592
- purchased	0	870	0	0	136	1 006
- internally generated	0	0	2 829	0	0	2 829
- transferred to cost of finished development works	911	0	(911)	0	0	0
- other	0	0	(243)	0	0	(243)
Reductions, of which:	0	(165)	0	0	0	(165)
- other	0	(165)	0	0	0	(165)
Change due to currency exchange differences	0	(2)	0	0	0	(2)
Gross value of intangible assets at 30 September 2015	<u>30 496</u>	<u>12 037</u>	<u>4 850</u>	<u>22 164</u>	<u>136</u>	<u>69 683</u>
Accumulated amortisation at 1 January 2015	(14 701)	(10 359)	0	0	0	(25 060)
Current amortisation charge	(2 280)	(1 004)	0	0	0	(3 284)
Other reductions	0	165	0	0	0	165
Change due to currency exchange differences	0	2	0	0	0	2
Accumulated amortisation at 30 September 2015	<u>(16 981)</u>	<u>(11 196)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(28 177)</u>
Net intangible assets as at 30 September 2015 (unaudited)	<u>13 515</u>	<u>841</u>	<u>4 850</u>	<u>22 164</u>	<u>136</u>	<u>41 506</u>

	Cost of finished development works	Concessions, patents, licenses and software	Cost of development works in progress	Goodwill	Intangible assets not put to use	Total intangible assets
Gross value of intangible assets at 1 January 2014	15 999	10 186	13 821	22 164	0	62 170
Additions, of which:	13 586	1 157	(8 087)	0	0	6 656
- purchased	0	1 157	0	0	0	1 157
- internally generated	0	0	5 499	0	0	5 499
- transferred to cost of finished development works	13 586	0	(13 586)	0	0	0
Reductions, of which:	0	(3)	0	0	0	(3)
- liquidation	0	(3)	0	0	0	(3)
Change due to currency exchange differences	0	(6)	0	0	0	(6)
Transfer to property, plant and equipment	0	0	(2 559)	0	0	(2 559)
Gross value of intangible assets at 31 December 2014	<u>29 585</u>	<u>11 334</u>	<u>3 175</u>	<u>22 164</u>	<u>0</u>	<u>66 258</u>
Accumulated amortisation at 1 January 2014	(12 561)	(8 818)	0	0	0	(21 379)
Current amortisation charge	(2 140)	(1 550)	0	0	0	(3 690)
Reduction due to settlement of a grant	0	3	0	0	0	3
Change due to currency exchange differences	0	6	0	0	0	6
Accumulated amortisation at 31 December 2014	<u>(14 701)</u>	<u>(10 359)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(25 060)</u>
Net intangible assets as at 31 December 2014	<u>14 884</u>	<u>975</u>	<u>3 175</u>	<u>22 164</u>	<u>0</u>	<u>41 198</u>

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	Cost of finished development works	Concessions, patents, licenses and software	Cost of development works in progress	Goodwill	Intangible assets not put to use	Total intangible assets
Gross value of intangible assets at 1 January 2014	15 999	10 186	13 821	22 164	0	62 170
Additions, of which:	13 586	1 053	(8 633)	0	0	6 006
- purchased	0	1 053	0	0	0	1 053
- internally generated transferred to cost of finished development works	0	0	4 953	0	0	4 953
- development works	13 586	0	(13 586)	0	0	0
Change due to currency exchange differences	0	(5)	0	0	0	(5)
Transfer to property, plant and equipment	0	0	(2 559)	0	0	(2 559)
Gross value of intangible assets at 30 September 2015	<u>29 585</u>	<u>11 234</u>	<u>2 629</u>	<u>22 164</u>	<u>0</u>	<u>65 612</u>
Accumulated amortisation at 1 January 2015	(12 561)	(8 818)	0	0	0	(21 379)
Current amortisation charge	(1 465)	(1 326)	0	0	0	(2 791)
Other reductions	0	5	0	0	0	5
Change due to currency exchange differences	(14 026)	(10 139)	0	0	0	(24 165)
Accumulated amortisation at 30 September 2015	<u>15 559</u>	<u>1 095</u>	<u>2 629</u>	<u>22 164</u>	<u>0</u>	<u>41 447</u>

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 September 2015	49%	33%
Purchase price	13 805	97
Increase of capital in 2009	7 711	0
Measurement of interest in the share capital	(6 812)	(97)
Investment in associates at 30 September 2015 (unaudited)	14 704	0
Selected data as at 30 September 2015 (unaudited)		
Assets	51 057	394
Equity	30 008	(251)
Liabilities	21 049	645
Revenue from sales of products, goods and materials	70 581	0
Net profit / loss	3 037	(8)

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As at 30 September 2015, investment in the associate, VECTOR Ltd. amounted to 14 704 thousand PLN, and compared with the value at the date of acquisition when it was 21 516 thousand PLN, its amount decreased by 6 812 thousand PLN, mainly because of the change in Russian ruble exchange rate. Political and economic situation in Russia involved dynamic fluctuations in the exchange rate of the ruble. Average exchange rate of the ruble announced by the National Bank of Poland (NBP) on 30 September 2015 was 0.0576 PLN, shares in VECTOR were purchased at the average rate 0.0955 PLN, the difference at the reporting date was 0.0379 PLN. Equity of VECTOR Ltd. as at 30 September 2015 amounted to 520 979 thousand RUB, translating to 30 008 thousand PLN. Share of ELEKTROBUDOWA SA in the equity of VECTOR (49%) was worth 255 280 thousand RUB, translating to 14 704 thousand PLN.

Because of fluctuations of the ruble exchange rate, an impairment test was performed as at 31 December 2014. It showed that there was no need to create a provision for impairment of the investment. As at 30 September 2015 the external and internal determinants for such a test were assessed, and, basing on the realization of budget by VECTOR Ltd. in the period of the nine months 2015 it was determined that there are no suitable indications, so an impairment test was not performed.

As at 30 September 2015 the share of ELEKTROBUDOWA SA in losses of SAUDI ELEKTROBUDOWA LLC exceeded its value of share held in this associate measured according to equity method by 82 thousand SAR, translating to 83 thousand PLN. Following the requirements of IAS 28.38, ELEKTROBUDOWA SA reduced the value of its investment in SAUDI ELEKTROBUDOWA LLC to a zero value and ceased to recognize its share in further losses incurred by the associate. In the nine months ended 30 September 2015 the parent did not recognize or create provisions for additional losses of the associate.

12. Financial assets**12.1 Available-for-sale financial assets**

	as at 30 September 2015 (unaudited)	as at 31 December 2014
Available-for-sale financial assets		
- non-current	6 982	6 982
- current	24	24
	7 006	7 006

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

As of 30 September 2015 ELEKTROBUDOWA SA had 23.07% share in the equity of PI Biprohut Sp. z o.o. while the share in total voting rights in the General Meeting was 22.79%. The interest of ELEKTROBUDOWA SA in the equity of PI Biprohut Sp. z o.o. did not change compared with 31 December 2014. As at 30 September 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 September 2015, ELEKTROBUDOWA SA used:

- 2015 budget of PI Biprohut Sp. z o.o.
- Financial result of PI Biprohut Sp. z o.o. for the nine months ended 30 September 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 September 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 September 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.

