The RAFAKO Group

THE PBG GROUP

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the nine months ended September 30th 2015

November 16th 2015

Table of contents

Appendices:

1. Interim condensed separate financial statements of RAFAKO S.A. for the nine months ended September 30th 2015

(PLN '000)

Interim condensed consolidated statement of comprehensive income

for the nine months ended September 30th 2015

	Note	*Three months ended Sep 30 2015 (unaudited)*	*Nine months ended Sep 30 2015 (unaudited)*	*Three months ended Sep 30 2014 (unaudited, restated)*	*Nine months ended Sep 30 2014 (unaudited, restated)*
Continuing operations					
Revenue	12.1	**321,784**	**1,017,056**	**295,953**	**754,669**
Revenue from sale of goods and services		321,215	1,015,419	294,667	753,207
Revenue from sale of materials		569	1,637	1,286	1,462
Cost of sales	12.1	(290,394)	(933,476)	(272,459)	(666,610)
Gross profit/(loss)		**31,390**	**83,580**	**23,494**	**88,059**
Other income	12.1	489	2,508	1,691	4,377
Distribution costs	12.1	(7,360)	(21,077)	(4,199)	(27,163)
Administrative expenses		(12,855)	(37,181)	(11,105)	(33,005)
Other expenses	12.1	(912)	(1,917)	(1,013)	(7,873)
Profit/(loss) from continuing operations		**10,752**	**25,913**	**8,868**	**24,395**
Finance income	12.1	1,960	9,826	(207)	2,556
Finance costs	12.1	(2,706)	(5,796)	(3,582)	(8,133)
Profit/(loss) before tax		**10,006**	**29,943**	**5,079**	**18,818**
Income tax expense	12.2	(2,354)	(8,210)	(1,252)	(3,471)
Net profit/(loss) from continuing operations	12.25	**7,652**	**21,733**	**3,827**	**15,347**
Discontinued operations	12.3				
Profit/(loss) from discontinued operations		**–**	**(55)**	**1,786**	**4,084**
Net profit for the year		**7,652**	**21,678**	**5,613**	**19,431**

Racibórz, November 16th 2015

(PLN '000)

Interim condensed consolidated statement of comprehensive income

for the nine months ended September 30th 2015

	Note	*Three months ended Sep 30 2015 (unaudited)*	*Nine months ended Sep 30 2015 (unaudited)*	*Three months ended Sep 30 2014 (unaudited, restated)*	*Nine months ended Sep 30 2014 (unaudited, restated)*
Other comprehensive income for the period					
Items to be reclassified to profit/(loss) in subsequent reporting periods					
Exchange differences on translating foreign operations		(183)	(347)	10	8
Exchange differences on translating foreign operations attributable to non-controlling interests		2	(1)	(2)	(4)
Other net comprehensive income to be reclassified to profit/(loss) in subsequent reporting periods		**(181)**	**(348)**	**8**	**4**
Items not subject to reclassification to profit/(loss) in subsequent reporting periods					
Other comprehensive income due to actuarial gains/(losses)		(239)	(615)	(184)	16
Tax on other comprehensive income	12.2	46	117	35	(3)
Other comprehensive income not subject to reclassification to profit/(loss) in subsequent reporting periods		**(193)**	**(498)**	**(149)**	**13**
Total comprehensive income for the period		**7,278**	**20,832**	**5,472**	**19,448**
Net profit/(loss) attributable to:		**7,652**	**21,678**	**5,613**	**19,431**
Owners of the Parent	12.25	7,595	21,520	5,268	18,556
Non-controlling interests		57	158	345	875
Comprehensive income attributable to:		**7,278**	**20,832**	**5,472**	**19,448**
Owners of the Parent		7,219	20,675	5,129	18,577
Non-controlling interests		59	157	343	871
Earnings/(loss) per share:					
Basic earnings/(loss) per share, PLN	12.25	0.11	0.30	0.08	0.27
Earnings/(loss) per share from discontinued operations					
Basic earnings/(loss) per share, PLN	12.25	0.00	0.00	0.02	0.05

Racibórz, November 16th 2015

(PLN '000)

Interim condensed consolidated statement of financial position
as at September 30th 2015

	Note	Sep 30 2015 (unaudited)	Dec 31 2014
ASSETS			
Non-current (long-term) assets			
Property, plant and equipment	12.5, 12.6	178,806	172,199
Investment property		–	–
Intangible assets	12.6	12,268	9,310
Trade receivables	12.10	39,078	29,706
Non-current financial assets	12.10	31,858	33,770
Shares in other entities	12.9	259	388
Non-current loans advanced	12.11, 14	38	38
Other non-current financial assets	12.11, 14, 25	31,561	33,344
Deferred tax asset	12.2	61,012	49,536
		323,022	**294,521**
Current (short-term) assets			
Inventories	12.12	19,307	21,730
Trade receivables, other receivables and prepayments	12.15, 14	439,450	459,451
Trade receivables	12.15, 14	195,080	248,399
Income tax receivable	12.15	10,143	13,852
Other receivables and prepayments	12.15	234,227	197,200
Gross amount due from customers for contract work	11	242,472	257,803
Current financial assets		211,902	38,919
Derivative instruments	15	–	–
Current deposits	14	–	–
Current loans advanced	14	50	70
Other current financial assets	12.13, 14, 25	3,979	–
Cash and cash equivalents	12.3, 12.14, 14	207,873	38,849
Other current non-financial assets		–	–
		913,131	**777,903**
Non-current assets held for sale	9	**1,576**	**74,138**
TOTAL ASSETS		**1,237,729**	**1,146,562**

Racibórz, November 16th 2015

(PLN '000)

Interim condensed consolidated statement of financial position

as at September 30th 2015

	Note	*Sep 30 2015 (unaudited)*	*Dec 31 2014*
EQUITY AND LIABILITIES			
Equity (attributable to owners of the Parent)			
Share capital	12.17	169,864	139,200
Share premium	12.20	95,340	36,778
Reserve funds	12.21	112,715	114,393
Other capital reserves	12.22	5,079	–
Exchange differences on translating foreign operations	12.23	(157)	190
Retained earnings / (Accumulated losses)	12.24	33,400	10,700
		416,241	**301,261**
Equity (attributable to non-controlling interests)		898	12,193
Total equity		**417,139**	**313,454**
Non-current liabilities			
Interest-bearing borrowings		–	–
Finance lease liabilities	12.27, 14	3,340	2,254
Deferred tax liability	12.2	94	397
Provision for employee benefits	12.26, 16.2	25,090	24,907
Trade and other payables	12.27	19,141	24,459
Trade payables	12.27, 14	15,634	20,504
Capital commitments	12.27, 14, 22	1,057	1,762
Other liabilities	12.27	2,450	2,193
		47,665	**52,017**
Current liabilities			
Trade and other payables	12.28	350,829	394,443
Trade payables	14	250,756	304,226
Capital commitments	14, 22	7,490	8,619
Income tax payable		9	901
Other liabilities	12.28	92,574	80,697
Current portion of interest-bearing borrowings	14, 17, 18	145,368	128,527
Other financial liabilities and finance lease liabilities	14	1,437	776
Provision for employee benefits	12.26, 16.2	2,336	1,896
Gross amount due to customers for contract work, provisions for contract work and deferred income	11	272,955	240,609
Amounts due to customers for construction contract work	11	243,328	207,271
Provisions for construction contract work	11, 16	28,171	32,267
Grants		1,456	1,071
		772,925	**766,251**
Liabilities directly related to assets classified as held for sale		–	**14,840**
Total liabilities		**820,590**	**833,108**
TOTAL EQUITY AND LIABILITIES		**1,237,729**	**1,146,562**

Racibórz, November 16th 2015

(PLN ‘000)

Interim condensed consolidated statement of cash flows

for the nine months ended September 30th 2015

	Note	*Nine months ended Sep 30 2015 (unaudited)*	*Nine months ended Sep 30 2014 (unaudited, restated)*
Cash flows from operating activities			
Profit/(loss) before tax from continuing operations		**29,943**	**18,818**
Profit/(loss) before tax from discontinued operations		(66)	5,080
Profit/(loss) before tax		29,877	23,898
Adjustments for:		**3,719**	**109,718**
Depreciation and amortisation		9,525	9,528
Foreign exchange gains/(losses)		449	83
Interest and dividends, net		2,988	5,584
(Gain)/loss from investing activities		(3,082)	(894)
Increase/(decrease) in liabilities/assets from valuation of derivative instruments		(89)	(59)
(Increase)/decrease in receivables	12.4	4,816	83,771
Change in inventories		2,914	(212)
Increase/(decrease) in employee benefit provisions and obligations, excluding borrowings	12.4	(33,977)	54,005
Change in prepayments and accruals for construction contracts	12.4	48,545	(30,739)
Income tax (paid)/received		(28,480)	(12,155)
Other		110	806
Net cash from operating activities		**33,596**	**133,616**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment and intangible assets		1,613	713
Purchase of property, plant and equipment and intangible assets	12.4	(15,260)	(4,693)
Dividends and interest received		77	204
Loans advanced		–	(190)
Repayment of loans advanced		22	60
Interest on loans advanced		–	60
Sale of financial assets	12.4	21,430	1,198
Purchase of financial assets		–	(4,755)
Other		(1,440)	419
Net cash from investing activities		**6,442**	**(6,984)**
Cash flows from financing activities			
Proceeds from issue of shares		90,425	190
Payment of finance lease liabilities		(1,249)	(590)
Proceeds from borrowings	12.4	17,418	–
Repayment of borrowings	12.4	(12)	(118,968)
Dividend paid to non-controlling interests		–	(605)
Interest paid	12.4	(3,085)	(5,183)
Bank fees		(930)	(1,119)
Other		(259)	833
Net cash from financing activities		**102,308**	**(125,442)**
Net increase/(decrease) in cash and cash equivalents		**142,346**	**1,190**
Net foreign exchange differences		(372)	22
Cash at the beginning of the period	12.14	65,899	54,720
Cash at the end of the period, of which:	12.14	**207,873**	**55,932**
- restricted cash	12.14	1,431	1,269

Racibórz, November 16th 2015

(PLN '000)

Interim condensed consolidated statement of changes in equity

for the nine months ended September 30th 2015

	Share capital	*Share premium*	*Reserve funds*	*Other capital reserves*	*Exchange differences on translating foreign operations*	*Retained earnings/ Accumulated losses*	*Total*	*Non-controlling interests*	*Total equity*
As at Jan 1 2015	**139,200**	**36,778**	**114,393**	–	**190**	**10,700**	**301,261**	**12,193**	**313,454**
Total comprehensive income for the period	–	–	–	–	(347)	21,022	**20,675**	157	20,832
Distribution of prior year profits	–	–	25,674	–	–	(25,674)	–	–	–
Series J shares issue	30,664	58,562					**89,226**		89,226
Disposal of subsidiary	–	–	(27,352)	–	–	27,352	–	(11,452)	(11,452)
Equity contributions to subsidiary	–	–	–	5,079	–	–	**5,079**	–	5,079
As at Sep 30 2015 *(unaudited)*	**169,864**	**95,340**	**112,715**	**5,079**	**(157)**	**33,400**	**416,241**	**898**	**417,139**
As at Jan 1 2014	**139,200**	**36,778**	**252,821**	–	**134**	**(145,980)**	**282,953**	**11,136**	**294,089**
Total comprehensive income for the period	–	–	–	–	8	18,569	18,577	871	19,448
Coverage of accumulated losses	–	–	(138,428)	–	–	138,428	–	–	–
Dividend	–	–	–	–	–	–	–	(605)	(605)
Change in Group structure	–	–	–	–	–	–	–	190	190
As at Sep 30 2014 *(unaudited)*	**139,200**	**36,778**	**114,393**	–	**142**	**11,017**	**301,530**	**11,592**	**313,122**

Racibórz, November 16th 2015

NOTES

1. General information

The RAFAKO Group (the "Group") is composed of RAFAKO S.A. (the "Parent") and its subsidiaries presented in Note 8.8

RAFAKO S.A. ("the Company" or the "Parent") is a publicly-traded joint stock company with its registered office at ul. Łąkowa 33 in Racibórz, Poland. The Company was established under a notary deed of January 12th 1993. On August 24th 2001 it was entered in the Register of Entrepreneurs maintained by the District Court in Gliwice, 10th Commercial Division of the National Court Register, under No. KRS 34143. The Parent's Industry Identification Number (REGON) is 270217865.

The Parent and other Group companies were established for an indefinite period.

These interim condensed consolidated financial statements of the Group cover the nine months ended September 30th 2015 and contain consolidated comparative data for the nine months ended September 30th 2014 and as at December 31st 2014.

The interim condensed consolidated statement of comprehensive income contains data for the three months ended September 30th 2015 and the comparative data for the three months ended September 30th 2014, which have not been audited or reviewed by an auditor.

The Group's principal business activities are as follows:

- Production of steam generators, excluding hot water central heating boilers
- Repair and maintenance of finished metal goods;
- Installation of industrial machinery, plant and equipment;
- Manufacture of metal structures and parts thereof;
- Other specialist construction activities n.e.c.;
- Manufacture of industrial cooling and ventilation equipment;
- Manufacture of other metal reservoirs, tanks and containers;
- Machining;
- Metalworking and coating;
- Manufacture of machinery for metalworking;
- Repair and maintenance of machinery;
- Activities in the field of architecture;
- Engineering activities and related technical consultancy;
- Manufacture of ovens, furnaces and furnace burners;
- Wholesale of other machinery and equipment;
- Wholesale of metals and metal ores;
- Manufacture of other general-purpose machinery n.e.c.;
- Manufacture of tools;
- Production of electricity;
- Transmission of electricity;
- Distribution of electricity;
- Trade in electricity;
- Production and supply of steam, hot water and air for air-conditioning systems;
- Wholesale of hardware, plumbing and heating equipment and supplies;
- Rental and management of freehold or leasehold property;
- Other technical testing and analyses;
- Other non-school forms of education n.e.c.;
- Sewage disposal and treatment;
- Hotels and similar accommodation;
- Holiday and other short-stay accommodation;
- Restaurants and other permanent catering facilities;
- Other catering services;

- Activities of cultural facilities;
- Other recreation and entertainment facilities;
- Activities related to organisation of fairs, exhibitions and conventions;
- Scientific research and development work in the field of other natural and technical sciences;
- Forging, pressing, stamping and roll-forming of metal; powder metallurgy;
- Manufacture of instruments and appliances for measuring, testing and navigation;
- Manufacture of electric motors, generators and transformers;
- Manufacture of electricity distribution and control apparatus;
- Manufacture of engines and turbines, except aircraft, vehicle and cycle engines;
- Manufacture of hydraulic and pneumatic drive equipment and accessories;
- Manufacture of other pumps and compressors;
- Manufacture of lifting and handling equipment;
- Repair and maintenance of electrical equipment;
- Treatment and disposal of non-hazardous waste;
- Dismantling of wrecks;
- Remediation activities and other waste management services;
- Construction of residential and non-residential buildings;
- Construction of roads and motorways;
- Construction of railways and underground railways;
- Construction of transmission pipelines and distribution systems;
- Construction of telecommunications lines and power lines;
- Construction of other civil engineering projects n.e.c.;
- Dismantling and demolition of buildings;
- Site preparation;
- Digging, drilling and boring for geological and engineering purposes;
- Installation of electrical wiring and fittings;
- Installation of plumbing, heat, gas and air-conditioning systems;
- Other building installations;
- Erection of roof covering and frames;
- Wholesale of waste and scrap;
- Warehousing and storage of other goods;
- Software related activities;
- Computer consultancy activities;
- IT equipment management activities;
- Other services in the field of information and computer technology;
- Data processing, hosting and related activities;
- Specialist design activities;
- Renting and leasing of cars and vans;
- Renting and leasing of other motor vehicles, except motorcycles;
- Renting and leasing of construction machinery and equipment;
- Renting and leasing of office machinery and equipment, including computers;
- Renting and leasing of other machinery, equipment and tangible goods n.e.c.;
- Repair and maintenance of computers and peripheral equipment;
- Operation of sports facilities;
- Other sports activities;
- Other business and management consultancy activities

The Parent has a self-reporting branch in Turkey which prepares its financial statements in accordance with Turkish law. The functional currency of the branch is EUR.

These interim condensed consolidated financial statements of the RAFAKO Group have been prepared in accordance with the historical cost principle, modified with respect to financial instruments measured at fair value.

These interim condensed consolidated financial statements are presented in Polish zloty ("PLN"), and all amounts are stated in PLN thousands unless otherwise indicated.

These interim condensed consolidated financial statements for the nine months ended September 30th 2015 were authorised for issue by the Parent's Management Board on November 16th 2015.

The Company's interim financial performance may not be indicative of its potential full-year financial performance.