The non-current assets include also 17 shares (of par value 8.5 thousand PLN) representing 17% of capital of Energotest – Diagnostyka Sp. z o.o. and the same share in the total voting rights in the General Meeting of Shareholders. As the group has no influence on directing the operating and financial policy of Energotest - Diagnostyka, the Management of the parent did not classify the company as an associate. The share in the company held by the Group was measured at book value.

As at 30 September 2015 and at 31 December 2014, the carrying amount of the Group's interest in Energotest - Diagnostyka Sp. z o.o. was 351 thousand PLN.

Fair value of shares of Energotest – Diagnostyka Sp. z o.o. is classified to Level 3 of the fair value hierarchy.

Current financial assets include shares in FAMUR FAMAK S.A. based in Kluczbork. The shares of FAMUR FAMAK S.A. are not listed on the stock exchange, therefore their fair value was estimated according to their offered price to buy. As at 30 September 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)

12.2 Classification of assets to groups of financial instruments

Type of financial instrument	method of measurement as at 30 Sept 2015	as at 30 Sept 2015 (unaudited)	as at 31 Dec 2014	amount charged to revaluation capital in the period of 9 months ended 30 Sept 2015	amount charged to profit or loss in the period of 9 months ended 30 Sept 2015
1. Loans extended and own receivables		386 701	342 491	0	(4 902)
a) long-term receivables due to sale of non-current assets	amortised cost	543	688	0	15
b) long-term receivables due to retentions	amortised cost	4 407	4 584	0	49
c) short-term trade and other receivables	amortised cost	381 751	337 219	0	(4 966)
2. Available-for-sale investments		7 006	7 006	0	0
a) shares of PI Biprohut Sp. z o.o.	fair value	6 631	6 631	0	0
b) shares of Energotest - Diagnostyka Sp. z o.o.	book value	351	351	0	0
c) shares of FAMUR FAMAK S.A.	book value	24	24	0	0
3. Cash and cash equivalents	amortised cost	72 754	62 239	0	(1 067)
Total financial assets		466 461	411 736	0	(5 969)

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

13. Trade and other receivables

13.1 Receivables recognised in non-current assets

	as at 30 September 2015 (unaudited)	as at 31 December 2014
Long-term receivables		
- disposal of property, plant and equipment	543	688
- contract retentions	4 407	4 584
Long-term receivables - net	4 950	5 272
Discount of receivables	240	305
Long-term receivables - gross	5 190	5 577

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

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13.2 Receivables recognised in current assets

	as at 30 September 2015 (unaudited)	as at 31 December 2014
Current trade and other receivables		
- for supplies and services	361 332	312 690
- other	20 835	27 408
Total current trade and other receivables -net	382 167	340 098
Impairment of receivables	39 528	34 005
Total current trade and other receivables -gross	421 695	374 103
	as at 30 September 2015 (unaudited)	as at 31 December 2014
Other current receivables		
- receivables due to public and legal settlements	416	2 878
- retentions	16 578	21 562
- receivables due to paid bid deposit	673	707
- amounts receivable for other services performed	1 511	557
- receivables from sales of fixed assets	800	1 194
- amounts receivable from contractors as damages	209	188
- receivables from employees	322	63
- other	326	259
	20 835	27 408
	nine months ended 30 September 2015 (unaudited)	twelve months ended 31 Dec. 2014
Provisions for impairment of trade and other receivables		
Impairment provision at beginning of period	34 005	24 127
Creating a provision, including:	15 578	18 981
- receivables for supplies and services	9 360	14 251
- other receivables	6 218	4 730
Use	(467)	(1 651)
Deduction of unused amounts (release)	(9 588)	(7 452)
Impairment provision at end of period	39 528	34 005
including:		
- receivables for supplies and services	25 618	24 835
- other receivables	13 910	9 170

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

Terms of transactions with related entities are presented in Note 33.

The trade receivables are non-interest bearing and usually have 30-day payment terms.

The group has implemented the policy of selling only to verified customers. Therefore, in the opinion of the management, there is no additional credit risk over the level defined by the impairment provision for uncollectible debt applicable to the Group's trade receivables.

The amount of provisions for impairment of receivables rose 5 523 thousand PLN in the nine months ended 30 September 2015.

Changes in provisions for impairment of receivables in the interim consolidated statement of comprehensive income are presented in Note 28, "Other operating expenses" item.

14. Non-current prepayments

	as at 30 September 2015 (unaudited)	as at 31 December 2014
Long-term prepayments		
- construction insurance policies	447	745
- commission and fees on contract bonds	1 352	532
	1 799	1 277

15. Inventories

	as at 30 September 2015 (unaudited)	as at 31 December 2014
Inventories		
- materials	34 666	27 772
- semi-finished products and work in progress	34 895	19 602
- finished products	2 002	2 345
- goods	634	634
	72 197	50 353
of which:		
- inventory write-down	(955)	(1 135)

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

The Group periodically analyses the value of inventories and the possibility to use them. In the period of nine months ended 30 September 2015 the Group created a provision for write-down of inventory of materials in the amount of 80 thousand PLN (for the period ended 30 September 2014 it was 278 thousand PLN), while used (reversed) provisions in the nine months ended 30 September 2015 equaled 260 thousand PLN (17 thousand PLN in the period of nine months ended 30 September 2014).

ELEKTROBUDOWA SA periodically analyses the value of inventories and the possibility to use them; as at 30 September 2015 no need for impairment in excess of the above amount was identified.

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

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

16. Cash and cash equivalents

Balance of cash and cash equivalents recognized in the interim condensed consolidated statement of cash flows included:

	as at 30 September 2015 (unaudited)	as at 31 December 2014
Cash at bank and on hand		
- cash at bank	72 723	62 221
- cash on hand	31	18
	72 754	62 239

Cash at banks is bearing variable interest rates which depend on interest rate of overnight investments. Overnight deposits are the most popular form of investing free funds.

As at 30 September 2015 an unused amount of granted overdraft credit, available to the Group was 80 700 thousand PLN (75 198 thousand PLN as at 31 December 2014).

17. Other non-finance assets

	as at 30 September 2015 (unaudited)	as at 31 December 2014
Other non-finance assets		
- future periods expenses (subscriptions, fees, insurance, standing charges)	1 987	2 134
- prepayments for supplies	7 158	7 514
- contribution to Employee Benefit Fund	569	0
	9 714	9 648

18. Non-current assets held for sale

	as at 30 September 2015 (unaudited)	as at 31 December 2014
Non-current assets held for sale		
- technical equipment and machines	129	129
- other fixed tangible assets	117	117
	246	246

The parent, 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.

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For about a year ELEKTROBUDOWA SA has been taking actions to sell the above mentioned assets. 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 used in nuclear power plants, no buyer was found in the open tender procedure. Also, the company tries to find a potential buyer through the producer, from whom the machines have been purchased.

19. Issued share capital

	nine months ended 30 September 2015 (unaudited)	twelve months ended 31 Dec 2014	nine months ended 30 September 2014 (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			

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As at 30 September 2015, to the best knowledge of the parent company, the shareholders holding significant interest in ELEKTROBUDOWA SA were as below:

Shareholders of ELEKTROBUDOWA SA as at 30 September 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
Nationale - Nederlanden 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

According to information available to the parent company, the shareholding structure of ELEKTROBUDOWA SA as at 30 September 2015 did not change compared with the structure at 31 December 2014. To the knowledge of the company, it has not changed until the date of publicizing these interim condensed financial statements.

As at 30 September 2015 the managing and supervising persons did not have shares of ELEKTROBUDOWA SA.

20. Other capital

20.1 Supplementary capital

	as at 30 September 2015 (unaudited)	as at 31 December 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
- other	4 191	4 191
	334 147	305 046

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

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20.2 Capital from valuation of available-for-sale investments

	as at 30 September 2015 (unaudited)	as at 31 December 2014
Capital from valuation of available-for-sale investments		
- valuation of available-for-sale investments	6 094	6 094
- deferred tax related to investment valuation	(1 157)	(1 157)
	4 937	4 937

20.3 Retained earnings

	as at 30 September 2015 (unaudited)	as at 31 December 2014
Retained earnings		
- actuarial losses	(1 379)	(1 379)
- prior years' profit	1 794	3 574
- net profit for shareholders of ELEKTROBUDOWA SA for the period	43 778	27 321
	44 193	29 516

20.4 Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary shareholders 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 shareholders 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.

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The following reflects the income and share data used in the basic earnings per share computations:

	3 months ended 30 Sept 2015 (unaudited)	9 months ended 30 Sept 2015 (unaudited)	3 months ended 30 Sept 2014 (unaudited)	9 months ended 30 Sept 2014 (unaudited)
Net profit for shareholders of ELEKTROBUDOWA SA for the period (in PLN)	16 451 146	43 778 676	14 159 247	16 274 367
Weighted average number of shares	4 747 608	4 747 608	4 747 608	4 747 608
Basic earnings per share (in PLN)	3.47	9.22	2.98	3.43

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

21. Trade and other payables

21.1 Long-term other payables

	as at 30 September 2015 (unaudited)	as at 31 December 2014
Other financial liabilities (long-term)		
- long-term retention amounts	11 540	12 852
- lease obligations	3 396	1 885
Other long-term liabilities - net	14 936	14 737
Discount of liabilities	527	723
Other long-term liabilities - gross	15 463	15 460

21.2 Short-term trade and other payables

	as at 30 September 2015 (unaudited)	as at 31 December 2014
Trade and other financial liabilities (short-term)		
- for supplies and services	232 304	224 827
- other (by titles)	15 215	13 203
of which:		
a) retentions from subcontracts	11 389	10 897
b) purchase of non-current assets	1 118	748
c) payables to employee	31	98
d) lease payment liabilities	1 773	687
e) liabilities due to dividend	170	215
f) deductions from payroll	479	440
g) other	255	118
	247 519	238 030

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	as at 30 September 2015 (unaudited)	as at 31 December 2014
Other non-finance liabilities (short-term)		
- advances received for supplies	73 491	90 884
- taxes, duties, insurance and other contributions	20 101	23 060
- salaries and wages	8 033	6 804
	101 625	120 748

As at 30 September 2015, the received advance payments for deliveries were secured against guarantees for the total amount 118 266 thousand PLN (145 773 thousand PLN at 31 December 2014).

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

22. Loans, borrowings and debt securities

	as at 30 September 2015 (unaudited)	as at 31 December 2014
Loans, borrowings and debt securities		
- liabilities due to loans (nominal)	52 067	102 886
- liabilities due to interest on loans	125	274
	52 192	103 160

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**Short-term liabilities due to loans, borrowings, and debt securities as at 30 September 2015
(unaudited)**

Lender	Registered office	Contractual loan amount	Amount to be repaid	Rate of interest	Contract validity	Collateral	
		PLN'000	PLN'000				
ING BANK ŚLĄSKI S.A. overdraft	Katowice	19 700	0	WIBOR 1M + bank margin	30.01.2016	* assignment of receivables from contracts = 150% engagement; 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)	
		working capital loan	29 000	29 000	WIBOR 1M + bank margin		30.11.2015
BANK HANDLOWY S.A. overdraft	Warsaw	15 000	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, assignment of receivables from a contract (PSE SA - OSP/DI/INW/14/2013 SKAWINA)	
		working capital loan	52 000	23 067	WIBOR 1M + bank margin		31.12.2017
		limit for credit cards	200	0			
BANK PEKAO S.A. overdraft	Kraków	10 000	0	WIBOR 1M + bank margin	30.04.2016	* assignment of receivables from contracts = 100% engagement; 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	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	0	WIBOR ON + bank margin	30.09.2016	* 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.	
BGŻ BNP PARIBAS BANK POLSKA S.A. overdraft	Warsaw	1 000	0	WIBOR 1M + bank margin	08.09.2016	* a blank promissory note, general assignment of existing and future receivables, statement of submitting to enforcement	
		161 900	52 067				

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

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Short-term liabilities due to loans, 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	PLN'000			
ING BANK SŁĄSKI S.A. overdraft	Katowice	17 000	0	WIBOR 1M + bank margin	30.01.2016	* assignment of receivables from contracts = 150% engagement due to guarantees and overdraft; registered charges including assignment of rights to insurance policy (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)
		85 000	53 200		30.01.2016	
working capital loan						
BANK HANDLOWY S.A. overdraft	Warsaw	15 000	2 645	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. 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)
		52 000	46 884		31.12.2017	
working capital loan						
limit for credit cards		200				
BANK PEKAO S.A. overdraft	Cracow	10 000	0	WIBOR 1M + bank margin	30.04.2015	* assignment of receivables from contracts = 100% engagement due to guarantees and current account overdraft; first charge up to 22 400 thousand PLN (Konin) KW No.KN1N/00013390/8, incl. assignment of rights to insurance policy; 1 blank bill.
PKO BP S.A. overdraft	Warsaw	25 000	0	WIBOR 1M + bank margin	20.02.2015	* assignment of receivables from contracts = 100% engagement; first charge up to 461 000 thousand PLN (Katowice) KW No. KA1K/00043349/3 including assignment of rights from insurance policy, 2 blank bills.
mBank S.A. overdraft	Warsaw	10 000	157	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. assignment of rights to insurance policy; 1 blank bill.
BNP PARIBAS BANK POLSKA S.A. overdraft	Warsaw	1 000	0	WIBOR 1M + bank margin	10.09.2015	* a blank promissory note, general assignment of existing and future receivables, statement of submitting to enforcement
		215 200	102 886			