2. Basis of preparation

These interim condensed consolidated financial statements were prepared in accordance with the International Financial Reporting Standards ("IFRSs") and the IFRSs endorsed by the European Union ("EU IFRSs"), in particular in accordance with International Accounting Standard 34.

The International Financial Reporting Standards comprise standards and interpretations approved by the International Accounting Standards Board ("IASB") and the Committee on International Financial Reporting Interpretations Committee ("IFRIC").

These interim condensed consolidated financial statements of the RAFAKO Group have been prepared on the assumption that the Group will continue as a going concern for at least 12 months after the end of the reporting period, i.e. September 30th 2015.

To be able to continue trading, the Group must maintain its financial liquidity, that is ability to secure full financing for the current contracts. In view of the above, the Management Board of the Parent has prepared financial projections for the 12 months from September 30th 2015 and for the following years, based on a number of assumptions, the most important of which relate to:

- timely delivery and execution of the contracts in the Group's current order book, including in particular the timely generation of cash flows from the contracts and renegotiation of selected contracts to optimise cash flows,

- timely delivery and execution of the contracts in the Group's current order book on the assumption that the target margins would be achieved and the loss already recognised on some contracts would not increase,

- continued financing of the Group's operations with a credit facility subsequent to May 31st 2016 – pursuant to the annex executed on May 29th 2015, the repayment date for the credit facility used by the Group was extended until May 31st 2016,

- release of cash locked in performance bonds against delivery of appropriate bank guarantees to the Group's trading partners. As at the date of these interim condensed consolidated financial statements, the Group had PLN 145m available in open guarantee lines provided by several financial institutions, with about 80% of the limit currently used. Availability of the unused portion of the facilities and success in the negotiations with financial institutions concerning further bank/insurance guarantees will enable the Group to perform new contracts it expects to be awarded during the 12 months subsequent to September 30th 2015.

The Group signed an amendment to the PLN 150m facility agreement with PKO BP S.A. whereby repayment of the facility was extended until May 31st 2016. The Group also sold shares of FPM S.A. for approximately PLN 48m, and issued shares worth approximately PLN 93.5m to finance contractual security arrangements in building the Group's order book, and to increase research and development expenditure. All these efforts have significantly improved the Group's liquidity.

The Management Board of the Parent believes that the above key assumptions underlying the financial projections will materialize, which − coupled with the share issue proceeds − will significantly improve the Group's liquidity during at least the 12 months subsequent to the reporting date.

Given the above, the Parent's Management Board is convinced that the financial forecasts prepared for the coming year will be met, and therefore it drew up these interim condensed consolidated financial statements based on the going concern assumption.

The Group applied the IFRSs applicable to financial statements prepared for the year beginning on January 1st 2015.

These interim condensed consolidated financial statements do not include all the information and disclosures required in annual consolidated financial statements and should be read in conjunction with the consolidated financial statements of the RAFAKO Group for the year ended December 31st 2014, which were authorised for issue on March 23rd 2015.

The Group's interim financial performance may not be indicative of its potential full-year financial performance. The Group applied the IFRSs applicable to consolidated financial statements prepared for the year beginning on January 1st 2015.

3. Significant accounting policies

The accounting policies applied in preparing these interim condensed consolidated financial statements are consistent with the policies applied in preparing the Group's annual consolidated financial statements for the year ended December 31st 2014, save for the effect of application of the following amended standards and new interpretations effective for annual periods beginning on or after January 1st 2015.

Amendments to IFRS introduced as part of the 2011-2013 improvements cycle:

- Amendments to IFRS 3 *Business Combinations*

  The amendments clarify that not only joint ventures but also joint arrangements fall outside the scope of IFRS 3. The exception applies solely to the preparation of financial statements of joint arrangements. The amendment is to be applied prospectively.

  The application of these amendments had no effect on the financial standing or performance of the Group.

- Amendments to IFRS 13 *Fair Value Measurement*

  The amendments clarify that the portfolio exception applies not only to financial assets and financial liabilities but also to other agreements that fall within the scope of IAS 39. The amendments are to be applied prospectively.

  The application of these amendments had no effect on the financial standing or performance of the Group.

- Amendments to IAS 40 *Investment Property*

  The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e. property, plant and equipment). The amendment, to be applied prospectively, clarifies that it is IFRS 3 rather than the definition of ancillary services under IAS 40 that should be used to determine whether a transaction is an asset acquisition or a business acquisition.

  The application of these amendments had no effect on the financial standing or performance of the Group.

- IFRIC 21 *Levies*

  The interpretation clarifies that an entity recognises a levy liability on the occurrence of an obligating event or, in other words, the activity that triggers the obligation to pay a levy under relevant legislation. For a levy that is triggered upon reaching a minimum threshold, no liability is recognised before the specified minimum threshold is reached. IFRIC 21 is applied retrospectively.

  The application of these amendments had no effect on the financial standing or performance of the Group.

The application of the amendments had no effect on the Group's financial standing, performance or the scope of disclosures in the interim condensed consolidated financial statements.

The Group has not elected to early adopt any of the standards, interpretations or amendments that have been published but are not yet effective as not yet endorsed by the European Union.

4. New standards and interpretations issued but not yet effective

The following standards and interpretations have been issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee, but are not yet effective:

- IFRS 9 *Financial Instruments* (published on July 24th 2014) − effective for annual periods beginning on or after January 1st 2018 − not adopted by the EU by the date of authorisation of these interim condensed consolidated financial statements.
- Amendments to IAS 19 Defined Benefit Plans: Employee Contributions (published on November 21st 2013) − effective for annual periods beginning on or after July 1st 2014 − in the EU, effective not later than for annual periods beginning on or after February 1st 2015.
- *Improvements to IFRSs 2010−2012 (published on December 12th 2013) − some of the amendments are effective for annual periods beginning on or after July 1st 2014, and some prospectively for transactions occurring on or after July 1st 2014 − in the EU, effective not later than for annual periods beginning on or after February 1st 2015.*
- IFRS 14 *Regulatory Deferral Accounts* (published on January 30th 2014) – effective for annual periods beginning on or after January 1st 2016 – the schedule of EFRAG's work leading to the approval of the standard has not yet been determined − not adopted by the EU by the date of authorisation of these interim condensed consolidated financial statements.
- Amendments to IFRS 11 *Accounting for Acquisitions of Interests in Joint Operations* (published on May 6th 2014) − effective for annual periods beginning on or after January 1st 2016 − not adopted by the EU by the date of authorisation of these interim condensed consolidated financial statements.
- Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation* (published on May 12th 2014) − effective for annual periods beginning on or after January 1st 2016 − not adopted by the EU by the date of authorisation of these interim condensed consolidated financial statements.
- IFRS 15 *Revenue from Contracts with Customers* (published on May 28th 2014) − effective for annual periods beginning on or after January 1st 2018 − not adopted by the EU by the date of authorisation of these interim condensed consolidated financial statements.
- Amendments to IAS 16 and IAS 41 *Agriculture: Bearer Plants* (published on June 30th 2014) − effective for annual periods beginning on or after January 1st 2016 − not adopted by the EU by the date of authorisation of these interim condensed consolidated financial statements.
- Amendments to IAS 27 *Equity Method in Separate Financial Statements* (published on August 12th 2014) − effective for annual periods beginning on or after January 1st 2016 − not adopted by the EU by the date of authorisation of these interim condensed consolidated financial statements.
- Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (published on September 11th 2014) − effective for annual periods beginning on or after January 1st 2016, with the effective date of the amendments provisionally postponed by the IASB − no decision has been made as to when EFRAG will carry out the individual stages of work leading to approval of the amendments − not adopted by the EU by the date of authorisation of these interim condensed consolidated financial statements.
- *Improvements to IFRSs 2012−2014* (published on September 25th 2014) − effective for annual periods beginning on or after January 2016 − not adopted by the EU by the date of authorisation of these interim condensed consolidated financial statements.
- Amendments to IFRS 10, IFRS 12 and IAS 28 *Investment Entities*: *Applying the Consolidation Exception* (published on December 18th 2014) − effective for annual periods beginning on or after July 2016 − not adopted by the EU by the date of authorisation of these interim condensed consolidated financial statements.
- Amendments to IAS 1 *Disclosure Initiative* (published on December 18th 2014) − effective for annual periods beginning on or after January 1st 2016 − not adopted by the EU by the date of authorisation of these interim condensed consolidated financial statements.

The Group has not elected to early adopt any of the standards, interpretations or amendments that have been published but are not yet effective.

As at the date of these interim condensed consolidated financial statements, the introduction of the standards, amendments and interpretations as well as their effect on financial information resulting from first-time application of these standards, amendments or interpretations are being analysed by the Parent's Management Board.

5. Significant judgements and estimates

5.1. Professional judgement

When preparing interim condensed consolidated financial statements of the Group, the Management Board of the Parent has to make some judgements, assumptions and estimates which affect the presented revenue, costs, assets, liabilities, as well as related notes and disclosures concerning contingent liabilities. Uncertainties related to these assumptions and estimates may result in material changes to carrying amounts of assets and liabilities in the future.

Apart from the accounting estimates, the management's professional judgement, which affects the amounts recognised in the financial statements, was of key importance in the application of the accounting policies in the cases described below. The assumptions underlying these estimates are based on the management's best knowledge of current and future activities and events in the particular areas.

Classification of leases where the Group is the lessee

Group companies are parties to lease agreements. The Group classifies its lease agreements as finance leases or operating leases based on the assessment of the extent to which substantially all the risks and benefits incidental to ownership have been transferred from the lessor to the lessee. The assessment is based on economic substance of each transaction.

Discontinued operations

On December 30th 2014, the Parent's Management Board resolved to sell the Furnaces and Mills segment, which comprises the business of FPM S.A. Given the above, FPM S.A. was recognised in the 2014 consolidated financial statements as a group held for sale. In the Management Board's opinion, the entity satisfied the criteria of an entity held for sale, given that:

- FPM S.A. was ready to be sold immediately in its then-current condition to a potential buyer,
- the Management Board has carried out the plan to sell FPM S.A.: on December 30th 2014 it executed a conditional preliminary sale agreement; as at the date of these interim consolidated financial statements, the two conditions precedent under the agreement were fulfilled, and FPM S.A. has been sold.

As of February 19th 2015, FPM S.A. was excluded from the RAFAKO Group, and its results in the period January 1st–February 19th 2015 are presented under discontinued operations.
As at December 31st 2014, FPM S.A. was classified as a group held for sale and as discontinued operations.
For detailed information on discontinued operations, see Note 12.3.

Identification of embedded derivatives

At the end of each reporting period the Group makes an assessment of the contracts signed for whether they contain any embedded foreign currency derivatives whose economic characteristics and risks are closely related to those of the host contract.

Syndicated agreements

Each time after signing a construction contract to be executed as part of a consortium, the Management Board evaluates the nature of the contract in order to determine the method of accounting for contract revenue and expenses.

5.2. Uncertainty of estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that carry a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities in the next financial year are discussed below. The Group used the assumptions and estimates concerning the future based on its knowledge as at the time of preparation of these financial statements. The assumptions and estimates contained in these financial statements may change in the future due to market developments or factors beyond the Group's control. Such developments or factors will be reflected in the estimates or assumptions as and when they occur.

Estimates relating to the following items had a critical impact on the net result for the nine months ended September 30th 2015 and the amounts of assets and liabilities as at September 30th 2015:

- budgeted revenue from and costs of execution of construction contracts, based on which the executed contracts are measured in accordance with IAS 11,
- estimated amount of contractual penalties for late performance of contracts,
- estimated amount of provisions for employee benefits (the Group incurs costs of jubilee bonuses and post-employment benefits),
- impairment of assets, including financial assets (e.g. receivables under arbitration and arrangement proceedings),
- depreciation and amortisation rates applied,
- realisation of a deferred tax asset (including the deferred tax asset on tax loss).

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that carry a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next reporting period are discussed below.

Impairment of assets

At the end of the reporting period, the Group conducts a test for impairment of goodwill and an analysis of the impairment of property, plant and equipment and intangible assets with defined useful lives for which indications of impairment have been identified. This requires an estimation of the value in use of the cash-generating unit to which these assets belong. Estimating the value in use requires making an estimate of the expected future cash flows from the cash-generating unit and determining a suitable discount rate in order to calculate the present value of those cash flows. Group companies made an assessment of whether there are any indications of impairment of assets. The analysis showed that during the nine months ended September 30th 2015 there were no such indications.

The amounts of impairment losses on other assets at the end of the reporting period are presented in Note 12.16 to these interim condensed consolidated financial statements.

Measurement of provision for employee benefits

Provisions for employee benefits were estimated with actuarial methods.

The assumptions adopted for this purpose are presented in Note 12.26, and they do not differ from assumptions adopted as at December 31st 2014. The change in provisions for employee benefits in the period was caused by the recognition of current service costs, interest expense and benefits paid.

Fair value of financial instruments

Fair value of financial instruments for which there is no active market is determined with the use of appropriate measurement techniques. In selecting appropriate valuation methods and assumptions, the Group relies on professional judgement. For information on the fair value measurement method for individual financial assets, see Note 14.

Revenue recognition

In accounting for its long-term contracts, the Group uses the percentage of completion method. The use of the method requires the Group to estimate the percentage of completion. If the estimated total cost of contract execution increased by 10% in relation to the Group's original estimate, the revenue would decrease by approximately PLN 72.5m.

Depreciation and amortisation rates

Depreciation and amortisation rates and charges are determined based on the anticipated economic useful lives of property, plant and equipment and their estimated residual values. The Group reviews the useful lives of its assets annually, on the basis of current estimates.

Deferred tax asset

The Group recognises deferred tax assets based on the assumption that taxable profits will be available in the future against which the deferred tax asset can be utilised. Deterioration of future taxable profits might render this assumption unreasonable. Deferred tax assets are measured using the tax rates that are expected to apply in the period when the asset is expected to be realised, based on tax laws in effect at the date of these interim condensed consolidated financial statements.

Provision for expected losses on contracts

At the end of each reporting period the Group remeasures total estimated revenues and costs of construction contracts accounted for using the percentage of completion method. Any expected loss on the contract is recognised as an expense in accordance with IFRS. Details of accounting for construction contract revenue and costs for the reporting period are presented in Note 11 to these interim condensed consolidated financial statements.

Provision for costs due to late performance of contracts

The Group recognises a provision for contractual penalties arising from late performance of contracts if the probability of being charged for delay in the performance of the contract is significant and the delay is due to the fault of the Group Companies as contractors. The amount of the provision reflects the amount of the contractual penalty that may be charged for a given period of delay. Details of provisions estimated in this manner are presented in Note 11 to these interim condensed consolidated financial statements.

Impairment of financial assets

At the end of the reporting period, the Group makes an assessment of whether there is any objective evidence of impairment of a receivable or a group of financial assets. Where the recoverable amount of the asset is less than its carrying amount, the entity recognises an allowance to bring down the carrying amount to the present value of the expected cash flows. For a detailed discussion of fair value/recoverable amount of receivables from related parties in bankruptcy, see Note 25.

Recognition of a financial asset (receivable) due to loss of control of a subsidiary

As a result of loss of control of a subsidiary, as discussed in detail in Note 25, the Group recognised in the consolidated statement of financial position for the year 2012 a receivable, initially recognised at fair value, i.e. the present value of expected inflows. This valuation was performed based on a set of assumptions, such as the estimated discounting period, estimated amount of the inflow, and estimated discount rate. Given the uncertainty as to the Parent's ability to claim a refund of the price paid for the shares of ENERGOMONTAŻ-POŁUDNIE S.A., the estimation of the parameters for measurement of the receivable, in particular at its initial recognition, is difficult and subject to uncertainty.

Valuation of receivables from related parties under arrangement proceedings

As at the issue date of these interim condensed consolidated financial statements, the Judge Commissioner had declared that an arrangement, consistent with the arrangement proposals, was reached between PBG and its creditors (for more details see Note 25). The Parent's Management Board remeasured the related receivable as discussed in subsection *'Recognition of a financial asset (receivable) as a result of loss of control over a subsidiary'* based on new assumptions, i.e. the fair value of the receivable was estimated taking into account the expected cash inflows to RAFAKO S.A., taking into consideration PBG S.A.'s arrangement proposals providing for the repayment of PLN 500 thousand and an 80% reduction of the debt in excess of PLN 500 thousand (for which no deferred tax asset was recognised), and the expected timing of the first inflow of cash in the 5-year repayment period, assessed by the Management Board of RAFAKO S.A. as June 30th 2016.

(PLN '000)

Functional currency and presentation currency

The Polish zloty is the functional and presentation currency of these interim condensed consolidated financial statements.

Exchange rates used to determine carrying amounts:

	Sep 30 2015	*Dec 31 2014*	*Sep 30 2014*
USD	3.7754	3.5072	3.2973
EUR	4.2386	4.2623	4.1755
GBP	5.7305	5.4648	5.3549
CHF	3.8785	3.5447	3.4600
SEK	0.4515	0.4532	0.4550
TRY	1.2477	1.5070	1.4491

6. Change in estimates

In the nine months ended September 30th 2015 and as at September 30th 2015, the Group reviewed and updated estimates in significant areas, as discussed in Note 5.2.