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

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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
	30.04.2015	0	(19 200)	34 000
	01.06.2015	0	(1 000)	33 000
	30.06.2015	0	(1 000)	32 000
ING Bank Śląski S.A.				
changes during the reporting period	31.07.2015	0	(1 000)	31 000
	31.08.2015	0	(1 000)	30 000
	30.09.2015	0	(1 000)	29 000
	total in 2015	0	(24 200)	
at 30 September 2015 (unaudited)		53 200	(24 200)	29 000
at 31.12.2014		46 884	0	46 884
	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
Bank Handlowy S.A.				
changes during the reporting period	29.04.2015	3 519	0	3 519
	29.05.2015	3 261	0	6 780
	26.06.2015	4 640	0	11 420
	23.07.2015	2 337	0	13 757
	25.08.2015	6 750	0	20 507
	14.09.2015	2 560	0	23 067
	total in 2015	33 917	(57 734)	
at 30 September 2015 (unaudited)		80 801	(57 734)	23 067
Working capital loans at 30 September 2015 (unaudited)				52 067

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23. Income tax

23.1 Tax expense

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

	nine months ended 30 September	
	2015 (unaudited)	2014 (unaudited)
Income tax recognised in the statement of comprehensive income		
- current tax	20 029	307
- deferred tax	(10 190)	3 869
- tax of foreign branches	894	516
- other settlements	(52)	(7)
Tax charge recognised in profit	10 681	4 685

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

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23.2 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 Group for the periods of nine months ended 30 September 2015 and 30 September 2014 is as follows:

	nine months ended 30 September	
	2015	2014
	(unaudited)	(unaudited)
Gross profit before tax	54 367	20 812
Tax calculated according to the 19% rate	10 330	3 955
Permanent differences settled in Poland	949	2 285
Permanent differences settled abroad	(772)	(1 417)
Dividend from related companies	(604)	(555)
Temporary differences settled in Poland	289	2 047
Temporary differences settled abroad	(373)	(523)
Tax of foreign branches	894	516
Adjustments of deferred tax of the years 2011 - 2012	0	(1 611)
Differences in tax rates	20	(5)
Income tax	(52)	(7)
Gross profit before tax	10 681	4 685
Effective tax rate (%)	19,6	22,5

23.3 Deferred income tax

	as at	as at	as at
	30 Sept 2015	31 Dec.	30 Sept 2014
	(unaudited)	2014	(unaudited)
Deferred income tax assets	75 747	72 763	66 167
Provisions for deferred income tax	(48 207)	(55 417)	(54 510)
Deferred corporate income tax assets recognized in assets in the statement of financial position	27 540	17 346	11 657
Provisions for deferred income tax of foreign branches	0	0	(1 220)
Provisions for deferred corporate income tax recognized in liabilities in the statement of financial position	0	0	(1 220)
Total deferred income tax	27 540	17 346	10 437

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

Structure of the deferred income tax:

period ended 30 September 2015 (unaudited)		Construction contracts	Provisions, prepayments and accrued expenses	Fixed tangible assets	Revaluation of assets	Tax on tax loss	Other	Total
Assets	beginning of period 1 January 2015	59 684	6 964	541	4 506	0	1 068	72 763
	- changes credited/charged to financial result	(1 121)	3 410	35	564	0	96	2 984
	end of period 30 Sept 2015 (unaudited)	58 563	10 374	576	5 070	0	1 164	75 747
Provisions	beginning of period 1 January 2015	(52 238)	(5)	(678)	(926)	0	(1 570)	(55 417)
	- changes credited/charged to financial result	7 104	0	(59)	(2)	0	167	7 210
	end of period 30 Sept 2015 (unaudited)	(45 134)	(5)	(737)	(928)	0	(1 403)	(48 207)
End of period, total		13 429	10 369	(161)	4 142	0	(239)	27 540

period ended 31 December 2014		Construction contracts	Provisions, prepayments and accrued expenses	Fixed tangible assets	Revaluation of assets	Tax on tax loss	Other	Total
Assets	beginning of period 1 January 2014	38 826	7 189	468	2 120	0	608	49 211
	- changes credited/charged to financial result	20 858	(404)	73	2 386	0	460	23 373
	- changes charged to capital	0	179	0	0	0	0	179
	end of period 31 December 2014	59 684	6 964	541	4 506	0	1 068	72 763
Provisions	beginning of period 1 January 2014	(30 457)	(5)	(617)	(651)	0	(1 564)	(33 294)
	- changes credited/charged to financial result	(21 781)	0	(61)	573	0	(6)	(21 275)
	- changes charged to capital	0	0	0	(848)	0	0	(848)
	end of period 31 December 2014	(52 238)	(5)	(678)	(926)	0	(1 570)	(55 417)
End of period, total		7 446	6 959	(137)	3 580	0	(502)	17 346

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period ended 30 September 2014 (unaudited)		Construction contracts	Provisions, prepayments and accrued expenses	Fixed tangible assets	Revaluation of assets	Tax on tax loss	Other	Total
Assets	beginning of period 1 January 2014	38 826	7 189	468	2 120	0	608	49 211
	- changes credited/charged to financial result	16 080	(1 135)	61	554	1 383	13	16 956
	end of period 30 Sept 2015 (unaudited)	54 906	6 054	529	2 674	1 383	621	66 167
Provisions	beginning of period 1 January 2014	(30 457)	(5)	(617)	(651)	0	(1 564)	(33 294)
	- changes credited/charged to financial result	(23 098)	0	(49)	568	0	143	(22 436)
	end of period 30 Sept 2014 (unaudited)	(53 555)	(5)	(666)	(83)	0	(1 421)	(55 730)
End of period, total		1 351	6 049	(137)	2 591	1 383	(800)	10 437

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24. 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	1 033	6 175	3 214	10 422
creation	802	619	316	1 737
use	(690)	(292)	0	(982)
As at 30 September 2015 (unaudited)	1 145	6 502	3 530	11 177
of which:				
- long-term	0	6 287	0	6 287
- short-term	1 145	215	3 530	4 890
As at 1 January 2014	919	5 535	4 177	10 631
creation	2 087	1 365	4 070	7 522
use	(1 973)	(905)	(2 044)	(4 922)
reversal	0	0	(2 989)	(2 989)
other	0	180	0	180
As at 31 December 2014	1 033	6 175	3 214	10 422
of which:				
- long-term	0	5 911	0	5 911
- short-term	1 033	264	3 214	4 511
As at 1 January 2014	919	5 535	4 177	10 631
creation	573	0	2 096	2 669
use	0	(701)	(2 045)	(2 746)
reversal	(584)	0	(2 989)	(3 573)
As at 30 September 2014 (unaudited)	908	4 834	1 239	6 981
of which:				
- long-term	0	4 749	0	4 749
- short-term	908	85	1 239	2 232

The entities of the Group create provisions for future payables which maturities or amounts are not certain.

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

Provisions for warranties

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

The subsidiary, ENERGOTEST sp. z o.o. created provisions for costs of warranty repairs equal to 0.43% (0.43% as at 31 December 2014) of revenue from invoiced sales.

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 parent company Management's estimates and assumptions concerning expected possible penalties to be charged due to delayed or defective performance of construction contracts.

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

25. Accrued expenses

	as at 30 September 2015 (unaudited)	as at 31 December 2014
Accrued expenses in respect of:		
- unused holidays	5 200	4 658
- annual bonuses	7 125	8 877
- services relating to the present reporting period but invoiced in the next period	23 526	2 400
- provision for expected losses on completion of contracts	4 820	6 581
- provision for employee claims	2 000	2 000
	42 671	24 516

(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 36 (item 1).

Provision for expected losses on completion of contracts

The parent company, 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 of the parent, the provisions created as at 30 September 2015 for expected losses on contracts cover the whole identified risk of generating losses until the completion of the contracts.

Other entities of the Group have not recognised losses on completion of contracts being performed which should be account for in these condensed consolidated financial statements.

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

	Power Generation Division	Power Distribution Division	Automation Division	All other segments	Total Group
At 30 September 2015	3 385	1 435	0	0	4 820
At 31 December 2014	4 197	2 384	0	0	6 581

ELEKTROBUDOWA SA GROUP
Interim condensed consolidated financial statements for the nine months ended 30 September 2015

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

26. Classification of financial instruments recognized in liabilities

Type of financial instrument	method of measurement as at 30 Sept 2015	as at 30 Sept 2015 (unaudited)	as at 31 Dec 2014	amount charged to revaluation capital in the period of 9 months ended 30 Sept 2015	amount charged to profit or loss in the period of 9 months ended 30 Sept 2015
1. Other financial liabilities					
a) other long-term payables	amortised cost	14 936	14 737	0	(319)
b) short-term trade and other payables	amortised cost	247 519	238 030	0	476
c) loans	amortised cost	52 192	103 160	0	(1 427)
d) forward contract in foreign currency	fair value	0	71	0	493
Financial instruments recognised in liabilities - total		314 647	355 998	0	(777)

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

The parent, 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 for the amount of 1 320 thousand EUR. By 30 September 2015 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.

Settlement of forward transactions for the period of nine months ended 30 September 2015

Curr	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	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	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	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	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	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	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	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			5 611 121.50 PLN			5 189 485.00 PLN	421 636.50 PLN

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

27. Construction contracts

	nine months ended 30 September	
	2015	2014
	(unaudited)	(unaudited)
Estimated revenues from contracts in progress (cumulative)	2 128 677	1 539 461
Recognised profits less recognised losses (planned profit margin)	123 103	42 970
Costs incurred on contracts in progress (cumulative)	2 005 574	1 496 491
Receivables dependable on contract completion (partial invoices cumulative)	1 996 619	1 302 175
Gross amounts due from customers for contract work	237 551	281 549
Gross amounts due to customers for contract work	(97 814)	(35 224)
Provisions for penalties due to delay in completion	(2 859)	(1 239)
Provisions for losses resulting from contracts	(4 820)	(7 800)
Revenue from contracts for the period	805 504	625 235
Costs of contracts for the period	746 960	605 316
Profits less recognised losses for the period	58 544	19 919
Advances received for contracts in progress	67 631	114 000
Retentions kept by customers	15 794	26 634

The Group 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 Group analyses each contract in respect of possible losses, which are immediately recognized as cost according to IAS 11.36. Within the calculation of a construction contract price, according to IAS 11.11 – 15, the Group 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 September 2015:

Extension and modernization of Byczyna electrical substation including connection to 400 kV line for PSE S.A.	132.9	million PLN	During execution of the project circumstances have occurred on which the Parties could not have control and which made it impossible to continue proper performance of the project according to the Schedule of works and expenditures (further "the Schedule") which is Appendix 3 to the Contract. ELEKTROBUDOWA SA requested the Purchaser (PSE SA) to modify the Schedule. Regional Environmental Protection Director issued a decision to permit relocation, including partial damage, of protected habitats. Implementation of the decision has allowed ELEKTROBUDOWA SA to resume the contract works. Currently the contract is well in progress. However, the contract milestones defined in the Schedule of works and expenditures need to be changed.
"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 construction and installation works have been completed. Final acceptance took place on 6 November 2015. There is a risk of liquidated damages to be charged.
Extension and modernization of Skawina 220/110kV electrical substation including connection to 2x2x400kV line for PSE S.A.	17.9	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.

Construction contracts with substantial amounts of amounts due from customers as at 30 September 2015:

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.	42.3	million PLN	The project requires high level of commitment. The works are performed according to the Schedule of works and expenditures enclosed with the contract. As at 30 September 2015 there is no risk that the deadline for completion would not be met. Completion of the contract is scheduled at 30 June 2016.
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(all amounts in thousands of PLN, unless otherwise stated)

28. Other operating income and expenses

	nine months ended 30 September	
	2015	2014
	(unaudited)	(unaudited)
Other operating income		
- gains from disposal of non-finance fixed assets	75	0
- inventory write-down	125	0
- interest on delayed payments	1 907	1 056
- interest on cash on bank accounts	365	266
- currency exchange differences	0	1 021
- penalties and damages	965	4 325
- legal costs	76	376
- compensation received from insurance policies	1 120	256
- redemption of penalties	1 322	0
- recognized PPE (land)	0	957
- gains from secured foreign currency transactions	493	0
- recycled material waste	0	370
- other	485	253
	6 933	8 880

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

	nine months ended 30 September	
	2015	2014
	(unaudited)	(unaudited)
Other operating expenses		
- loss on disposal of non-finance fixed assets	0	(277)
- donations	(175)	(109)
- provision for impairment of receivables	(6 236)	(5 193)
- inventory write-downs	0	(278)
- fees and charges relating to bank guarantees	(3 436)	(3 917)
- legal costs	(187)	(542)
- penalties and damages	(3 213)	(3 823)
- currency exchange differences	(1 594)	0
- claims handling expenses	(1 050)	(220)
- employee compensations and service benefits	(425)	(557)
- other	(428)	(617)
	(16 744)	(15 533)

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

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

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

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

In the nine months ended 30 September 2015 the impairment provisions referred to the following receivables:

- | | |
|-----------------------------|-----------------------|
| - in bankruptcy proceedings | 29 thousand PLN, |
| - in court proceedings | (188) thousand PLN, |
| - other overdue debtors | (6 077) thousand PLN. |

29. Financial income and costs

	nine months ended 30 September	
	2015	2014
	(unaudited)	(unaudited)
Financial income		
- dividends and share of profit	429	56

Dividends received by the Group in the nine months ended 30 September 2015 include the share of profit of PI Biprohut Sp. z o.o, attributable to the parent, and the share of profit of Energotest Diagnostyka Sp. z o.o. attributable to the subsidiary, ENERGOTEST sp. z o.o.

	nine months ended 30 September	
	2015	2014
	(unaudited)	(unaudited)
Financial costs		
- interest on loans	(1 427)	(1 071)
- interest on leases	(124)	(19)
- bank commission on working capital loan	(942)	(718)
	(2 493)	(1 808)

30. Dividend paid (or declared) per share of the parent company

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)