The Group also made certain changes in estimates. In accounting for its long-term contracts, the Group uses the percentage of completion method. The use of the method requires the Group to estimate the percentage of completion. A change was made in the method for estimating revenue from contracts in progress where the total contract revenue is below PLN 5m. The previously applied zero profit margin approach was replaced by an approach where profit margins on the contracts are recognised in proportion to their percentage of completion.

The effect of the change in estimates on the statement of comprehensive income for the nine months ended September 30th 2015 is presented below.

	Revenue from sale of goods and services	*Profit/(loss) before tax*	*Income tax expense*	*Net profit*
Before change in estimates	**1,012,126**	**26,650**	**(7,584)**	**19,066**
Measurement of contracts in accordance with IAS 11	3,293	3,293	(626)	2,667
After change in estimates	**1,015,419**	**29,943**	**(8,210)**	**21,733**

(PLN '000)

The effect of the change in estimates on the statement of financial position as at September 30th 2015 is presented below.

	Accruals and deferrals under construction contracts	*Amounts due to customers for construction contract work*	*Deferred tax asset*	*Retained earnings / Accumulated losses*
Before change in estimates	**241,682**	**245,831**	**61,638**	**30,733**
Measurement of contracts in accordance with IAS 11	790	(2,503)	(626)	2,667
After change in estimates	**242,472**	**243,328**	**61,012**	**33,400**

7. Operating segments

Management of the Group's business is based on separate segments, corresponding to the types of products and services offered. Each segment is the Group's component which earns revenue and incurs costs, in accordance with IFRS 8 Operating Segments.

The Group identifies the following operating segments in which individual companies are engaged:

Operating segments	Segment companies
Power and environmental protection facilities	RAFAKO S.A.
	E001RK Sp. z o.o.
	E003B7 Sp. z o.o.
Furnaces and mills – discontinued operations	FPM S.A.
	Palserwis Sp. z o.o.
Other segments	PGL-DOM Sp. z o.o.
	RAFAKO ENGINEERING Sp. z o.o.
	ENERGOTECHNIKA ENGINEERING Sp. z o.o.
	RAFAKO ENGINEERING SOLUTION doo.
	RAFAKO Hungary Kft.

The power and environmental protection facilities segment offers power generating units, stoker-fired boilers, pulverised fuel boilers, stationary and circulating fluidised bed boilers; heat recovery steam generators; systems and facilities ancillary to power boilers; wet, semi-dry and dry flue gas desulfurization systems; flue gas denitrification technologies; dust extraction equipment, including electrostatic precipitators and bag filters, as well as industrial and municipal waste incineration systems. The company is a supplier to both commercial and industrial power plants.

The furnaces and mills segment offering lignite and hard coal mills, automatic stokers and extension grates, slag traps used in heat and power generating machinery and equipment, as well as spare parts, has been classified as discontinued operations. For detailed financial information concerning the discontinued operations, see Note 12.3.

Other segments are made up of those segments which do not meet the quantitative thresholds set out in IFRS 8, including property management and design services provided by other entities of the Group.

The Management Board monitors the segments' operating performance to make decisions on allocation of resources and evaluate the results of the allocation as well as the results of operations. Results of operations are evaluated based on operating profit or loss.

(PLN '000)

For the nine months ended September 30th 2015 or as at September 30th 2015 (unaudited)	*Power and environmental protection facilities*	*Other segments*	*Segments – total*	*Furnaces and mills – discontinued operations*	*Eliminations and unallocated items*	*Total*
Revenue						
Sales to external customers	1,007,881	11,751	1,019,632	8,542	(11,118)	1,017,056
Inter-segment sales	3,277	9,659	12,936	–	(12,936)	–
Total revenue	**1,011,158**	**21,410**	**1,032,568**	**8,542**	**(24,054)**	**1,017,056**
Costs of sales	(927,324)	(17,279)	(944,603)	(7,023)	18,150	(933,476)
Total						
Gross profit (loss)	**83,834**	**4,131**	**87,965**	**1,519**	**(5,904)**	**83,580**
Other income (expenses)	(50,013)	(2,858)	(52,871)	(1,594)	(3,202)	(57,667)
Operating profit (loss)	33,821	1,273	35,094	(75)	(9,106)	25,913
Finance income (costs)	4,712	75	4,787	(57)	(700)	4,030
Profit (loss) before tax	38,533	1,348	39,881	(132)	(9,806)	29,943
Income tax expense	(9,611)	(536)	(10,147)	11	1,926	(8,210)
Net profit (loss) from continuing operations	**28,922**	**812**	**29,734**	**(121)**	**(7,880)**	**21,733**
Depreciation and amortisation	8,572	744	9,316	265	(56)	9,525
Share of profit of associates	–	–	–	–	–	–
Assets and liabilities as at September 30th 2015 (unaudited)						
Assets	**1,336,607**	**54,475**	**1,391,082**	**–**	**(153,353)**	**1,237,729**
Liabilities	**929,919**	**12,374**	**942,293**	**–**	**(121,703)**	**820,590**
Other information						
Investments in associates	–	–	–	–	–	–
Capital expenditure	15,712	323	16,035	1,016	–	17,051

(PLN '000)

For the three months ended September 30th 2015 or as at September 30th 2015 (unaudited)	*Power and environmental protection facilities*	*Other segments*	*Segments – total*	*Furnaces and mills – discontinued operations*	*Eliminations and unallocated items*	*Total*
Revenue						
Sales to external customers	314,193	6,402	320,595	–	1,189	321,784
Inter-segment sales	3,026	2,949	5,975	–	(5,975)	
Total revenue	**317,219**	**9,351**	**326,570**	–	**(4,786)**	**321,784**
Costs of sales	(289,586)	(7,797)	(297,383)	–	6,989	(290,394)
Total						
Gross profit (loss)	**27,633**	**1,554**	**29,187**	–	**2,203**	**31,390**
Other income (expenses)	(18,813)	(1,157)	(19,970)	–	(668)	(20,638)
Operating profit (loss)	8,820	397	9,217	–	1,535	10,752
Finance income (costs)	(2,825)	(16)	(2,841)	–	2,095	(746)
Profit (loss) before tax	5,995	381	6,376	–	3,630	10,006
Income tax expense	(1,476)	(198)	(1,674)	–	(680)	(2,354)
Net profit (loss) from continuing operations	**4,519**	**183**	**4,702**	–	**2,950**	**7,652**
Depreciation and amortisation	2,968	246	3,214	–	9,553	12,767
Share of profit of associates	–	–	–	–	–	–
Assets and liabilities as at September 30th 2015 (unaudited)						
Assets	**1,336,607**	**54,475**	**1,391,082**	–	**(153,353)**	**1,237,729**
Liabilities	**929,919**	**12,374**	**942,293**	–	**(121,703)**	**820,590**
Other information						
Investments in associates	–	–	–	–	–	–
Capital expenditure	8,422	86	8,508	–	–	8,508

(PLN '000)

For the nine months ended September 30th 2014 or as at September 30th 2014 (unaudited)	*Power and environmental protection facilities*	*Other segments*	*Segments – total*	*Furnaces and mills – discontinued operations*	*Eliminations and unallocated items*	*Total*
Revenue						
Sales to external customers	747,694	6,978	754,672	54,702	(54,705)	754,669
Inter-segment sales	101,325	18,901	120,226	3	(120,229)	–
Total revenue	**849,019**	**25,879**	**874,898**	**54,705**	**(174,934)**	**754,669**
Costs of sales	(765,599)	(20,521)	(786,120)	(42,716)	162,226	(666,610)
Total						
Gross profit (loss)	**83,420**	**5,358**	**88,778**	**11,989**	**(12,708)**	**88,059**
Other income (expenses)	(60,042)	(3,634)	(63,676)	(7,082)	7,094	(63,664)
Operating profit (loss)	23,378	1,724	25,102	4,907	(5,614)	24,395
Finance income (costs)	(2,742)	113	(2,629)	173	(3,121)	(5,577)
Profit (loss) before tax	20,636	1,837	22,473	5,080	(8,735)	18,818
Income tax expense	(3,470)	(162)	(3,632)	(996)	1,157	(3,471)
Net profit (loss) from continuing operations	**17,166**	**1,675**	**18,841**	**4,084**	**(7,578)**	**15,347**
Depreciation and amortisation	7,734	672	8,406	1,178	(56)	9,528
Share of profit of associates	–	–	–	–	–	–
Assets and liabilities as at September 30th 2014 (unaudited)						
Assets	**1,307,674**	**48,867**	**1,356,541**	**76,673**	**(318,723)**	**1,114,491**
Liabilities	**1,033,504**	**12,132**	**1,045,636**	**12,083**	**(256,350)**	**801,369**
Other information						
Investments in associates	–	–	–	–	–	–
Capital expenditure	4,306	972	5,279	435	–	5,713

(PLN '000)

For the three months ended September 30th 2014 or as at September 30th 2014 (unaudited)	*Power and environmental protection facilities*	*Other segments*	*Segments – total*	*Furnaces and mills – discontinued operations*	*Eliminations and unallocated items*	*Total*
Revenue						
Sales to external customers	292,891	3,062	295,953	15,641	(15,641)	295,953
Inter-segment sales	62,847	5,870	68,717	–	(68,717)	–
Total revenue	**355,738**	**8,932**	**364,670**	**15,641**	**(84,358)**	**295,953**
Costs of sales	(333,942)	(6,682)	(340,624)	(11,183)	79,348	(272,459)
Total						
Gross profit (loss)	**21,796**	**2,250**	**24,046**	**4,458**	**(5,010)**	**23,494**
Other income (expenses)	(12,776)	(1,832)	(14,608)	(2,274)	2,256	(14,626)
Operating profit (loss)	9,020	418	9,438	2,184	(2,754)	8,868
Finance income (costs)	(3,816)	47	(3,769)	45	(65)	(3,789)
Profit (loss) before tax	5,204	465	5,669	2,229	(2,819)	5,079
Income tax expense	(1,407)	44	(1,363)	(443)	554	(1,252)
Net profit (loss) from continuing operations	**3,797**	**509**	**4,306**	**1,786**	**(2,265)**	**3,827**
Depreciation and amortisation	2,596	240	2,836	393	(18)	3,211
Share of profit of associates	–	–	–	–	–	–
Assets and liabilities as at June 30th 2014 (unaudited)						
Assets	**1,307,674**	**48,867**	**1,356,541**	**76,673**	**(318,723)**	**1,114,491**
Liabilities	**1,033,504**	**12,132**	**1,045,636**	**12,083**	**(256,350)**	**801,369**
Other information						
Investments in associates	–	–	–	–	–	–
Capital expenditure	1,619	589	2,208	140	–	2,348

(PLN '000)

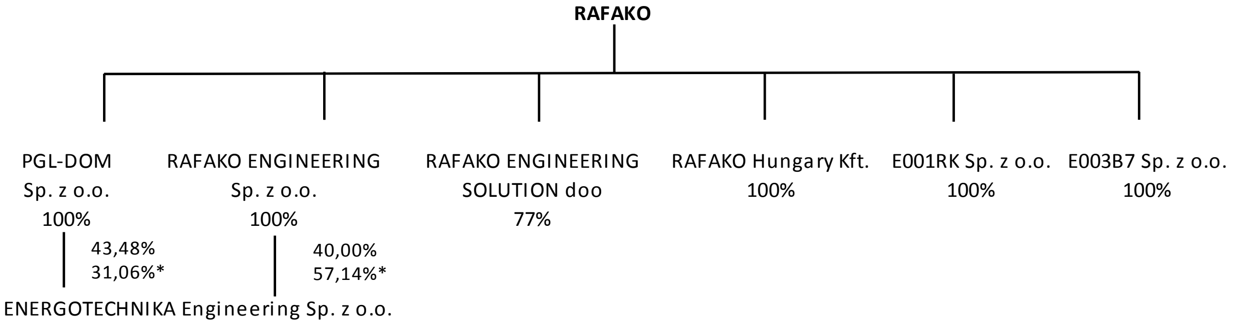
8. Scope of consolidated financial statements

These interim condensed consolidated financial statements incorporate the financial statements of RAFAKO S.A. and its subsidiaries, except for ELWO S.A. w upadłości (in bankruptcy) as the Group no longer controls its operations.

The financial statements of the subsidiaries are prepared for the same reporting period as the financial statements of the Parent, with the use of consistently applied accounting policies. These consolidated financial statements have been prepared in accordance with IAS 27/IFRS 10 Consolidated and Separate Financial Statements.

As at September 30th 2015, the RAFAKO Group was composed of the Parent and seven subsidiaries operating in the power construction, services and trade sectors.

As at September 30th 2015, the following subsidiaries were included in the Group's consolidated financial statements:



* % share of voting rights at the General Meeting.

The table below lists the consolidated RAFAKO Group companies.

Name and registered office	*Principal business activity (according to the Polish Classification of Business Activity)*	*Registry court and number in the National Court Register (KRS)*	*Consolidation method used*
RAFAKO S.A. Racibórz	Manufacture of steam generators except central heating hot water boilers	District Court of Gliwice KRS 34143	-
PGL-DOM Sp. z o.o. Racibórz	Real property activities with own property	District Court of Gliwice KRS 58201	full
RAFAKO ENGINEERING Sp. z o.o. Racibórz	Engineering activities and related technical consultancy	District Court of Gliwice KRS 287033	full
ENERGOTECHNIKA ENGINEERING Sp. z o.o.* Gliwice	Engineering activities and related technical consultancy	District Court of Gliwice KRS 417946	full
RAFAKO ENGINEERING SOLUTION d.o.o. Belgrade	Process design, construction, industry, and environmental protection consultancy and supervision	Commercial Register Agency of the Republic of Serbia 20320524	full
RAFAKO Hungary Kft. Budapest	Equipment assembly in the power and chemical industry	Registry Court of the Capital City of Budapest	full
E001RK Sp. z o.o. Racibórz	Development of building projects; construction of roads and highways, railways and subways, bridges and tunnels; engineering activities and technical and scientific consultancy; production, repair and maintenance of machinery and equipment, generation and transmission of and trading in electricity.	District Court of Gliwice KRS 479758	full
E003B7 Sp. z o.o. Racibórz	Development of construction projects, business consultancy and construction design, engineering and technology	District Court of Gliwice KRS 486911	full

* Subsidiary of RAFAKO ENGINEERING Sp. z o.o. and PGL-DOM Sp. z o.o., indirect subsidiary of RAFAKO S.A.

9. Changes in the structure of the Parent and its consolidated subsidiaries

In the nine months ended September 30th 2015, a number of changes occurred in the Group's structure.

On February 23rd 2015, an agreement was signed to sell shares in subsidiary FPM S.A. for a total amount of PLN 48m. The assets sold represented 82.19% of FPM S.A.'s share capital and conferred 82.19% of total voting rights at the FPM S.A. General Meeting. The carrying amount of the shares in the Parent's accounting books was about PLN 35.2m. Following the transaction, RAFAKO S.A. holds no FPM S.A. shares. There are no links between RAFAKO S.A. or the management or supervisory personnel of RAFAKO S.A. and TDJ or its management personnel.

On September 1st 2015, a resolution was passed to increase the share capital of subsidiary RAFAKO Engineering Sp. z o.o. from PLN 1,000,000.00 to PLN 1,959,000.00, i.e. by PLN 959,000.00, through the creation of 1,918 new shares with a par value of PLN 500.00 per share. The resolution waives the pre-emptive rights of the existing Shareholder (RAFAKO S.A., the Parent) to acquire the newly created shares in proportion to the shares already held, assuming that the new shares will be acquired by a new shareholder – related entity PBG oil and gas Sp. z o.o., a subsidiary of PBG S.A. w upadłości układowej (in company voluntary arrangement). The shares will be acquired in return for a non-cash contribution in the form of an organised part of business with a total value of PLN 3,878,658.74 and a cash contribution of PLN 1,200,000.00. After the registration of the share capital increase at RAFAKO Engineering Sp. z o.o., the respective interests held in the company by RAFAKO S.A. and PBG oil and gas Sp. z o.o. will be 51.05% and 48.95%. The RAFAKO Engineering Sp. z o.o. share capital increase was registered by the District Court of Gliwice, 10th Commercial Division of the National Court Register, on October 29th 2015.

On October 30th 2015, the Company acquired an organised part of the business of related entity PBG Avatia Sp. z o.o. (a subsidiary of PBG S.A. w upadłości układowej (in company voluntary arrangement)), comprising movables, intangible assets and rights under agreements, for a total amount of PLN 2,500,000.00. The acquisition was made as part of a strategy aimed at standardising the IT processes and services across the PBG Group and locating them within RAFAKO S.A. As the condition precedent to the taking of control of the acquired business has been met, the transaction will be accounted for in accordance with IFRS 3 Business Combinations. As at the date of these financial statements, the final accounting for the transaction and its recognition in the accounting books were still pending.