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

	nine months ended 30 September	
	2015	2014
	(unaudited)	(unaudited)
Change in trade and other receivables		
- balance sheet change in receivables, including:	(41 747)	26 615
a) balance sheet change in trade and other receivables recognised in non-current assets	322	12 429
b) balance sheet change in trade and other receivables recognised in current assets	(42 069)	14 186
- dividend	0	1 961
- change in receivables due to sale of non-current asset items	(38)	64
- adjustment of receivables for years 2011 - 2012	0	1 611
- other	(132)	43
Change in trade and other receivables recognised in the interim consolidated statement of cash flows	(41 917)	30 294

	nine months ended 30 September	
	2015	2014
	(unaudited)	(unaudited)
Change in trade and other payables		
- balance sheet change in payables:	(8 680)	10 262
a) balance sheet change in long-term payables	575	128
b) balance sheet change in short-term trade and other payables	(9 634)	13 318
c) balance sheet change in provisions	379	(3 184)
- change in deferred income tax liabilities	0	631
- lease obligations	(2 773)	(144)
- change in net payables due to investment expenditure	(558)	281
- other	(11)	(4)
Change in accounts payable in the interim consolidated statement of cash flows	(12 022)	11 026

	nine months ended 30 September	
	2015	2014
	(unaudited)	(unaudited)
Income tax paid		
- current income tax in the interim consolidated statement of comprehensive income	(20 029)	(307)
- income tax of foreign branches in the interim consolidated statement of comprehensive income	(894)	(516)
- change in corporate income tax liabilities	7 691	(262)
- advance corporate income tax payment	0	(43)
- other settlements in the interim condensed statement of comprehensive income	5	(46)
Income tax paid recognised in the interim consolidated statement of cash flows	(13 227)	(1 174)

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

	nine months ended 30 September	
	2015	2014
	(unaudited)	(unaudited)
Other adjustments		
- perpetual usufructuary right to land	0	(935)
- valuation of a forward contract	(71)	0
- currency translation differences	593	(1 303)
- other	0	137
Other adjustments in the interim consolidated statement of cash flows	522	(2 101)

32. Joint ventures where an entity of the Group is a venturer

The Group does not have any joint ventures, neither with related nor unrelated parties.

33. Related party transactions

Transactions with related parties were carried out on arm's length basis. Transactions between the parent and its subsidiaries who are related parties for ELEKTROBUDOWA SA were eliminated in consolidation and are not recognised in this Note.

Transactions between the parent ELEKTROBUDOWA SA and the associates in the reporting period:

	nine months ended 30 September	
	2015	2014
	(unaudited)	(unaudited)
a) sale:		
- sale of goods - Power Equipment Production Plant "VECTOR" Ltd.	11 814	5 758
- sale of materials - Power Equipment Production Plant "VECTOR" Ltd.	169	617
b) purchase:		
- purchase of services - Power Equipment Production Plant "VECTOR" Ltd.	1	1
- purchase of services - SAUDI ELEKTROBUDOWA LLC	352	0

Mutual balances of the parent ELEKTROBUDOWA SA and the associates:

	as at 30 Sept 2015 (unaudited)	as at 31 Dec 2014
- payables of ELEKTROBUDOWA SA to Power Equipment Production Plant "VECTOR" Ltd.	0	1
- payables to SAUDI ELEKTROBUDOWA LLC	46	0
- receivables from Power Equipment Production Plant "VECTOR" Ltd.	2 078	794
- advance to SAUDI ELEKTROBUDOWA LLC	215	171

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

In the nine months ended 30 September 2015 no doubtful or bad debt resulting from transactions with the associates was recognized, which should be impaired.

Unsettled balances of receivables and payables with the associates are not secured and will be settled in cash when mature.

The entities of the Group did not provide any guarantees or sureties to the associates.

34. Contingent liabilities and bills payable

	as at 30 Sept 2015 (unaudited)	as at 31 Dec 2014
Contingent liabilities		
a) guarantees to secure:	363 347	328 688
- contract performance and defect removal	337 595	302 536
- timely payments	218	1 066
- bid bond	10 807	10 123
- other	14 727	14 963
b) bills of exchange	18 835	20 043
	382 182	348 731

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 nine months ended 30 September 2015 the Group submitted to its counterparties guarantees issued by banks or insurance companies for the total amount 112 755 thousand PLN, of which to secure:

- contract performance and defect liability 102 530 thousand PLN,
- bid bond 10 225 thousand PLN.

During the nine months ended 30 September 2015 the Group 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 53 718 thousand PLN and concerned:

- PSE SA 30 082 thousand PLN,
- Emerson Progress Management Power & Water Solutions 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 23.1, Note 27 and Note 36, respectively.

35. Remuneration for the entity authorized to audit the financial statements of the parent company

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.

36. Significant litigations, court proceedings

Presented below are major litigations and court proceedings in which the parent company, ELEKTROBUDOWA SA is a party as at the reporting date:

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

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

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.

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

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 26). The Management's estimate in this respect did not change as at 30 September 2015.

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

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.

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) On 14 October 2015 the District Court in Warsaw 1st Civil Department announced a judgement dismissing the claim of EQA in its entirety for formal reasons, therefore on 15 October 2015 a motion was filed to prepare and serve a statement of reasons. It will be possible to file an appeal within 14 days since the judgement including reasons has been served.

- 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) On 28 October 2015 there were hearings of witnesses. Hearings of further witnesses will take place on 13 January 2016.

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) On 2 November 2015 there were hearings of witnesses. Hearings of further witnesses will take place on 26 February 2016.

- 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.

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

- b) The 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 of the parent company, based on legal screening, realizability of claimed receivables is highly probable.

37. Events and factors which had an influence on the financial performance

Growth of the ELEKTROBUDOWA SA group to a large extent depended on customers representing the following branches: power industry, building and petrochemical industries, mining, metallurgy and transport. Each of the foregoing branches has specific requirements in the area of services and products involved with generation, transmission and use of electric energy; they differ in ways of conducting business and have different economic situation.

Income earned by the group undoubtedly depended on such factors as:

- favourable economic situation in the power, chemical, metallurgic and building trades,
- forecast growing demand for electricity,
- price level of electrical materials and equipment as well as metallurgic products,
- European environmental requirements,
- course of structural changes, especially in the power industry and mining,
- plans for nuclear power,
- increasing requirements for financial security of projects in the segment of power industry construction,
- financial situation of investors and the resulting complications associated with receivables inflow - some customers have already applied prolonged payment terms and introduced more and more complicated payment methods, what makes them difficult to accept as early as on the stage of analysing an inquiry and frequently makes the contractors to withdraw from bidding,
- availability of qualified and experienced engineering staff,
- regular reduction of costs of conducting business incurred by the entities.