10. Seasonality and cyclical nature of the Group's operations

The operations of Group companies are not affected by seasonality or periodic fluctuations that could materially impact the Group's financial performance.

(PLN '000)

11. Construction contracts

Revenue from construction contracts is recognised with the percentage of completion method. The percentage of completion is determined as the relation of costs incurred to total estimated costs necessary to complete the contract.

The table below presents the effects of accounting for construction contracts, including revenue and costs of running contracts as at September 30th 2015, December 31st 2014 and September 30th 2014, as well as gross amount due to customers and gross amount due from customers for contract work at the dates stated above.

	Sep 30 2015 (unaudited)	*Dec 31 2014*	*Sep 30 2014 (unaudited)*
Contract costs incurred to date (cumulative)	2,780,076	2,853,112	2,501,319
Recognised profits less recognised losses to date (cumulative)	192,699	171,452	160,565
Contract revenue recognised by reference to the contract stage of completion (cumulative)	2,972,775	3,024,564	2,661,884
Progress billings (cumulative)	2,906,133	2,929,213	2,487,686
Gross amount due to customers for contract work (liability), including:	**(243,328)**	**(207,271)**	**(259,995)**
- advances received (liabilities arising from advances received)	(138,088)	(125,433)	(142,165)
- adjustment to advances received arising from amounts due from customers	49,584	44,258	30,520
- gross amount due to customers for contract work	(154,824)	(126,096)	(148,350)
Accruals and deferrals under construction contracts, including:	**242,472**	**257,803**	301,108
- gross amount due from customers for contract work (asset)	200,053	209,456	301,108
- contract acquisition cost and other accrued contract costs	42,419	48,347	–
Provision for penalties due to late contract performance or failure to meet guaranteed technical specifications	–	(1,946)	(9,077)
Provision for losses on construction contracts	(28,171)	(30,321)	(29,631)

The Group analyses each contract for potential losses, which are immediately recognised as an expense in accordance with IAS 11.36. In accordance with IAS 11.11-15, in its accounting for construction contracts the Group recognises estimated penalties arising from delays in the completion of contracts or failure to meet guaranteed technical specifications. Penalty estimates are made based on source documentation concerning delays in contract performance or issues relating to guaranteed technical specifications, based on contractual assumptions and management's assessment of the risk of such penalties being imposed. The level of the estimated risk depends, to a large extent, on external factors that are partly beyond the Company's control, and may change in subsequent periods. Completion of certain contracts where provisions have been recognised for late performance is exposed to the risk of arbitration, which in the opinion of the Group gives rise to risk of indeterminable consequences.

Under "Contract acquisition cost and other accrued contract costs", the Group recognises accrued expenses on contract acquisition, as well as on bank and insurance guarantees relating to contract execution.

Key contracts executed by the Group

Opole Project

In February 2012, the Parent, acting as the Leader of a Consortium comprising RAFAKO S.A., Polimex-Mostostal S.A. and Mostostal Warszawa S.A. executed a PLN 9.4bn contract with PGE Elektrownia Opole S.A. (currently PGE Górnictwo i Energetyka Konwencjonalna S.A. − the "Employer") for turn-key design, delivery, construction, assembly, start-up and performance of all related services with respect to a facility consisting of power unit No. 5 and power unit No. 6 at PGE Elektrownia Opole S.A., together with equipment and devices as well as all related buildings and structures. The competing bidders for the project included Alstom Power Sp. z o.o. ("Alstom").

On October 11th 2013, the Consortium and the Employer concluded an annex to the Agreement, whereby Alstom was included in the list of subcontractors.

E001RK Sp. z o.o. ('SPV-Rafako') was appointed by RAFAKO S.A., its Parent, as the subcontractor in charge of the entire scope of work and services related to the construction of the power generating units at Elektrownia Opole (Opole Power Plant). SPV-Rafako's remuneration for the performance of the works and services is PLN 3.96bn.

Under the subcontractor agreement between SPV-Rafako and Alstom, SPV-Rafako appointed Alstom as its subcontractor responsible for 100% of the work and services making up the Company's scope of work under the Opole Project. Alstom took over the entire responsibility towards the Employer for the execution of the contract.

By June 30th 2015, Alstom signed with ENERGOTECHNIKA ENGINEERING Sp. z o.o., a subsidiary, an agreement for delivery of project documentation.

Rules of accounting for the Opole Contract:

Presentation of income and expenses under the contract has no effect on the values disclosed in the Group's statement of comprehensive income.

The value of balances under the contract has no effect on the values disclosed in the Group's statement of financial position.

Payments under the contract are made by the Employer directly to Alstom.

The execution of the Opole Project may affect the Group's performance if the Parent becomes Alstom's subcontractor for the design and construction of the boiler island comprising the steam generator, desulfurization, dust removal and denitration units, as well as all equipment required for the operation of these units; such deliveries would fall within the Company's principal business activity.

Jaworzno Project

On January 24th 2013, the Parent received a notification from TAURON Wytwarzanie S.A. (the 'Employer') stating that the bid put forward by a consortium comprising RAFAKO S.A. (Consortium Leader) and MOSTOSTAL WARSZAWA S.A. was selected in a contract award procedure, carried out as negotiated procedure with prior contract notice, for 'Development of new coal-fired generation capacities at TAURON Wytwarzanie S.A. – Construction of supercritical 800–910 MW generating unit at the Jaworzno III Power Plant – Power Plant II: Steam boiler, turbine generator set, main building, electrical and I&C systems'. The bid price is approximately PLN 5.4bn (VAT inclusive). On August 4th 2013, the project consortium agreement was amended, with RAFAKO S.A. taking over 99.99% of the Project scope of deliveries (with Mostostal Warszawa taking the remaining 0.01%); consequently, the distribution of consideration due to the consortium members changed to reflect the members' actual shares in the work executed under the Project. In connection with the Amended Consortium Agreement, the parties also entered into an additional agreement of August 4th 2013, a Supplementary Agreement of February 27th 2014 together with Annex 1 thereto, and a Settlement Agreement of April 15th 2014, which define the commercial terms for the new framework of cooperation between the parties on the Jaworzno project, including compensation due to Mostostal Warszawa S.A. for the reduction of its share in the total remuneration and scope of works and deliveries under the Jaworzno project.

Rules of accounting for the Jaworzno project:

For the purposes of Project execution, a special purpose vehicle (E003B7 Sp. z o.o.) was established, to which its Parent, RAFAKO S.A., subcontracted approximately 88.5% of the Project's scope of work, with RAFAKO S.A. executing directly the remaining 11.5% (with an approximate value of PLN 506m, VAT exclusive; the scope includes the design of the boiler island, as well as supply of boiler pressurised parts and a dust removal unit).

For the purposes of execution of the Project, RAFAKO SA and E003B7 Sp. z o.o. concluded agreements with financial institutions, whereby they obtained bank/insurance guarantees with an aggregate amount of PLN 523m, required for the Project execution; under the same agreements, security for the guarantees was established on the assets of RAFAKO SA and E003B7 Sp. z o.o.

The Parent, RAFAKO S.A., does not plan for E003B7 Sp. z o.o. to pay dividend before completion of the Jaworzno project.

RAFAKO S.A., as the Consortium Leader, issues, to the Employer, invoices for the entire scope of work; payments are made directly to the special purpose vehicle as well as key subcontractors and sub-suppliers (Siemens S.A., EMERSON Sp. z o.o., and UNISERV-PIECBUD S.A.). The payment for the scope of work executed by RAFAKO S.A. is made by the special purpose vehicle.

In its consolidated financial statements, the Group recognises total income and expenses related to the Jaworzno Project, i.e. for both RAFAKO S.A. and E003B7 Sp. z o.o. The contract is measured in its entirety, that is with the use of a single margin and single percentage of completion for the Project's entire scope of work.

In the consolidated financial statements, RAFAKO S.A. offsets Project-related income, expenses and settlements between RAFAKO S.A. and the special purpose vehicle.

12. Types and amounts of items with a significant impact on assets, liabilities, equity, financial performance and cash flows

12.1. Revenue, distribution costs, operating income and expenses and finance income and costs

In the nine months ended September 30th 2015, the Group's revenue amounted to PLN 1,017,056 thousand, up PLN 262,387 thousand compared with the corresponding period in 2014. The over 35% increase in revenue reported for the nine months ended September 30th 2015 was driven by a rise in domestic sales, despite a drop in foreign sales. A major driver of the revenue increase was revenue from the contract for the construction of a 910 MW generating unit for the Jaworzno Power Plant.

Cost of sales in the first nine months of 2015 amounted to PLN 933,476 thousand, with the Group's gross profit at PLN 83,580 thousand. The change relative to the first nine months of 2014 results mainly from lower gross operating margin on running contracts in the first nine months of 2015 relative to the same period a year earlier.

Distribution costs disclosed by the Group mainly include expenses incurred by the cost centres allocated to distribution cost in the cost accounting model (a significant part of which consists of payroll costs and advertising expenses). Such costs also include bidding costs and impairment losses on trade receivables. Distribution costs recognised in the Group's comprehensive income for the first nine months of 2015 of PLN 21,077 thousand were primarily attributable to distribution costs excluding impairment loss on trade receivables of PLN 20,713 thousand.

Other income chiefly included gain on sale of property, plant and equipment of PLN 912 thousand (September 30th 2014: PLN 615 thousand) and contractual penalties and compensations received of PLN 515 thousand (September 30th 2014: PLN 1,597 thousand).

Other expenses comprised mostly donations and subsidies of PLN 491 thousand (September 30th 2014: PLN 412 thousand).

In the first nine months of 2015, the Group's finance income was generated mainly from reversal of impairment loss on disputed receivables of PLN 3,639 thousand and interest on financial instruments of PLN 4,678 thousand (September 30th 2014: PLN 1,908 thousand), including PLN 1,882 thousand in interest on security deposits provided in respect of contracts.

Finance costs in the period chiefly included interest on financial instruments of PLN 2,910 thousand (September 30th 2014: PLN 4,885 thousand) and commissions on bank borrowings and bank guarantees granted of PLN 619 thousand (September 30th 2014: PLN 1,084 thousand).

(PLN '000)

12.2. Income tax

Income tax expense

Main components of income tax expense in the consolidated statement of comprehensive income:

Continuing operations	*Three months ended Sep 30 2015 (unaudited)*	*Nine months ended Sep 30 2015 (unaudited)*	*Three months ended Sep 30 2014 (unaudited, restated)*	*Nine months ended Sep 30 2014 (unaudited, restated)*
Consolidated statement of profit or loss				
Current income tax	(3,300)	(19,871)	(8,713)	(9,394)
Current income tax expense	(3,300)	(19,871)	(8,713)	(9,394)
Adjustments to current income tax from previous years	–	–	–	–
Deferred tax	946	11,661	7,461	5,923
Related to recognition and reversal of temporary differences	946	11,661	7,461	5,923
Adjustments to deferred tax from previous years	–	–	–	–
Income tax expense in the consolidated statement of profit or loss	**(2,354)**	**(8,210)**	**(1,252)**	**(3,471)**
Deferred tax on other comprehensive income				
Related to recognition and reversal of temporary differences	46	117	35	(3)
Income tax expense recognised in other comprehensive income	**46**	**117**	**35**	**(3)**
Discontinued operations				
Consolidated statement of profit or loss				
Current income tax				
Current income tax expense	–	(21)	(289)	(666)
Adjustments to current income tax from previous years	–	–	–	–
Deferred tax				
Related to recognition and reversal of temporary differences	–	32	(154)	(330)
Adjustments to deferred tax from previous years	–	–	–	–
Income tax expense in the consolidated statement of profit or loss	–	**11**	**(443)**	**(996)**
Deferred tax on other comprehensive income	–	–	–	–
Related to recognition and reversal of temporary differences	–	–	–	–
Income tax expense recognised in other comprehensive income	–	–	–	–

(PLN '000)

Deferred income tax calculated as at September 30th 2015

Deferred income tax calculated as at September 30th 2015 relates to:

	Statement of financial position		*Statement of comprehensive income*	
	Sep 30 2015 (unaudited)	*Dec 31 2014*	*Sep 30 2015 (unaudited)*	*Sep 30 2014 (unaudited, restated)*
- investment reliefs	(3)	(4)	1	–
- difference between tax base and carrying amount of property, plant and equipment and intangible assets	(15,323)	(17,897)	2,574	(449)
- difference between tax base and carrying amount of assets measured at fair value through profit or loss	1,490	1,818	(328)	(49)
- difference between tax base and carrying amount of loans and receivables	1,596	598	1,297	(1,033)
- different timing of recognition of revenue from sale of goods and services for tax purposes	(28,463)	(27,165)	(1,298)	5,428
- difference between tax base and carrying amount of inventories	1,846	1,516	330	51
- provisions	24,742	22,823	1,919	(7,585)
- difference between tax base and carrying amount of financial liabilities measured at fair value through profit or loss	–	17	(17)	–
- difference between tax base and carrying amount of liabilities under guarantees, factoring and excluded from the scope of IAS 39	8	55	(47)	(6)
- different timing of recognition of cost of sales for tax purposes	58,121	50,687	7,434	11,107
- tax asset related to tax loss	206	338	(132)	(1,504)
- adjustment to costs of unpaid invoices	17,266	12,127	5,139	514
other	(568)	1,685	(2,553)	(884)
Deferred tax expense			**14,319**	**5,590**
Net deferred tax asset/(liability)	**60,918**	**46,598**		
Deferred tax expense – continuing operations			**11,778**	**5,920**
Net deferred tax asset/liability, including:	**60,918**	**46,598**	`	
Deferred tax asset	61,012	49,536		
Deferred tax liability	(94)	(397)		
Deferred tax liability – discontinued operations	–	(2,541)		

In 2014 and 2015, the Parent submitted corrected corporate tax returns for 2008–2013, adjusting the taxable income by a total of PLN 20,381 thousand, which resulted in a PLN 3,872 thousand tax overpayment for previous years. The principal reasons for the corrections were the use of technological tax relief and adjustment to revenue and expenses on contracts completed in 2012–2013, and the transfer of amortisation expense on an intangible asset between tax periods.

(PLN '000)

12.3. Discontinued operations

The Parent sold shares in FPM S.A., as described in Note 9.

The operations of FPM S.A. represented a separate important line of the Group's business. Accordingly, the results of FPM S.A. were classified as discontinued operations as at December 31st 2014, in accordance with IFRS 5. Revenue generated by FPM S.A. in 2014 exceeded PLN 71m. RAFAKO S.A. sold the shares held for PLN 48m; additional transaction cost amounted to PLN 1,440 thousand. The value of FPM S.A.'s net assets sold was PLN 53m (following recognition of impairment loss of FPM's net assets). The value of the non-controlling interest was PLN 11.5m.

As of February 19th 2015, FPM S.A. was excluded from the RAFAKO Group, and its results in the period January 1st−February 19th 2015 are presented under discontinued operations. As at December 31st 2014, FPM S.A. was classified as a group held for sale and as discontinued operations.

FPM S.A.'s financial results for the period January 1st−February 19th 2015 and for the nine months ended September 30th 2014 are as follows:

	Period ended February 19th 2015 (unaudited)	*Nine months ended September 30th 2014 (unaudited, restated)*
Revenue	8,574	54,734
Expenses	(8,649)	(49,827)
Profit/(loss) before tax	**(75)**	**4,907**
Finance income	27	360
Finance costs	(84)	(187)
Impairment of assets held for sale	66	–
Profit/(loss) before tax from discontinued operations	**(66)**	**5,080**
Income tax, including:	(11)	996
- current income tax	20	666
- deferred income tax	(31)	330
Profit/(loss) for the year from discontinued operations	**(55)**	**4,084**

Net cash flows of FPM S.A.:

	Period ended February 19th 2015 (unaudited)	*Nine months ended September 30th 2014 (unaudited, restated)*
From operating activities	531	(6,873)
From investing activities	(848)	(3,919)
From financing activities	(134)	(3,867)
Total net cash inflow/(outflow)	**(451)**	**(14,659)**

Earnings per share

	Period ended February 19th 2015 (unaudited)	*Nine months ended September 30th 2014 (unaudited, restated)*
Earnings/(loss) per share from discontinued operations		
Basic earnings/(loss) per share from discontinued operations	0.00	0.05

Immediately before FPM S.A. was classified as discontinued operations, the recoverable amount of its net assets attributable to the Parent was determined. The assets were found to be impaired. After the company's classification as discontinued operations, in order to recognize the assets comprised in the disposal group at fair value less costs to sell, it was necessary to recognise an impairment loss. In the twelve months ended December 31st 2014, the impairment loss amounted to PLN 8,779 thousand. In the nine months ended September 30th 2015, the adjustment to the impairment loss was PLN 99 thousand. This loss was accounted for in the statement of comprehensive income in 'Net profit/(loss) for the year from discontinued operations'.

12.4. Significant items disclosed in the statement of cash flows

The PLN 4,816 thousand increase in receivables disclosed in the consolidated statement of cash flows for the nine months ended September 30th 2015 resulted mainly from:

- PLN 43,947 thousand decrease in trade receivables,
- PLN (9,830) thousand increase in receivables from the state budget (including VAT),
- PLN (21,386) thousand increase in prepayments made,
- PLN (6,546) thousand increase in security deposits receivable,
- PLN (724) thousand increase in Company Social Benefits Fund receivables,
- PLN 683 thousand decrease in receivables from sale of debt,
- PLN 776 thousand decrease in other receivables,
- PLN (2,104) increase attributable to discontinued operations.

For a detailed description of changes in security deposits and disputed receivables in the nine months of 2015, see Note 12.15.

The PLN 33,977 thousand decrease in liabilities disclosed in the statement of cash flows was mainly caused by:

- PLN (58,340) thousand decrease in trade payables,
- increase in the provision for retirement benefits,
  PLN 623 thousand increase in the provision for retirement benefits (net of actuarial gains/(losses)),
- PLN (4,884) thousand decrease in the provision for warranty repairs,
- PLN (3,772) thousand decrease in the provision for bonuses,
- PLN (165) thousand decrease in the provision for leaves,
- PLN 21,845 thousand increase in the provision for delayed cost collection,
- PLN 115 thousand increase in the provision for balance sheet audit,
- PLN (615) thousand decrease in actuarial gains/(losses),
- PLN 840 thousand increase attributable to discontinued operations,
- PLN 11,381 thousand set-off of income tax liabilities,
- PLN (1,055) thousand decrease in other liabilities.

The PLN 48,545 thousand change in accruals and deferrals relating to construction contracts as shown in the statement of cash flows was mainly caused by:

- decrease in gross amount due from customers for contract work of PLN 15,331 thousand,
- PLN 36,057 thousand increase in gross amount due to customers for contract work,
- PLN (4,096) thousand decrease in provisions for contract work,
- PLN (1,253) increase attributable to discontinued operations.

The cash flows of PLN 15,260 thousand related to acquisition of property, plant and equipment and intangible assets resulted from purchase of property, plant and equipment for PLN 14,476 thousand and of intangible assets for PLN 784 thousand.

The PLN 17,418 thousand increase in borrowings disclosed under financing activities in the statement of cash flows was attributable to a credit facility contracted with PKO BP S.A.

The Group's cash from financing activities was also affected by interest of PLN 3,085 thousand paid on bank borrowings (September 30th 2014: PLN 5,183 thousand).

In the first nine months of 2015, the Group recognised proceeds of PLN 21,430 thousand from the sale of financial assets after accounting for the sale of a subsidiary (net of cash of the subsidiary).

(PLN '000)

12.5. Property, plant and equipment

Sep 30 2015 *(unaudited)*	*Land*	*Buildings*	*Plant and equipment*	*Vehicles*	*Other*	*Property, plant and equipment under construction*	*Total*
Net carrying amount as at Jan 1 2015	**23,773**	**89,529**	**46,140**	**6,370**	**358**	**6,029**	**172,199**
Transfers from property, plant and equipment under construction	–	1,860	6,280	55	–	(8,195)	–
Acquisitions	3	306	1,059	2,358	101	12,440	16,267
Liquidation/sale	(19)	(66)	(66)	(399)	–	–	(550)
Exchange differences on translating foreign operations	–	–	(3)	–	–	–	(3)
Depreciation for the period	–	(2,085)	(5,076)	(948)	(57)	–	(8,166)
Impairment loss for the reporting period	–	(6)	–	–	–	–	(6)
Loss of control of a subsidiary	–	(410)	(110)	(34)	–	(194)	(748)
Acquired in business combinations	–	–	30	231	19	–	280
Other, including reclassification of property, plant and equipment to/from assets held for sale	20	(63)	(457)	51	(18)	–	(467)
Net carrying amount as at Sep 30 2015 *(unaudited)*	**23,777**	**89,065**	**47,797**	**7,684**	**403**	**10,080**	**178,806**

Sep 30 2014 *(unaudited)*	*Land*	*Buildings*	*Plant and equipment*	*Vehicles*	*Other*	*Property, plant and equipment under construction*	*Total*
Net carrying amount as at Jan 1 2014	**28,371**	**107,438**	**56,297**	**4,172**	**325**	**1,324**	**197,927**
Transfers from property, plant and equipment under construction	–	382	2,441	778	–	(3,601)	–
Acquisitions	20	470	388	562	75	4,199	5,714
Liquidation/sale	(1)	(25)	(42)	(19)	–	–	(87)
Exchange differences on translating foreign operations	–	–	–	(2)	–	–	(2)
Depreciation for the period		(2,330)	(5,082)	(585)	(36)		(8,033)
Impairment loss for the reporting period	–	–	–	–	–	–	–
Other, including reclassification of property, plant and equipment to/from assets held for sale	(1)	(62)	4	–	–	–	(59)
Net carrying amount as at Sep 30 2014 *(unaudited)*	**28,389**	**105,873**	**54,006**	**4,906**	**364**	**1,922**	**195,460**

As at September 30th 2015, property, plant and equipment pledged as security for the Group's liabilities amounted to PLN 140,361 thousand. Property, plant and equipment with a value of PLN 135,129 thousand serve as security in respect of liabilities under the multi-purpose credit facility agreement between the Parent and PKO BP S.A. (the mortgage) and in respect of the repayment of BGK's, PKO BP's and PZU's claims towards RAFAKO S.A. under the Surety Agreement executed in order to secure the liabilities of E003B7 Sp. z o.o. arising in connection with the agreement providing for issuance of guarantees for the benefit of TAURON Wytwarzanie S.A. in connection with the Jaworzno III 910 MW unit Project (a registered pledge over a set of movables and rights).

As at September 30th 2014, property, plant and equipment with a net carrying amount of PLN 91,643 thousand served as security in respect of a mortgage with PKO BP S.A.

12.6. Purchase and sale of property, plant and equipment and intangible assets

	Nine months ended Sep 30 2015 (unaudited)	*Nine months ended Sep 30 2014 (unaudited, restated)*
Purchase of property, plant and equipment and intangible assets*	15,070	4,243
Proceeds from sale of property, plant and equipment and intangible assets	930	764

*Capital expenditure incurred in the period to purchase property, plant and equipment, as shown in the table of changes in property, plant and equipment, and capital expenditure incurred to purchase intangible assets.

The Group's capital expenditure on property, plant and equipment involved chiefly expenditure on construction infrastructure and purchases of production plant and equipment and computer hardware. The expenditure was financed with internally generated funds and through lease agreements.

12.7. Business combinations

In the nine months ended September 30th 2015, subsidiary RAFAKO Engineering Sp. z o.o. assumed control over an organised part of the business of related entity POG gas and oil Sp. z o.o. (a subsidiary of PBG S.A. w upadłości układowej (in company voluntary arrangement)), which was contributed to the subsidiary as a non-cash contribution with a total value of PLN 5,079 thousand. The organised part of business was acquired in exchange for shares in RAFAKO Engineering Sp. z o.o. (for more information, see Note 9). The transaction was consistent with a strategic plan to create a maintenance service function within RAFAKO ENGINEERING Sp. z o.o. as part of the PBG Group.

As the condition precedent to the taking of control of the acquired business was met, the transaction was accounted for in accordance with IFRS 3 Business Combinations.

In connection with the above transaction, as at September 30th 2015 the RAFAKO Group disclosed goodwill of PLN 3,525 thousand.

On October 30th 2015, the Company acquired an organised part of the business of its related entity PBG Avatia Sp. z o.o. (a subsidiary of PBG S.A. w upadłości układowej (in company voluntary arrangement)), comprising movables, intangible assets and rights under agreements, for a total amount of PLN 2,500,000.00. The acquisition was made as part of the strategy aimed at standardising the IT processes and services across the PBG Group.

As the condition precedent to the taking of control of the acquired business has been met, the transaction will be accounted for in accordance with IFRS 3 Business Combinations.

As at the date of these financial statements, the final accounting for the transaction and its recognition in the accounting books were still pending.

12.8. Goodwill

As at September 30th 2015, in connection with the assumption of control over an organised part of business by subsidiary RAFAKO Engineering Sp. z o.o., the RAFAKO Group disclosed goodwill of PLN 3,525 thousand.

	Goodwill (PLN '000)
Value of property, plant and equipment	279
Value of cash	1,200
Value of low-cost items	74
Total fair value of net assets acquired	1,553
Total cost of the acquisition	5,078
Goodwill recognised on acquisition	3,525

(PLN '000)

12.9. Shares in other entities

	Sep 30 2015 (unaudited)	Dec 31 2014
Shares in other listed companies	240	369
Shares in other non-listed companies	19	19
	259	**388**

As at September 30th 2015 and December 31st 2014, shares in all other companies held by the Parent and worth PLN 25,291 thousand were encumbered with a registered pledge under the Surety Agreement executed in order to secure the liabilities of E003B7 Sp. z o.o. arising in connection with the agreement providing for issuance of guarantees for the benefit of TAURON Wytwarzanie S.A. in connection with the Jaworzno III 910 MW unit Project (a registered pledge over a set of movables and rights).

12.10. Non-current trade receivables, other receivables and prepayments

	Sep 30 2015 (unaudited)	Dec 31 2014
Trade receivables, including:	39,078	29,706
Trade receivables from related entities	–	–
Trade receivables from other entities	39,078	29,706
Total receivables (net)	**39,078**	**29,706**
Impairment loss on receivables	–	–
Gross receivables	**39,078**	**29,706**

12.11. Other non-current financial assets

	Sep 30 2015 (unaudited)	Dec 31 2014
Non-current loans advanced	38	38
Non-current deposits, including:	–	–
- deposits securing bank guarantees provided to the Group	–	–
Other non-current financial assets, including:	31,561	33,344
Receivables from PBG S.A. w upadłości układowej (in company voluntary arrangement) related to the return of shares in ENERGOMONTAŻ – POŁUDNIE S.A.	26,236	27,717
Receivables from PBG S.A. w upadłości układowej (in company voluntary arrangement) in connection with a loan advanced to HYDROBUDOWA S.A. w upadłości likwidacyjnej (in bankruptcy by liquidation)	5,325	5,627
	31,599	**33,382**

In the nine months ended September 30th 2015, the Group remeasured the receivable arising from the return of shares in ENERGOMONTAŻ-POŁUDNIE S.A. and the receivable arising from a loan granted to HYDROBUDOWA S.A. due to changes in estimates and assumptions, as described in detail in Note 25.

The change in the receivables relative to the amount disclosed as at December 31st 2014 follows from the measurement of the receivables at amortised cost, taking into account the assumptions and estimates specified in Note 6. In the nine months ended September 30th 2015, based on the adopted assumptions, the Group recognised, under other financial assets, the current portion of the receivable from the return transfer of shares in ENERGOMONTAŻ–POŁUDNIE S.A. and current portion of the receivable under the loan advanced to HYDROBUDOWA S.A. (see Note 12.13).

(PLN '000)

12.12. Inventories

	Sep 30 2015 (unaudited)	Dec 31 2014
Materials (at net realisable value)	**19,307**	21,730
At cost	29,090	29,523
At net realisable value	19,307	21,730
Total inventories, at the lower of cost and net realisable value	**19,307**	**21,730**
- including: inventories pledged as security for liabilities	19,288	21,715

As at September 30th 2015, inventories worth PLN 19,288 thousand served as security in respect of the Group's liabilities. Inventories secure repayment of BGK's, PKO BP's and PZU's claims towards RAFAKO S.A. under the Surety Agreement executed in order to secure the liabilities of E003B7 Sp. z o.o. arising in connection with the agreement for issuance of guarantees for the benefit of TAURON Wytwarzanie S.A. in connection with execution of the Jaworzno III 910 MW unit Project (a registered pledge over a set of movables and rights). As at December 31st 2014: PLN 21,715 thousand.

Inventory write-downs

	Nine months ended Sep 30 2015 (unaudited)	12 months ended Dec 31 2014
At the beginning of the period	(7,793)	(6,571)
Write-down recognised	(2,160)	(1,751)
Write-down reversed	170	331
Transfer to assets held for sale	–	198
Balance at end of period	**(9,783)**	**(7,793)**

12.13. Other current financial assets

	Sep 30 2015 (unaudited)	Dec 31 2014
Other current financial assets, including:	–	–
Advance payment to acquire the right to a loan	10,500	10,500
Impairment loss on advance payment to acquire the right to a loan	(10,500)	(10,500)
Receivables from PBG S.A. w upadłości układowej (in company voluntary arrangement) related to the return of shares in ENERGOMONTAŻ – POŁUDNIE S.A.	3,308	–
Receivables from PBG S.A. w upadłości układowej (in company voluntary arrangement) in connection with a loan advanced to HYDROBUDOWA S.A. w upadłości likwidacyjnej (in bankruptcy by liquidation)	671	–
	3,979	–

On April 18th 2012, the Parent and Olenia Ltd entered into a preliminary agreement for the purchase of 50% of shares in Bioelektrownia Szarlej sp. z o.o. and assignment of rights to receivables in the form a loan granted to that company. The total amount of a prepayment paid by the Parent under the agreement was PLN 16,176 thousand (of which PLN 5,676 thousand was paid for shares recognised as other non-financial assets and PLN 10,500 thousand was paid for the loan recognised as other financial assets). Bioelektrownia Szarlej sp. z o.o. is a special purpose vehicle established for the purpose of construction of a biogas power plant, to be financed from internally-generated funds, a loan from investors, and a subsidy awarded to the project. Bioelektrownia Szarlej sp. z o.o. terminated its agreement with the contractor, which caused delays in the performance of work and termination of the project subsidy agreement. Bioelektrownia Szarlej sp. z o.o.'s efforts to resume the project were unsuccessful. Due to the status of the project as described above, the Parent's Management Board concluded that the risk of non-recoverability of the assets is significant and upheld its decision to recognise an impairment loss for the full value of the project.

(PLN '000)

In the nine months ended September 30th 2015, the Group remeasured the receivable arising from the return of shares in ENERGOMONTAŻ-POŁUDNIE S.A. and the receivable arising from a loan granted to HYDROBUDOWA S.A., and presented in current receivables that portion of its receivables which – in accordance with the Arrangement made by PBG S.A. w upadłości układowej (in company voluntary arrangement) with its creditors – are to be paid on June 30th 2016. For more information, see Note 25.

12.14. Cash and cash equivalents

	Sep 30 2015 (unaudited)	*Dec 31 2014*	*Sep 30 2014 (unaudited)*
Cash in hand and at banks	113,537	26,891	42,820
Current deposits for up to 3 months, including:	94,336	11,958	13,112
- deposits securing contingent liabilities	–	–	–
	207,873	**38,849**	**55,932**
including: restricted cash	1,431	1,317	1,269
Cash in hand and at banks allocated to discontinued operations (Note 12.3)	–	13,353	–
Current deposits for up to 3 months, allocated to discontinued operations (Note 12.3, including:	–	13,697	–
- securing contingent liabilities, allocated to discontinued operations	–	53	–
Cash in hand and at banks allocated to discontinued operations (Note 12.3)	**–**	**27,050**	**–**
including: restricted cash allocated to discontinued operations	–	53	–
Total cash	**207,873**	**65,899**	**55,932**

Cash at banks earns interest at variable rates linked to the interest rates for deposits. Current deposits, classified as cash, are placed for various periods, usually of one day to one month, depending on Group companies' immediate cash requirement, and earn interest at rates agreed with the bank.

Group companies carry restricted cash, including cash from subsidies (held in separate bank accounts), which may be used to make payments under current contracts.

(PLN '000)

12.15. Current trade receivables, other receivables and prepayments

	Sep 30 2015 (unaudited)	*Dec 31 2014*
Trade receivables, including:	195,080	248,399
Trade receivables from related entities	278	–
Trade receivables from other entities	194,802	248,399
Income tax receivable	10,134	13,852
Other receivables and prepayments, including:	234,227	197,200
Receivables under prepayments made	42,377	20,991
Receivables from the state budget	19,142	9,312
Settlement of property insurance costs	88	975
Settlements with the Company Social Benefits Fund	884	160
Disputed receivables	304	300
Prepaid expenses	1,116	1,351
Security deposits	168,823	162,277
Receivables sold	–	683
Other	1,493	1,151
Total receivables (net)	**439,450**	**459,451**
Impairment loss on receivables	37,314	40,862
Gross receivables	**476,764**	**500,313**

Receivables from the state budget include chiefly domestic and foreign VAT receivable.