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

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

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

Customers were offered complex project performance, starting with designing and prefabrication of equipment through delivery, installation, start-up together with operation during the trial period, and ending with after-sales service. The group's potential allows it to put into effect the majority of complex projects on its own. The parent, ELEKTROBUDOWA SA has two production facilities, well organized and equipped with modern machinery. The factory in Konin manufactures switchgear panels, mainly for primary distribution, in the whole range of voltages, from low voltage to 145kV. The facility designs, manufactures and supplies distribution panels for 72A short-circuit current, the level which is achieved only by several, best global manufacturers. Owing to the second factory, located in Tychy, which manufactures a niche product – high-current busducts, the parent supplies its products and renders installation services on all continents.

The amounts of expenditure allocated by the ELEKTROBUDOWA SA group for research and development permits to attain the highest quality of manufactured goods and provided services. In consequence, the group can participate in the biggest and the most demanding EPC contracts all over the world.

The group takes actions to improve its competitive advantage by:

- diversifying its order portfolio;
- gaining experience in the market of new products;
- optimizing the key processes and projects;
- shortening of lead time for supplies;
- developing a complex offer adjusted to needs and requirements of customers;
- consistent development of customer service network;
- constant looking for new trade areas.

Total value of contracts and orders obtained by the parent company in the three quarters of 2015 amounted to 679.1 million PLN, which, compared with the same period of the previous year when the orders received totalled 532.6 million PLN, indicates a growth by 27.5%.

As at 30 September 2015, the parent had an order backlog on the level of 1 446.4 million PLN. Compared with the amount of 1 693.8 million PLN at 30 September 2014, the volume of order backlog dropped 14.6%, which is directly attributable to the fact that the contracts awarded to the parent company in previous years entered their substantial execution stage.

The biggest contracts awarded to the Group were signed by the parent. The following contracts were signed in the three quarters of 2015:

- | | |
|--|--------------------|
| - modernization of Konin 220/110kV substation for PSE S.A. | 114.5 million PLN, |
| - increasing amendment to the contract – supply, erection and precommissioning of electrical and I&C components and systems for OLKILUOTO 3 Project in Finland for AREVA NP GmbH | 100.6 million PLN, |
| - Construction of the supply system of the area of L-VI mine shaft within the project “Change of the function of L-VI shaft to transporting material and personnel” for KGHM Polska Miedź S.A. | 27.3 million PLN, |
| - delivery and installation of 10kV and 6kV switchgear, with spare parts and special maintenance equipment, including supervision over commissioning of the switchgear (participation in Start-up) for the new Units 5 and 6 of the Power Station Opole for Polimex – Projekt Opole Sp. z o.o. | 21.5 million PLN, |
| - engineering and installation of electrical, lighting, maintenance receptacles and other systems for newly built power unit in Jaworzno 3 Power Station - Power Plant 2, for PBG OIL AND GAS Sp. z o.o. | 19.8 million PLN, |
| - Supply and installation of MV busduct Package P33 (non-segregated phase type ELPO) for the Units 5, 6 of Opole Power Plant, for Polimex – Projekt Opole Sp. z o.o. | 19.5 million PLN, |

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

-
- procurement and construction works for the project “Rebuilding of the fire protection system of cable ducts in the Heat and Power Plant”, for PKN Orlen S.A. 18.4 million PLN,
 - civil construction works acc. to the design and costing documents for the project “Jachcice 110/15 station (ECI). Complete modernization of the station including connection of MV line. Technical documentation + Works” for ENEA Operator Sp. z o.o. 14.6 million PLN,
 - drafting the construction and erection documentation, obtaining the required permits with a finality clause, performance of civil construction works for the Project „Construction of the main substation GPZ Krobia with two circuit feeder line” for ENEA Operator Sp. z o.o. 14.6 million PLN,
 - turnkey construction of Gypsum Storage with 2ha reinforced concrete storage area, including technical infrastructure, for the FGD plant, located on the area of PPPT on the extension of the internal road 7- 8, within the project No. 17540, “Design, delivery and construction of the Flue Gas Desulfurization plant with infrastructure” for PKN ORLEN S.A. 12.9 million PLN,
 - delivery, installation, commissioning and handover to operation of complete busducts: single-phase generator connection for unit 11 and for three-phase electrical supply of auxiliaries of of unit 11 in ENEA Wytwarzanie S.A. for Polimex – Mostostal S.A. 12.9 million PLN.

The revenue generated by the ELEKTROBUDOWA SA group from sales of goods, services and materials in the nine months of 2015 amounted to 932 416 thousand PLN and was by 175 618 thousand PLN (23.2%) higher than in the same period of 2014.

Out of the total Group’s revenue, 96.9% was earned by ELEKTROBUDOWA SA while 3.1% by ENERGETEST sp. z o.o.

Sales invoiced in the three quarters of 2015 were principally related to performance of big contracts for the supply of electrical installation services and supply of electrical equipment, and included:

- construction of a new heat generation unit with fluidized bed boiler, heating and condensing turbine and associated plants in TAURON Ciepło SA Zakład Wytwarzania Tychy for TAURON Ciepło Sp. z o.o. 309.5 million PLN,
- extension and modernization of Skawina 220/110kV electrical substation including connection to 2x2x400kV line, for PSE S.A. 56.6 million PLN,
- supply, erection and commissioning of electrical and I&C components and systems for the Nuclear Power Plant Olkiluoto Finland for AREVA NP GmbH 46.2 million PLN,
- supply, installation and commissioning of frequency converters, Unit 4, 5 and 6 for the FGD plant in Turów, for Babcock Noell GmbH 25.5 million PLN,
- Rebuilding of the existing peak load/reserve boiler house into a light fuel oil fired boiler, including infrastructure, for EDF Polska S.A. Kraków for EDF Polska S.A. 25.1 million PLN,
- Civil works and other associated services required for the completion of the project - construction of the Franowo tram depot in Poznań for MPK w Poznaniu Sp. z o.o. 21.0 million PLN,

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

-
- | | | |
|--|------|--------------|
| - Design and construction of Resko wind farm, stage 2 for total installed capacity 76MW including generator connection for PGE Energia Odnawialna S.A. | 20.3 | million PLN, |
| - "design and build" execution of the project „Extension of the Słupsk 400/110kV Substation” – Stage 1 and 2 in order to connect Słupsk 240MW wind farm, Potęgowo 320MW wind farm, including installation of 400/110kV autotransformer to the ENERGA - OPERATOR S.A. grid, for PSE Operator S.A. | 15.9 | million PLN, |
| - Erection and installation services – overall supply of electrical and I&C systems for the Innovative plant for production of ultra clean monochloroacetic acid U-P MCAA for PCC MCAA Sp. z o.o. | 14.7 | million PLN, |
| - turnkey delivery of items of infrastructure dedicated for the new Flue Gas Desulfurization (FGD) plant being constructed in the heat and power plant located in the PKN ORLEN SA production facility in Płock, for PKN ORLEN SA | 13.4 | million PLN. |

The growth rate of sales revenue (23.2%) in the comparative periods was higher than the growth rate of cost of products goods and materials (19.5%). Relations between sales and costs and their impact on the profit amount are described by sales profitability ratios. After the reporting nine months of 2015 the return on sales ratio was 4.7% and rose 2.6 percentage point on the same period of the previous year. The increase of the return on sales ratio indicates improvement of profit margin.