Trade receivables bear no interest and are usually payable within 30 days. However, in the case of some trading partners, the final due dates for payment are set by way of individual arrangements and fall between one and three months of the invoice date.

Group companies follow a policy pursuant to which they sell their products exclusively to customers who have successfully passed a credit verification procedure. As a result, the Management believes there is no additional credit risk that would exceed the uncollectible debt allowance made for trade receivables.

Current trade receivables of PLN 195,080 thousand recognised in the statement of financial position as at September 30th 2015 relate to trading contracts with domestic and foreign contractors. The largest items in this group of receivables include receivables from:

- TAURON Wytwarzanie S.A. – PLN 69,60 thousand,
- Grupa Azoty Zakłady Azotowe Kędzierzyn S.A. – PLN 47,232 thousand,
- HITACHI INOVA AG – PLN 35,015 thousand,
- Synthos Dwory 7 Sp. z o.o. sp.j. – PLN 18,653 thousand,
- Mostostal Warszawa S.A. – PLN 17,880 thousand.

In the nine months ended September 30th 2015, the Group recorded a PLN 6,546 thousand increase in security deposit receivables, including:

- cash security deposit paid under the contract concluded with Valmet Technologies Inc. for the supply of high-pressure steam generator section; the value of security deposits paid and accounted for in the nine months ended September 30th 2015 was PLN 3,265 thousand,
- cash security deposits paid to PKO Bank Polski S.A. as security under contracts performed by the Company; the value of security deposits paid to PKO Bank Polski S.A. and accounted for in the nine months ended September 30th 2015 was PLN 5,166 thousand.

A significant item of other receivables was prepayments, which amounted to PLN 42,377 thousand as at September 30th 2015 and included:

- prepayments to Sumimoto S.A.S. – PLN 17,107 thousand,
- prepayments to Siemens s.r.o. – PLN 10,062 thousand,
- prepayments to Termokimik Corporation SPA – PLN 5,927 thousand,
- prepayments to Veolia Water Technologies Sp. z o.o. – PLN 2,786 thousand.

12.16. Impairment losses on consolidated assets

	*Shares**	*Other non-financial assets*	*Inventories***	*Receivables****
Jan 1 2015	(24,230)	(5,676)	(7,793)	(40,862)
Impairment loss recognised	(130)	–	(2,161)	(1,381)
Impairment loss utilised/reversed	28	–	170	4,930
Sep 30 2015 (unaudited)	**(24,332)**	**(5,676)**	**(9,784)**	**(37,313)**
Jan 1 2014	(24,280)	(5,676)	(6,571)	(58,253)
Impairment loss recognised	–	–	(513)	(13,698)
Impairment loss utilised/reversed	74	–	160	26,077
Sep 30 2014 (unaudited)	**(24,206)**	**(5,676)**	**(6,924)**	**(45,874)**

* Impairment losses on shares in companies are recognised for shares in companies declared bankrupt and in connection with remeasurement of shares in companies which are in a company voluntary arrangement process
** inventory write-downs and write-down reversals are charged to cost of products and services sold
*** impairment losses on non-current and current trade and other receivables, including contractual penalties

12.17. Share capital

In the nine months ended September 30th 2015, the Parent's share capital changed following the issue of 15,331,998 Series J shares with a par value of PLN 2.00 per share. Following the issue, the Company's share capital increased by PLN 30,664 thousand and amounted to PLN 169,864 thousand as at September 30th 2015. A detailed description of the issue of Series J shares is included in Note 20 to these interim financial statements.

Share capital	*Number of shares pcs.*	*Value of shares PLN '000*
Series A shares	900,000	1,800
Series B shares	2,100,000	4,200
Series C shares	300,000	600
Series D shares	1,200,000	2,400
Series E shares	1,500,000	3,000
Series F shares	3,000,000	6,000
Series G shares	330,000	660
Series H shares	8,070,000	16,140
Series I shares	52,200,000	104,400
Series J shares	15,331,998	30,664
	84,931,998	**169,864**

12.18. Par value per share

All the shares have a par value of PLN 2.00 per share and have been taken up for cash contributions.

12.19. Shareholders' rights

Shares of all series carry equal rights as to dividend payment and return on equity.

12.20. Share premium

In the nine months ended September 30th 2015, after the issue of Series J shares had been accounted for, the share premium was PLN 62,861 thousand, while the cost directly related to the issue was PLN 4,300 thousand. Following recognition of share premium of PLN 58,562 thousand, reduced by the issue cost, share premium totalled PLN 95,340 thousand. A detailed description of the issue of Series J shares is included in Note 20 to these interim financial statements (December 31st 2014: PLN 36,778 thousand).

12.21. Reserve funds

Reserve funds have been created from statutorily required transfers from profits generated by the Group in previous financial years, as well as from profit appropriations in excess of the statutorily required transfers. Reserve funds decreased by PLN 27,352 thousand as a result of disposal of a subsidiary and increased by 25,674 thousand, to PLN 112,715 thousand as at September 30th 2015, following a transfer of the 2014 earnings (as at December 31st 2014 reserve funds totalled PLN 114,393 thousand).

12.22. Other capital reserves

'Other capital reserves' comprise the shares contributed to RAFAKO Engineering Sp. z o.o. but not yet registered.

12.23. Translation reserve

The balance of translation reserve is adjusted for exchange differences arising from translation of the financial statements of a foreign subsidiary and a foreign branch of the Parent. As at September 30th 2015, translation reserve amounted to PLN 26 thousand (December 31st 2014: PLN 190 thousand).

12.24. Retained earnings and dividends paid

Following recognition of a PLN 21,520 thousand in net profit for the nine months ended September 30th 2015, recognition of PLN -498 thousand in actuarial losses, disposal of a subsidiary for PLN 27,352 thousand, and transfer of prior year profits of PLN 25,674 thousand to reserve funds, as at September 30th 2015 the Group's retained earnings amounted PLN 33,401 thousand.

In the nine months ended September 30th 2015, Group companies did not pay any dividends.

(PLN '000)

12.25. Earnings /(loss) per share

Basic earnings/(loss) per share is calculated as the quotient of net consolidated profit/(loss) for the given accounting period attributable to ordinary shareholders of the Parent and the weighted average number of ordinary shares of the Parent outstanding in the period.

Presented below is data on the net profit/(loss) and shares applied to calculate basic earnings/(loss) per share:

	Nine months ended Sep 30 2015 (unaudited)	*Nine months ended Sep 30 2014 (unaudited, restated)*
Net profit/(loss) from continuing operations	21,733	15,347
Profit/(loss) from discontinued operations	(55)	4,084
Net profit/(loss)	21,678	19,431
Net profit/(loss) attributable to ordinary shareholders, applied to calculate earnings/(loss) per share	21,520	18,556
Weighted average number of outstanding ordinary shares, applied to calculate basic earnings/(loss) per share	70,947,868	69,600,000
Dilutive effect:	–	–
Stock options	–	–
Cancellable preference shares	–	–
Adjusted weighted average number of ordinary shares applied to calculate diluted earnings/(loss) per share	70,947,868	69,600,000
Earnings/(loss) per share, PLN		
– basic earnings from profit attributable to ordinary shareholders for the period	0.30	0.27
Earnings/(loss) per share from discontinued operations, PLN		
– basic earnings from profit attributable to ordinary shareholders for the period	0.00	0.05

The weighted average number of ordinary shares outstanding used to calculate basic and diluted earnings per share from discontinued operations (Note 12.3) is presented in the table above. The table below presents the profit/(loss) amounts used to calculate earnings per share from discontinued operations:

	Nine months ended Sep 30 2015 (unaudited)	*Nine months ended Sep 30 2014 (unaudited, restated)*
Profit/(loss) from discontinued operations	(55)	4,084
Net profit/(loss) from discontinued operations, attributable to ordinary shareholders, applied to calculate earnings per share	(45)	3,357

In the nine months ended September 30th 2015, the Parent issued new shares, as described in more detail in Note 20.

The Group does not present diluted earnings per share for the nine months ended September 30th 2015 as it does not have any dilutive financial instruments.

(PLN '000)

12.26. Post-employment and other employee benefits

Based on a valuation forecast made at the end of the accounting period by a professional actuary, the Group recognises a provision for the present value of its obligation related to payment of retirement gratuity benefits, jubilee benefits and the Company Social Benefits Fund. The provision amount and a reconciliation showing movements in the provision during the financial year are presented in the table below:

	Sep 30 2015 (unaudited)	*Dec 31 2014*
As at Jan 1 2012	26,803	23,669
Interest expense	499	947
Current service costs	987	628
Actuarial (gains)/losses	614	5,048
Benefits paid	(1,477)	(2,515)
Presentation change in connection with discontinued operations	–	(974)
Closing balance	**27,426**	**26,803**
Non-current provisions	25,090	24,907
Current provisions	2,336	1,896

The main assumptions adopted for the valuation of employee benefits as at the end of the reporting period are as follows:

	Sep 30 2015 (unaudited)	*Dec 31 2014*
Discount rate (%)	2.5	2.5
Anticipated inflation rate (%)*	–	–
Employee turnover rate	5	5
Anticipated salary growth rate (%)	5.0	5.0

**No data in the actuary's report.*

12.27. Non-current trade and other payables

	Sep 30 2015 (unaudited)	*Dec 31 2014*
Trade payables		
Trade payables to related entities	145	6
Trade payables to other entities	15,489	20,498
	15,634	**20,504**
Financial liabilities		
Finance lease liabilities	3,340	2,254
	3,340	**2,254**
Other liabilities		
Unpaid bonus accrual	1,398	333
Capital commitments	1,057	1,762
Provisions for warranty repairs	1,052	1,860
	3,507	**3,955**

(PLN '000)

12.28. Current provisions, trade and other payables

	Sep 30 2015 (unaudited)	*Dec 31 2014*
Trade payables		
Trade payables to related entities	8,583	4,813
Trade payables to other entities	242,173	299,413
	250,756	**304,226**
Capital commitments	7,490	8,619
	7,490	**8,619**
Other liabilities		
VAT	5,791	4,580
Personal income tax	2,505	2,414
Social security liabilities	7,600	9,522
Amounts payable to the Tax Office	–	220
Other taxes, customs duties and insurance payable	64	349
Settlements with the Company Social Benefits Fund	3	3
Salaries and wages payable	8,766	8,842
Accrued holiday entitlements	3,615	3,780
Unpaid bonus accrual	4,334	9,121
Provisions for warranty repairs	5,912	9,988
Provision for uninvoiced services and materials	43,416	21,571
Audit provision	228	113
Liabilities under financial guarantees and sureties issued	–	745
Other current accruals and deferred income	3,842	1,525
Provisions for other liabilities and disputed claims	4,967	5,667
Security deposits	41	613
Other amounts payable to employees	826	–
Other	664	1,644
	92,574	**80,697**
Other financial liabilities		
Finance lease liabilities	1,437	776
	1,437	**776**

(PLN '000)

13. Objectives and policies of financial risk management

The objectives and policies of financial risk management have not changed relative to those published in the most recent consolidated full-year financial statements for 2014.

14. Financial instruments

The following tables show the carrying amounts of various classes and categories of financial instruments as at September 30th 2015 and December 31st 2014.

	Carrying amount	
	Sep 30 2015 (unaudited)	*Dec 31 2014*
Assets at fair value through profit or loss	–	–
Investment fund units	–	–
Derivative instruments	–	–
Available-for-sale financial assets	**240**	**369**
Long-term shareholdings	240	369
Loans and receivables	**438,913**	**474,134**
Trade receivables	234,158	278,105
Other receivables	169,127	162,577
Loans advanced	88	108
Non-current deposits	–	–
Current deposits	–	–
Other non-current financial assets	31,561	33,344
Other current financial assets	3,979	–
Cash and cash equivalents	**207,873**	**38,849**
	647,026	**513,352**

	Carrying amount	
	Sep 30 2015 (unaudited)	*Dec 31 2014*
Financial liabilities at fair value through profit or loss	–	–
Derivative instruments	–	–
Financial liabilities at amortised cost	**420,305**	**463,638**
Borrowings	145,368	128,527
Trade payables (including capital commitments)	274,937	335,111
Other financial liabilities		
Liabilities under guarantees, factoring and excluded from the scope of IAS 39	**4,777**	**3,030**
Liabilities under leases and lease agreements with a purchase option	4,777	3,030
	425,082	**466,668**

15. Derivative instruments

As at September 30th 2015, the Group did not carry any open currency forward contracts or any other derivative instruments.

Group companies do not apply hedge accounting, but the transactions are not speculative and their purpose is to effectively hedge foreign currency-denominated purchase/sale contracts. As a result, the Group recognises the effects of fair-value measurement/ realisation of such instruments similarly as exchange differences, i.e. in other income or expenses.

(PLN '000)

16. Provisions for costs

16.1. Provision for penalties due to late contract performance or failure to meet technical specifications guaranteed under construction contracts

During the nine months ended September 30th 2015, the RAFAKO Group reviewed the amounts of provisions for costs due to late performance of contracts recognised for several ongoing contracts. Using the most recent data on running contracts and based on settlements of completed contracts, the Management Board of the Parent determined that there was no indication of the need to recognise provisions for costs due to late performance of contracts.

16.2. Change in provisions, liabilities and accruals and deferred income disclosed in the Group's consolidated statement of financial position

	*Provision for expected losses on contracts**	*Provision for length-of-service awards and retirement gratuity*	*Provision for unused holiday entitlement***	*Provision for warranty repairs***	*Provision for costs of contractual penalties****	*Provision for bonuses***	*Provision for other costs***	*Provision for costs under bank guarantees and sureties issued*	*Other provisions***
Jan 1 2015	30,321	26,803	3,780	11,848	1,946	9,454	5,667	745	113
Provision recognised	18,580	623	190	2,642	–	5,039	20	66	318
Reversal/utilisation of provision	(20,730)	–	(355)	(7,526)	(1,946)	(8,761)	(720)	(811)	(203)
Sep 30 2015 (unaudited)	**28,171**	**27,426**	**3,615**	**6,964**	**–**	**5,732**	**4,967**	**–**	**228**
Jan 1 2014	35,707	23,669	2,397	11,502	50,192	1,706	2,745	882	126
Provision recognised	3,031	427	1,633	9,648	7,405	1,262	2,243	1,061	175
Reversal/utilisation of provision	(9,107)	–	(333)	(9,217)	(48,520)	(1,137)	(1,983)	(94)	(204)
Sep 30 2014 (unaudited)	**29,631**	**24,096**	**3,697**	**11,933**	**9,077**	**1,831**	**3,005**	**1,849**	**97**

*Amounts resulting from accounting for construction contracts described in Note 11.
**Provisions presented in the statement of financial position as other liabilities.
***Release/use of provisions for costs of contractual penalties is attributable mostly to arrangements signed with trading partners with respect to ongoing or completed contracts.

(PLN '000)

17. Borrowings

In the nine months ended September 30th 2015, liabilities under bank borrowings recognised by Group companies amounted to PLN 145,368 thousand.

Current borrowings	*Security*	*Other*	*Currency*	*Effective interest rate*	*Maturity date*	*Liabilities under borrowings*	
						Sep 30 2015 (unaudited)	*Dec 31 2014*
Current borrowings:							
PKO BP S.A.	blank promissory note with a promissory note declaration, assignment of receivables under contracts,* clause providing for debt set-off against RAFAKO S.A.'s cash held in bank accounts, mortgage**, statement of submission to enforcement, registered pledge over a set of movables and rights comprising the entire business of the Company	Renewable overdraft agreement of PLN 150 million***	PLN	1M WIBOR + margin	May 31 2016****	144,968	128,127
DZIERŻAWCA SP. Z O.O.*****	a blank promissory note with a 'protest waived' clause		PLN	3.5% per annum	Dec 31 2015	400	400
PBS Dębica Branch	Promissory note for PLN 700 thousand	Overdraft facility	PLN	7.25%	Sep 09 2015	–	–
						145,368	**128,527**

* The facility is secured with receivables under contracts performed by the Company, including assignment of receivables under contracts for modernisation and repair of components at the Bełchatów Power Plant (performed for PGE Górnictwo i Energetyka Konwencjonalna S.A.), as well as receivables under the contract performed for the Połaniec Power Plant and Synthos Dwory 7 Sp. z o.o. Spółka jawna;

** As at the date of these interim condensed consolidated financial statements, the Parent established mortgages on its properties (other than flats and residential buildings) for a total amount of PLN 300m, serving as additional security for the credit facility from PKO BP S.A.

*** As at the issue date of these interim condensed consolidated financial statements, in accordance with the annex of April 29th 2014 to the credit facility agreement, the multi-purpose credit facility limit amounted to PLN 200,000,000.00, including an overdraft facility of PLN 150,000,000.00;

**** As at the issue date of these interim condensed consolidated financial statements, in accordance with the annex of May 29th 2015 to the credit facility agreement, the term of availability of the facility and its repayment date were extended until May 31st 2016

***** Entity related through personal links.

The Parent plans to extend the credit facility agreement for subsequent periods. The RAFAKO Group's credit standing should be analysed taking into account the information included in Note 2, relating to continuation of the Group's operations.

18. Capital management

The purpose of capital management by the Group is to ensure a high level of security for its operations while minimising the costs of raising financing. To ensure stable development, the Group needs to maintain an appropriate relationship between its own and external capital and effectively manage free cash. The Group analyses its capital structure using the capitalisation ratio (which measures the share of the Group's equity in its total financing sources).

	Sep 30 2015 (unaudited)	*Dec 31 2014*
Share of debt in equity		
Equity attributable to owners of the Parent	416,241	301,261
External capital (bank credit facility and loan)	145,368	128,527
Total equity and liabilities	1,237,729	1,146,562
Capitalisation ratio	**0.34**	**0.26**

19. Disposal of subsidiary

In the nine months ended September 30th 2015, RAFAKO S.A., the Parent, disposed of the subsidiary FPM S.A., as described in detail in Notes 12.3 and 9.

Details of the subsidiary disposal are presented below.

	PLN '000
Total consideration on disposal	48,000
Additional transaction cost	(1,440)
Part of consideration on disposal received in cash and cash equivalents	46,560
Cash and cash equivalents at the disposed subsidiary as at the disposal date	26,570
Loss on disposal including the portion of that gain or loss attributable to recognising investment retained in the former subsidiary at its fair value at the date when control is lost	(6,305)

The table below sets forth the amounts of assets and liabilities at the subsidiary disposed of as at the time of disposal and as at December 31st 2014.

	Feb 19 2015	*Dec 31 2014*
Non-current (long-term) assets	**34,969**	**34,228**
Property, plant and equipment	29,417	28,670
Intangible assets	82	88
Goodwill	3,832	3,832
Non-current trade receivables	33	33
Non-current financial assets	1,605	1,605
Current (short-term) assets	**48,145**	**47,458**
Inventories	7,156	7,647
Trade receivables, other receivables and prepayments	9,182	7,046
Accruals and deferrals under construction contracts	4,830	5,308
Current financial assets	26,977	27,457
Impairment loss	(8,658)	(8,779)
TOTAL ASSETS	**74,456**	**72,907**

(PLN '000)

	Feb 19 2015	Dec 31 2014
Actuarial gains/(losses)		(34)
Non-current liabilities	**4,590**	**4,473**
Finance lease liabilities	1,169	1,020
Deferred tax liability	2,509	2,541
Provision for employee benefits	912	912
Current liabilities	**11,832**	**10,401**
Trade and other payables	10,482	9,682
Other financial liabilities	467	610
Provision for employee benefits	62	62
Amounts due to customers and provisions for construction contract work and deferred income	821	47
Total liabilities	**16,422**	**14,840**
TOTAL EQUITY AND LIABILITIES	**16,422**	**14,840**

20. Issue, redemption and repayment of debt and equity securities

On May 13th 2015, the Management Board of the Parent passed resolutions to increase the Company's share capital within the limit of authorised share capital by not more than PLN 30,663,996, through the issue of not more than 15,331,998 Series J ordinary bearer shares with a par value of PLN 2 per share. Under the Private Placement Resolution, in accordance with the obligation set forth in Section 5 of Resolution No. 2 of the Extraordinary General Meeting of RAFAKO S.A. of March 24th 2014, the Management Board decided to offer Series J Shares to the Company's shareholders holding individually at least 10% of Company shares on the date of adoption of the EGM Resolution ("Entitled Shareholders") in a private placement within the meaning of Art. 431.2.1 of the Commercial Companies Code, and to waive the pre-emptive rights of the Company's existing shareholders. Under the Open Subscription Resolution, the Management Board decided to offer Series J Shares by way of an open subscription within the meaning of Art. 431.2.2 of the Commercial Companies Code, with pre-emptive rights of the Company's existing shareholders waived, provided that a part or all of Series J shares have not been acquired by the Entitled Shareholders.

On June 9th 2015, the Company received, from the Entitled Shareholders, declarations in which each of the Shareholders separately represented that they do not intend to participate in the Private Placement irrespective of the final terms and conditions thereof.

Following the open subscription, on July 21st 2015 the maximum number of Series J shares were allotted at the issue price of PLN 6.10 per share. On July 28th 2015, the Management Board of Krajowy Depozyt Papierów Wartościowych S.A. (CSDP) resolved to register in its securities depository 15,331,998 allotment certificates (rights to shares or PDA) in respect of Series J ordinary bearer shares, which were introduced to trading on the main market of the WSE on July 29th 2015.

On July 23rd 2015, the Company filed an application with the District Court of Gliwice, 10th Commercial Division of the National Court Register, for registration of the Company's share capital increase. Post-registration the Company's share capital will amount to PLN 169,863,996.

On September 21st 2015, the new shares were registered by the Central Securities Depository of Poland and introduced to trading on the WSE Main Market.

21. Dividends paid or declared

In the nine months ended September 30th 2015, Group companies did not pay any dividends. In accordance with the applicable laws, dividends may only be paid out of the profit of individual Group companies, and not on the basis of consolidated net earnings of the Group.

(PLN '000)

22. Capital commitments

As at September 30th 2015, the RAFAKO Group companies had commitments related to purchase of property, plant and equipment of PLN 8,547 thousand. The Group companies also had signed agreements regarding capital expenditure to be made in 2015 which was not disclosed in the accounting books at the end of the reporting period for a total of PLN 3,197 thousand. The agreements related mainly to capital expenditure on buildings and structures as well as production plant and equipment.

23. Movements in off-balance sheet items, information on loan sureties and guarantees granted

	Sep 30 2015 (unaudited)	*Dec 31 2014*
Receivables under bank guarantees received mainly as security for performance of contracts, including:	577,129	505,928
- from related entities	–	–
Receivables under sureties received, including:	7,600	7,600
- from related entities	–	–
Promissory notes received as security, including:	22,561	14,208
- from related entities	4,012	980
Letters of credit	–	19,180
	607,290	**546,916**

	Sep 30 2015 (unaudited)	*Dec 31 2014*
Commitments under bank guarantees issued mainly as security for performance of contracts, including:	255,531	243,232
- to related entities	–	–
Liabilities under sureties, including:	1,046,000	1,046,000
- to related entities	–	–
Promissory notes issued as security, including:	28,293	27,612
- to related entities	–	–
Letters of credit	–	–
	1,329,824	**1,316,844**

In the first nine months of 2015, the Group recorded a PLN 12,980 thousand rise in contingent liabilities, including a PLN 12,299 thousand increase in liabilities under guarantees, and a PLN 681 thousand increase in promissory notes issued as security. In the first nine months of 2015, guarantees (mainly performance bonds of PLN 37,151 thousand and bid bonds of PLN 3,566 thousand) were issued by banks and insurance companies to the Group's trading partners upon the Parent's instruction. In this category of liabilities, the largest item was a performance bond of PLN 11,090 thousand issued in September 2015. Liabilities under sureties issued, of PLN 1,046,000 thousand, relate to a surety for E003B7 Sp. z o.o.'s liabilities, issued by RAFAKO S.A. on April 16th 2014 and valid until April 17th 2028, in connection with the project involving the 'Construction of new coal-fired generation capacities at TAURON Wytwarzanie S.A. − construction of a supercritical 910 MW power generation unit at Jaworzno III Power Plant −Power Plant II'. The largest item among guarantees which expired in the first nine months of 2015 was a performance bond of PLN 8,472 thousand.

In the nine months of 2015, the Group recorded an increase of PLN 60,374 thousand in contingent receivables related mainly to performance bonds, including an increase of PLN 71,201 thousand in receivables under bank and insurance guarantees received, an increase of PLN 8,353 thousand in receivables under promissory notes and a decrease of PLN 19,180 thousand in receivables under letters of credit opened to the benefit of the Parent.

The largest item among guarantees received in the first nine months of 2015 was a performance bond of EUR 10,041 thousand. The largest item among guarantees expired in the first nine months of 2015 was a performance bond of PLN 2,264 thousand.

24. Litigation and disputes

As at the date of these interim condensed financial statements, the Parent was a party to pending court proceedings, both as the defendant and plaintiff.

A detailed description of key lawsuits is included in the Group's consolidated financial statements for H1 2015, available at:

http://www.rafako.com.pl/relacje-inwestorskie/raporty-okresowe

Relative to that description, there were no changes which would materially affect the Group's financial standing.

25. Receivables from related entities in company voluntary arrangement

At the end of the reporting period, in the statement of financial position the Group recognised net receivables of PLN 35.5m from related entities in company voluntary arrangement.

On December 20th 2011, RAFAKO S.A. and PBG S.A. ("RAFAKO S.A. parent") of Wysogotowo concluded an agreement (the "Agreement"), under which RAFAKO S.A. acquired an interest in ENERGOMONTAŻ-POŁUDNIE Spółka Akcyjna ("EP") with its registered office at ul. Mickiewicza 15, Katowice. Under the Agreement, RAFAKO S.A. acquired 46,021,520 ordinary bearer shares in EP with a par value of PLN 1 per share and a total par value of PLN 46,021,520, representing 64.84% of the share capital and 64.84% of total voting rights at the General Meeting of the company, carrying the right to 46,021,520 votes attached to the shares. PBG S.A. sold the shares for PLN 160,154,889.60 (PLN 3.48 per share). The purchase price was paid on December 30th 2011. Following an analysis and taking into account the likelihood of RAFAKO S.A.'s additional payments and claims, the Company's Management Board determined the purchase price at PLN 160,154,889.60, plus transaction costs of PLN 557,363.40.

As a result of the above-mentioned transactions, ENERGOMONTAŻ-POŁUDNIE S.A. became a subsidiary of the RAFAKO Group.

The acquisition of shares in ENERGOMONTAŻ-POŁUDNIE S.A. was disclosed in the Group's financial statements for the financial year ended December 31st 2011 under cost of an investment in a subsidiary. The carrying amount of the investment as at December 31st 2011 was PLN 160,712.3 thousand. In accordance with the Group's accounting policy, the shares in the subsidiary were recognised at historical cost (net of impairment, if any).

On June 4th 2012, PBG S.A. filed a petition for insolvency. On June 13th 2012, the court granted the petition and PBG S.A. was declared to be insolvent in company voluntary arrangement.

On July 16th 2012, the Parent's Management Board received a letter from the Court Supervisor of PBG S.A. w upadłości układowej (in company voluntary arrangement) addressed to that company ("PBG"), informing PBG that the sale of 46,021,520 shares in ENERGOMONTAŻ-POŁUDNIE S.A. by PBG to RAFAKO S.A. on December 20th 2011 "as a legal transaction executed by the Bankrupt (PBG) for a consideration, within six months before the date of submitting the bankruptcy petition (i.e. June 4th 2012), with a related party in respect of which the Bankrupt (PBG) was a parent, is ineffective against its bankruptcy estate", in accordance with Art. 128.2 of the Bankruptcy and Restructuring Law (the "Letter").

The Court Supervisor requested the PBG Management Board to immediately take steps under Art. 134 of the Bankruptcy and Restructuring Law to effect a return transfer of 46,021,520 shares in ENERGOMONTAŻ-POŁUDNIE S.A. to PBG's account.

On August 7th 2012, the Parent's Management Board entered into an agreement with PBG S.A. w upadłości układowej (in company voluntary arrangement) of Wysogotowo for the transfer of shares in ENERGOMONTAŻ-POŁUDNIE Spółka Akcyjna of Katowice.

The agreement provided for the transfer of 46,021,520 ordinary bearer shares in the company, with a par value of PLN 1 per share, representing 64.84% of the share capital and 64.84% of total voting rights at the General Meeting of ENERGOMONTAŻ-POŁUDNIE S.A., carrying the right to 46,021,520 votes. The share transfer was registered in the brokerage account on August 7th 2012.

In accordance with the legal analyses available to the Parent's Management Board, as a result of PBG S.A.'s insolvency declared on June 13th 2012, the sale of shares in ENERGOMONTAŻ-POŁUDNIE S.A. by PBG S.A. to RAFAKO S.A. under the agreement signed on December 20th 2011 has become legally ineffective against the bankruptcy estate as of the date of the court's decision to declare PBG S.A. insolvent, i.e. as of June 13th 2012 (the date of loss of control).

This means that the Parent is required to return the shares in ENERGOMONTAŻ-POŁUDNIE S.A. to PBG S.A. to include them in PBG S.A.'s bankruptcy estate, i.e. to procure that they are recorded in PBG S.A.'s securities account. This requirement arose by operation of law upon the declaration of PBG S.A.'s insolvency. Considering the above, having analysed the legal opinions on the ineffectiveness of the acquisition of ENERGOMONTAŻ-POŁUDNIE S.A. shares from PBG S.A. w upadłości układowej (in company voluntary arrangement), the Parent's Management Board resolved to submit to the procedure involving the return of the shares.

Given the ineffectiveness of PBG S.A.'s disposal of the shares in ENERGOMONTAŻ-POŁUDNIE S.A. to RAFAKO S.A., the Parent is entitled to claim a refund of the price paid for the shares. RAFAKO S.A.'s right to the refund of the price paid for the shares of ENERGOMONTAŻ-POŁUDNIE S.A. results in the recognition, in the consolidated statement of financial position, of a receivable which was initially recognised at fair value by reference to the present value of the expected inflows.
Accordingly, the fair value of the receivable was estimated taking into account the expected cash inflows to the Company, taking into consideration PBG S.A.'s arrangement proposals providing for a 31% reduction of the debt (for which no deferred tax asset was recognised) and the expected timing of the inflow of the first instalment of cash to the Company, assessed by the Management Board as June 30th 2015.

In the nine months ended September 30th 2015, the Group remeasured the asset based on revised arrangement proposals of November 3rd 2014, put forward by PBG S.A. w upadłości układowej (in company voluntary arrangement), providing with respect to the first group of creditors (which includes RAFAKO S.A.'s claim) for repayment of PLN 500 thousand and an 80% reduction of the receivable in excess of PLN 500 thousand. The receivable will be repaid in semi-annual instalments over a period of five years beginning on June 30th 2016. The Parent's Management Board estimates that the first instalment will be paid by June 30th 2016. As at September 30th 2015, the value of the receivable determined based on the above assumptions amounted to PLN 26.2m under 'Other non-current financial assets' and PLN 3.3m under 'Other current financial assets'. The full amount of the claim, i.e. PLN 160,154,889.60, has been included in the proof of the claim to the bankruptcy estate of PBG S.A. and is on the list of claims acknowledged by the Court Supervisor (publication in Monitor Sądowy i Gospodarczy official gazette of June 4th 2013).

In addition, on January 10th 2012, the Parent entered into a loan agreement with Hydrobudowa Polska S.A. of Wysogotowo, under which RAFAKO S.A. granted Hydrobudowa Polska S.A. a cash loan of PLN 32m maturing in 12 months (i.e. on January 9th 2013) to finance the company's day-to-day operations.

To secure the repayment of the loan, Hydrobudowa Polska S.A. issued a blank promissory note with a 'protest waived' clause to RAFAKO S.A., guaranteed by PBG S.A. and Multaros Trading Company Ltd., together with relevant promissory note declarations. RAFAKO S.A. is entitled to fill in the note with the amount of any overdue balance of the loan with interest, up to PLN 35,000,000 (thirty-five million zloty). The loan bears interest at an annual rate of 1M WIBOR plus margin. By the date of these financial statements, RAFAKO S.A. had not received any amounts from Hydrobudowa Polska S.A., either as repayment of the loan principal or interest.

On June 4th 2012, PBG S.A. and Hydrobudowa Polska S.A. filed petitions with the District Court for Poznań-Stare Miasto of Poznań, 11th Commercial Insolvency and Arrangement Division, for declaring PBG S.A. and Hydrobudowa Polska S.A. insolvent in voluntary arrangement. On June 13th 2012, the District Court for Poznań-Stare Miasto of Poznań, 11th Commercial Insolvency and Arrangement Division, declared PBG S.A. insolvent in voluntary arrangement. On June 11th 2012, the District Court for Poznań-Stare Miasto of Poznań, 11th Commercial Insolvency and Arrangement Division, declared the bankruptcy of Hydrobudowa Polska S.A. by liquidation of its assets. Pursuant to Art. 124.2 of the Bankruptcy and Restructuring Law, following the declaration of bankruptcy of Hydrobudowa Polska S.A., RAFAKO S.A. is entitled to seek the return of the actually advanced loan, in accordance with the Bankruptcy and Restructuring Law. On October 26th 2012, the Parent's Management Board filed a proof of the claim in respect of the loan in the bankruptcy proceedings against Hydrobudowa Polska S.A. The loan is included in the list of claims acknowledged by the Official Receiver.