Selling costs for the nine months ended 30 September 2015 amounted to 2 636 thousand PLN and were 272 thousand PLN (11.5%) higher than in the same period of 2014. The share of selling costs in the sales revenue was the same 0.3% in the compared periods. The level of selling costs in the consecutive reporting periods was correlated with the level of sales revenue.

The general administrative expenses for the nine months ended 30 September 2015 amounted to 13 464 thousand PLN and rose 1 251 thousand PLN (10.2%), on the comparative period of 2014. The general administrative expenses had a 1.4% share in the sales revenues. Compared to the nine months ended 30 September 2014 the Group recorded its 0.2 percentage point drop. The share of general expenses in revenues did not significantly differ in the comparable reporting periods.

Costs of operating activity in the nine months ended 30 September 2015 exceeded operating income by 9 811 thousand PLN. In the same period of 2014 the excess of operating expenses over income was 6 653 thousand PLN. The Group recorded a 3 158 thousand PLN increase in loss on operating activity. Analytical items of operating activity are presented in Note 28.

Operating profitability for the nine months ended 30 September 2015 reached the level of 5.9% (a growth by 2.9 percentage point compared to the same period of 2014).

The financial activity of the Group generated a loss of 2 064 thousand PLN, by 312 thousand PLN bigger than in the same period of the previous year. The outcome of the financial activity indicates an increase in borrowed capital, mainly from financial institutions, used for funding current operations (Note 29).

Gains from financial investments in shares of associates for the nine months ended 30 September 2015 amounted to 1 569 thousand PLN. For the comparative nine months of 2014 the Group recorded a loss of 169 thousand PLN.

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

The pre-tax profit generated by the Group for the period of nine months ended 30 September 2015 amounted to 54 367 thousand PLN and was by 33 555 thousand PLN higher than for the comparative period of 2014.

The net profit of the Group for the nine months ended 30 September 2015 amounted to 43 686 thousand PLN, while in the same period of the previous year the Group generated a profit of 16 127 thousand PLN, which means 27 559 thousand PLN increase.

The net profit for the period attributable to the shareholders of ELEKTROBUDOWA SA was 43 778 thousand PLN, whereas the loss of non-controlling interest amounted to 92 thousand PLN.

Return on sales on the level of net profit was 4.7% for the nine months ended 30 September 2015, compared to 2.% for the same period of the previous year (2.6 percentage point growth).

The ELEKTROBUDOWA SA Group thoroughly analyses the market on which it operates and identifies segments prospective for its business development. It is reflected in the financial forecasts made by the group. The group constantly seeks new markets for its products, but at the same time increases turnover in its traditional areas. The entities in the Group recognise the needs of the new markets through participation in symposia and conferences, and promote their products and services in trade fairs and exhibitions.

In the years to come the power industry should be the main driving force of the Polish industrial building sector which badly needs substantial investment in generating facilities and network. The investments in renewable sources of energy seem prospective as well.

A boom is expected in the construction industry in next years, as the new EU financial perspective has been launched. Many investments included in the new European budget for 2014 – 2020 will enter their execution stage. This funding will also cover new infrastructure projects, concerning both road and railway systems.

38. Representation of the Management of the parent company ELEKTROBUDOWA SA on realization of the published forecast

Published on 25 February 2015, the consolidated 2015 Forecast of the ELEKTROBUDOWA SA group assumes that the annual sales revenues will be realized on the level of 1 196 862 thousand PLN and the net profit will amount to 45 032 thousand PLN (of which 44 979 thousand PLN is the profit attributable to the Company's shareholders). After the nine months of 2015 the Group generated sales revenue of 932 416 thousand PLN and earned the net profit of 43 686 thousand PLN, of which 43 778 thousand PLN is attributable to the shareholders of ELEKTROBUDOWA SA.

The budgeted annual sales were realized in 78% while the net profit in 97%.

Having considered the performance, the Management of the company decided to announce a new annual forecast in respect of the net financial result.

39. Additional information disclosed by the parent company

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).

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

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

	period ended 30 September 2015 (unaudited)	period ended 31 December 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)	3 168	2 326
Extended guarantees (off-balance sheet liabilities)	3 722	3 722

The project was 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.

The amount 20 145 thousand PLN 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 file an application, on 11 August 2015, 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. By the decision of 1 September 2015 the District Court for the Capital City of Warsaw, 9th Commercial Division ascertained its lack of competence to consider the application for a consent to place the subject of the cash consideration at the court deposit; at present we are waiting for a decision of the Regional Court in Warsaw to establish which court shall be competent for the case.

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

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, the case records are in the proceedings between the first and the second instances, as indicated above.

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).

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. 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.

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

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 available documentation, 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 real risk of non-realizability of the recognized receivables. Because of protracting procedure of establishing the escrow deposit and the necessity to fulfill the conditions for releasing the money due from the deposit, the resolution of the case in the short-time perspective is not expected.

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 filed 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. The proceedings are still pending.

Major events concerning activity of the Group that occurred in the period of nine months ended 30 September 2015

Pursuant to the Regulation of the Minister of Finance dated 19 February 2009 on current and interim information provided by issuers of securities and with the conditions of acknowledging the equivalence of information required by laws of a non-member country, the company discloses the key events concerning ELEKTROBUDOWA SA, that took place during the period of nine months ended 30 September 2015:

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.

31.07.2015 – the parent company informed that Mr Piotr Janczyk submitted to the Chairman of the Supervisory Board of ELEKTROBUDOWA SA a written resignation from the position of Member of the Management Board of ELEKTROBUDOWA SA as of 31 July 2015

30.09.2015 - on 29 September 2015 another Amendment was signed to the Cooperation Agreement I No. 11/234/06/Z/PX made with mBank SA.

By the Amendment, from 30 September 2015 the amount of Limit granted under the Cooperation Agreement for financing the Company's current operations is changed. Limit of the Line for the Bank products is increased up to 120.0 million PLN. By the Amendment validity of the Agreement is extended until 30 September 2016.

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

40. Significant events after the reporting date

On 10 November 2015 the parent company informed that the Management of ELEKTROBUDOWA SA had passed a resolution to revoke an individual commercial proxy granted to Mr Roman Grzelak, with the effect from 9 November 2015.

On 10 November 2015 the parent company signed an Amendment to the Framework Agreement on the Revolving Line of Credit for Bank Guarantees with Bank Handlowy w Warszawie Spółka Akcyjna, having its registered office in Warsaw. According to covenants of the Amendment, the Bank extended the validity of the renewable lending limit in the amount of 90 000 000.00 PLN until 10 November 2016. The other provisions of the Agreement remain unchanged.

ELEKTROBUDOWA SA also signed an Amendment to the Current Account Overdraft Agreement No. BDK/KR-RB/000501070/0177/13. According to its covenants the Bank extended the validity of the Agreement until 10 November 2016. The other provisions of the Credit Agreement remain unchanged.

No other significant events have occurred after the reporting date, except for presented above and in Note 36 which should be, but are not, disclosed in these interim condensed consolidated financial statements.