(PLN '000)

Taking into consideration the process of bankruptcy liquidation of Hydrobudowa Polska S.A., in order to seek the return of the loan amount, on September 21st 2012 the Management Board of the Parent filed the claim with the register of claims maintained as part of the PBG S.A. bankruptcy arrangement proceedings. In the nine months ended September 30th 2015, taking into consideration current arrangement proposals (dated November 3rd 2014), the fair value of the receivable was estimated taking into account the expected cash inflows to RAFAKO S.A., assuming the repayment of PLN 500 thousand per one creditor and the 80% reduction of the receivable in excess of PLN 500 thousand (for which no deferred tax asset was recognised) as well as the expected timing of the first inflow of cash to RAFAKO S.A., assessed by the Company's Management Board as at September 30th 2016 (arrangement proposals provide for the repayment of the debt on a semi-annual basis over the period of five years). As at September 30th 2015, the value of the receivable determined based on the above assumptions amounted to PLN 5.3m under 'Other non-current financial assets' and PLN 0.7m under 'Other current financial assets'. The full amount of the claim, i.e. PLN 32,915,787.40, has been included in the proof of the Company's claim to the bankruptcy estate of PBG S.A. and is on the list of claims acknowledged by the Court Supervisor (publication in Monitor Sądowy i Gospodarczy official gazette of June 4th 2013).

The total amount of receivables from the related entity (PBG S.A. w upadłości układowej (in company voluntary arrangement)), which results from the above-mentioned titles and is recognised in the statement of financial position, is PLN 35.3m. The recoverable amount of the claims depends on the terms of the arrangement with PBG S.A.'s creditors and on the possibility of fulfilment of that arrangement by PBG S.A. in the future. As at the issue date of these interim condensed consolidated financial statements, the Judge Commissioner had declared that an arrangement, consistent with the arrangement proposals, was reached between PBG and its creditors.

In the nine months ended September 30th 2015, the measurement of the receivables contributed PLN 2,196 thousand (December 31st 2014: PLN 83 thousand) to the Group's net profit/(loss).

26. Related-party transactions

In the nine months ended September 30th 2015 and September 30th 2014, the Parent and its subsidiaries did not enter into any material transactions with related parties on other than on arm's length terms.

Aggregate amounts of related-party transactions in the financial periods indicated:

Related party	*Nine months ended Sep 30:*	*Sale to related parties*	*Purchase from related parties*	*Receivables from related entities*	*Liabilities to related parties*
Parent:					
PBG S.A. w upadłości układowej (in company voluntary arrangement)*	*2015*	–	22	35,540	17
	2014	–	56	33,479	1
PBG Group companies:					
PBG oil and gas Sp. z o.o.	*2015*	525	22,640	278	8,005
	2014	–	–	–	–
PBG Avatia Sp. z o.o. w upadłości układowej (in company voluntary arrangement)	*2015*	–	3	–	1
	2014	–	3	–	1
Entities related through personal links:					
SWGK KSIĘGOWOŚĆ Sp. z o.o	*2015*	–	1,316	–	172
SWGK PODATKI Sp. z o.o.	*2015*	–	30	–	–
PBG Foundation	*2015*	–	139	–	–
Mostostal-Energomontaż S.A.	*2015*	–	18	–	373
Energoprojekt Katowice S.A.	*2015*	–	–	–	154
SWGK CONSULTING Sp. z o.o.	*2015*	–	30	–	37
SWGK AVATAR Sp. z o.o.	*2015*	–	164	–	8

** The receivables from PBG S.A. w upadłości układowej (in company voluntary arrangement) described in Note 25.25*

27. Management Board and Supervisory Board of the Parent

In the nine months ended September 30th 2015, there were no changes in the composition of the Parent's Management Board.

As at the date of these interim condensed consolidated financial statements, the composition of the Parent's Management Board was as follows:

Agnieszka Wasilewska-Semail − President of the Management Board
Krzysztof Burek − Vice President of the Management Board
Jarosław Dusiło − Vice President of the Management Board
Edward Kasprzak − Vice President of the Management Board
Tomasz Tomczak − Vice-President of the Management Board.

In the nine months ended September 30th 2015, there were no changes in the composition of the Parent's Supervisory Board.

On June 18th 2015, the Annual General Meeting of RAFAKO S.A. made the following decisions:
- set the number of Supervisory Board Members at seven;
- appointed the Supervisory Board for the eighth term, composed of:

Jerzy Wiśniewski – Chairman of the Supervisory Board
Dariusz Sarnowski – Deputy Chairman of the Supervisory Board
Piotr Wawrzynowicz – Secretary of the Supervisory Board
Przemysław Schmidt – Member of the Supervisory Board (independent member)
Dariusz Szymański – Member of the Supervisory Board (independent member)
Adam Szyszka – Member of the Supervisory Board (independent member)
Małgorzata Wiśniewska – Member of the Supervisory Board.

On June 18th 2015, the Supervisory Board of the new term of office constituted itself as follows:

Jerzy Wiśniewski − Chairman of the Supervisory Board,
Dariusz Sarnowski – Deputy Chairman of the Supervisory Board
Piotr Wawrzynowicz − Secretary of the Supervisory Board.

On November 9th 2015, Mr Piotr Wawrzynowicz, Secretary of the Supervisory Board, resigned from his position on the Supervisory Board of RAFAKO S.A.

28. Transactions with members of the Management Board and Supervisory Board

In the reporting and comparative periods, the Group companies did not enter into any transactions with members of their Management Boards.

In the comparable reporting period, the Parent granted loans to members of the Management Board of ENERGOTECHNIKA ENGINEERING Sp. z o.o., a subsidiary, for an aggregate amount of PLN 110 thousand. The loans were granted to finance payments for new shares in ENERGOTECHNIKA ENGINEERING Sp. z o.o.

29. Brief description of the Group's achievements and failures in Q3 2015

By a resolution of July 6th 2015, the Supervisory Board of RAFAKO S.A., acting in accordance with the authority afforded by the Company's Articles of Association, selected Ernst & Young Audyt Polska Sp. z o.o. s.k. of Warsaw, entered in the register of the National Chamber of Statutory Auditors under No. 130, as the auditor of the Company's financial statements. The auditor was appointed in accordance with the applicable regulations and professional standards. The agreement with the auditor will be concluded for a period of time necessary to review and audit the financial statements of RAFAKO S.A. and the consolidated financial statements of the RAFAKO Group for the financial year 2015.

In the past, Ernst & Young Audyt performed reviews and audits of the financial statements of the Company and the consolidated financial statements of the RAFAKO Group for 2002−2005 and 2011−2014.

(PLN '000)

On August 18th 2015, E003B7 sp. z o.o. of Racibórz ("Employer", wholly owned by RAFAKO S.A.) and Energopol-Szczecin S.A. of Szczecin ("Subcontractor") executed Annex No. 2 to the Subcontractor Agreement (conditional subcontractor agreement). Under the Annex, the parties agreed as follows:

- the scope of Subcontractor's work will be reduced and the Subcontractor will perform the work by December 15th 2015;

- in connection with the reduction of the scope of work, the Subcontractor's remuneration will be reduced from PLN 380,000,000, VAT-exclusive, to PLN 30,000,000, VAT-exclusive.

On August 25th 2015, the Judge Commissioner approved an arrangement reached between PBG S.A. w upadłości układowej (in company voluntary arrangement) and its creditors, which was consistent with the Arrangement Proposals of April 28th 2015.

30. Remuneration of members of the Management and Supervisory Boards of the Parent and Group companies

The remuneration paid to members of the Management and Supervisory Boards of Group companies for the nine months ended Supervisory Board30th 2015 was as follows:

	Base pay	*Awards*	*Other*
RAFAKO S.A. – the Parent			
Management Board	2,340	1,309	172
Supervisory Board	783	–	997
FPM S.A. – a subsidiary*			
Management Board	102	–	6
Supervisory Board	53	–	–
Palserwis Sp. z o.o. – an indirect subsidiary*			
Management Board	16	8	–
Supervisory Board	14	–	–
PGL-DOM Sp. z o.o. – a subsidiary			
Management Board	81	20	–
Supervisory Board	117	–	–
RAFAKO ENGINEERING Sp. z o.o. – a subsidiary			
Management Board	161	–	–
Supervisory Board	70	–	–
ENERGOTECHNIKA ENGINEERING Sp. z o.o. – an indirect subsidiary			
Management Board	342	–	83
Supervisory Board	41	–	–
E001RK Sp. z o.o. – a subsidiary			
Management Board	126	67	–
Supervisory Board	–	–	–
E003B7 Sp. z o.o. – a subsidiary			
Management Board	1,205	780	–
Supervisory Board	826	540	–

*Remuneration for the period of two months ended February 28th 2015

(PLN '000)

31. Management Board's position on the feasibility of meeting previously published forecasts

The Group did not publish forecasts for 2015.

32. Shareholders holding 5% or more of the total vote at the General Meeting of RAFAKO S.A. (the Parent)

Shareholder	*Number of shares (pcs.)*	*Number of votes attached to the shares held*	*Ownership interest*	*% of total vote at GM*
PBG S.A. w upadłości układowej (in company voluntary arrangement)* including:	42,466,000	42,466,000	50% plus 1 share	50% plus 1 share
held directly:	7,665,999	7,665,999	9.026%	9.026%
- held indirectly through Multaros Trading Company Limited ** (a subsidiary of PBG S.A. w upadłości układowej (in company voluntary arrangement)):	34,800,001	34,800,001	40.974%	40.974%
Nationale-Nederlanden Pension Funds managed by Nationale-Nederlanden Powszechne Towarzystwo Emerytalne S.A.**	8,048,507	8,048,507	9.480%	9.480%
Investment Funds managed by QUERCUS Towarzystwo Funduszy Inwestycyjnych S.A.*, including:**	7,662,062	7,662,062	9.020%	9.020%
QUERCUS PARASOLOWY SFIO	5,791,025	5,791,025	6.820%	6.820%

* Based on a notification of September 9th 2015.
** Based on a notification of July 30th 2015.
*** Based on a notification of September 10th 2015.

33. Statement of changes in holdings of RAFAKO S.A. shares or RAFAKO share options by management and supervisory staff of the consolidated Group companies of which RAFAKO S.A. became aware after the issue of the previous financial statements

To the best of RAFAKO S.A.'s knowledge, as at the date of these financial statements the holdings of RAFAKO S.A. shares by the management and supervisory staff of the consolidated Group companies are as follows:

	Company name	*As at Aug 31 2015*	*Increase*	*Decrease*	*As at Nov 16 2015*
Member of the management staff					
Edward Kasprzak – Vice-President of the Management Board	RAFAKO S.A.	2,000	–	–	2,000
Member of the supervisory staff	–	–	–	–	–

(PLN '000)

34. Factors with a material bearing on the Group's performance in Q4 2015

- Possible changes in cost estimates for ongoing contracts (including as a result of contracts executed for the delivery of products and services by subcontractors), which may have a positive or negative effect on the result for the period after September 30th 2015.
- The adequacy of provisions and impairment losses for current contracts (some of these matters may be settled only after the date of submission of the Q4 2015 financial statements).
- The risk that provisions may need to be recognised for contractual penalties for time overruns or failure to meet guaranteed technical specifications of certain contracts.
- The risk of incurring repair, overhaul or upgrade costs during the contractual warranty period that are not covered by provisions for warranty repairs.
- The risk of necessity to pay disputed claims which are not covered by provisions.
- Currency movements − substantial changes in the PLN/EUR exchange rate may have a material effect on the profitability of EUR-denominated contracts.
- Risk of failure to obtain financial guarantees required to acquire and perform contracts.
- Successful enforcement of the judgment whereby joint-stock company Donetskoblenergo of Ukraine is to pay RAFAKO UAH 56.7m (USD 11.5m) in respect of damages for termination of a boiler construction project by a customer of the Parent's. The judgment was upheld by a decision of the Supreme Court of Ukraine. If the judgment is successfully enforced by the Company, the damages will increase the Company's result. However, it is very likely that any income from the damages will be credited to the Group's result after December 31st 2015.

35. Order book

As at September 30th 2015, the value of the Group's order book was nearly PLN 4.9bn. The order book's largest item is the Jaworzno project – the amount outstanding under the contract is PLN 4.0bn, of which PLN 0.5bn is attributable to the Parent and PLN 3.5bn to SPV Jaworzno. The order book does not include the Opole contract (RAFAKO's entire share in the project worth PLN 3.2bn was subcontracted outside the RAFAKO Group, of which PLN 2.44bn is still outstanding). At present, the order book comprises only power construction projects.

ORDER BOOK	
Sep 30 2015	**Dec 31 2014**
~ PLN 4.9bn	**~PLN 5.8bn**

	ORDER BOOK as at Sep 30 2015	Due for execution in		
		Oct–Dec 2015	2016	after 2016
TOTAL	**~4.9bn**	**~0.4bn**	**~1.9bn**	**~PLN 2.6bn**
RAFAKO Group	**~1.4bn**	**~0.2bn**	**~PLN 0.6bn**	**~0.6bn**
SPV Jaworzno	**~3.5bn**	**~0.2bn**	**~1.3bn**	**~PLN 2.0bn**

As regards the value of the RAFAKO Group's order book, data presented in these interim condensed consolidated financial statements is based on the following assumptions:

a. the order book value is equal to the aggregate amount of the Group's remuneration under individual contracts executed by Group companies in the period to September 30th 2015; the figure does not take into account any planned contracts that have not yet been signed;
b. the order book value is disclosed as at September 30th 2015; actual revenue from contracts and performance periods depend on a number of factors, which may be outside the Group's control.

36. Events after the end of the reporting period

On October 21st 2015, the Parent and ENEA Wytwarzanie Sp. z o.o. (the "Employer") effectively singed a contract for the construction of a flue gas desulfurisation unit for Boilers K7 and K8 in the Białystok CHP Plant (the "Contract"). The value of the Contract is PLN 78,500,000 exclusive of VAT (PLN 96,555,000 inclusive of VAT). The deadline for the Contract's delivery falls 26 months after its execution date. The aggregate value of contractual penalties is limited to 30% of the remuneration under the Contract (VAT exclusive), with the proviso that the payment of the maximum amount of contractual penalties does not preclude the Employer's right to seek damages in excess of that amount.
The Company's maximum total liability may not exceed 130% of the Contract value (VAT exclusive).
The other terms and conditions of the Contract do not differ from the terms and conditions commonly applied in contracts of this kind.

On November 12th 2015, E003B7 Sp. z o.o. (RAFAKO S.A.'s wholly-owned subsidiary) and a Consortium comprising KOPEX S.A. of Katowice (Consortium Leader) and STAL-SYSTEMS S.A. of Wólka Pełkińska (Consortium Partner) (jointly: the "Subcontractor") concluded a contract for the supply and assembly of the steel structure of a building housing the turbine house, boiler house, bunkering room, LUVO and SCR, assembly of coal bunkers, as well as hoisting and laying of steam blowers in connection with the project 'Development of new coal-fired generation capacities at Tauron Wytwarzanie S.A. – Construction of a 910 MW supercritical power generating unit at the Jaworzno III Power Plant – Power Plant II', executed by RAFAKO S.A. and E003B7 Sp. z o.o. The value of the full scope of work under the Contract is PLN 179,952,200.00 (VAT exclusive) plus VAT. Under the Contract, the amount of contractual penalties imposed on the Subcontractor for a delay in the Contract's delivery may not exceed 15% of the Contract's value (VAT inclusive). E003B7 Sp. z o.o. may incur a penalty equal to 15% of the Contract's value (VAT inclusive) for terminating the Contract for any reason for which that company is responsible. If any damage resulting from non-performance or improper performance of the Contract exceeds the amount of contractual penalties, the company may seek additional compensation pursuant to general provisions of the Polish Civil Code, in an amount of up to 100% of the Contract's value.
The Contact stipulates no other specific provisions and its terms and conditions do not differ from those appearing in contracts of this type.

The Contract will take effect subject to the following conditions precedent:
a) the guarantors' (that is PKO BP S.A.'s, BGK's and PZU S.A.'s) consent for the conclusion of the Contract,
b) the Employer's consent for the terms and conditions of the Contract,
c) RAFAKO S.A.'s consent.

(PLN '000)

These interim condensed consolidated financial statements of the RAFAKO Group were authorised for issue on November 16th 2015 by virtue of Resolution No. 112 of the RAFAKO S.A. Management Board dated November 16th 2015.

Signatures:

November 16th 2015	Agnieszka Wasilewska-Semail	President of the Management Board	....
November 16th 2015	Krzysztof Burek	Vice-President of the Management Board	....
November 16th 2015	Jarosław Dusiło	Vice-President of the Management Board	....
November 16th 2015	Edward Kasprzak	Vice-President of the Management Board	....
November 16th 2015	Tomasz Tomczak	Vice-President of the Management Board	....
November 16th 2015	Jolanta Markowicz	Chief Accountant	....