RAFAKO S.A.

THE PBG GROUP

INTERIM CONDENSED FINANCIAL STATEMENTS

for the three months ended March 31st 2015

May 15th 2015

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(PLN '000)

Interim condensed statement of comprehensive income

for the three months ended March 31st 2015

	Note	*3 months ended Mar 31 2015 (unaudited)*	*3 months ended Mar 31 2014 (unaudited)*
Continuing operations			
Revenue	11.1	**199,583**	**182,442**
Revenue from sale of goods and services		199,027	181,860
Revenue from sale of materials		556	582
Costs of sales	11.1	(179,355)	(165,531)
Gross profit/(loss)		**20,228**	**16,911**
Other income	11.1	1,090	1,321
Distribution costs	11.1	(6,671)	(7,773)
Administrative expenses	11.1	(6,978)	(8,035)
Other expenses	11.1	(465)	(281)
Profit/(loss) from continuing operations		**7,204**	**2,143**
Finance income	11.1	2,815	4,212
Finance costs	11.1	(2,678)	(2,469)
Net gain/(loss) on disposal of a subsidiary		11,376	–
Pre-tax profit/(loss)		**18,717**	**3,886**
Income tax expense	11.2	(4,008)	(992)
Net profit/(loss) from continuing operations	11.21	**14,709**	**2,894**
Other comprehensive income for the period			
Items to be reclassified to profit/(loss) in subsequent reporting periods			
Exchange differences on translating foreign operations		(66)	(11)
Other net comprehensive income to be reclassified to profit/(loss) in subsequent reporting periods		**(66)**	**(11)**
Items not subject to reclassification to profit/(loss) in subsequent reporting periods			
Other comprehensive income due to actuarial gains/(losses)		(162)	302
Tax on other comprehensive income	11.2	31	(57)
Other comprehensive income not subject to reclassification to profit/(loss) in subsequent reporting periods		**(131)**	**245**
Total comprehensive income for the period		**14,512**	**3,128**
Weighted average number of shares	11.21	69,600,000,00	69,600,000,00
Basic earnings/(loss) per share, PLN	11.21	0.21	0.04

Racibórz, May 15th 2015

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Interim condensed statement of financial position
as at March 31st 2015

	Note	*Mar 31 2015 (unaudited)*	*Dec 31 2014*
ASSETS			
Non-current (long-term) assets			
Property, plant and equipment	11.4, 11.5	142,523	142,806
Investment property		–	–
Intangible assets	11.5	8,771	9,164
Trade and other receivables - non-current	11.7	26,054	28,990
Trade receivables	11.7	26,054	28,990
Other receivables and prepayments	11.7	–	–
Non-current financial assets		60,435	58,802
Shares in subsidiaries	11.6	25,032	25,032
Shares in other entities	11.6	341	388
Non-current loans advanced	13, 11.8	37	38
Other non-current financial assets	11.8, 13, 23	35,025	33,344
Deferred tax asset	11.2	50,137	49,570
		287,920	**289,332**
Current (short-term) assets			
Inventories	11.9	20,999	21,715
Trade receivables, other receivables and prepayments	11.12, 13	435,372	437,248
Trade receivables		224,808	237,953
Income tax receivable		11,334	13,666
Other receivables and prepayments		199,230	185,629
Gross amount due from customers for contract work	10	201,560	239,735
Current financial assets		8,597	14,418
Derivative instruments		–	–
Current deposits	13	–	–
Current loans advanced	13	54	70
Other current financial assets	11.10, 13	–	–
Cash and cash equivalents	11.3, 11.11, 13	8,543	14,348
Other current non-financial assets		–	–
		666,528	**713,116**
Non-current assets held for sale		25	35,450
TOTAL ASSETS		**954,473**	**1,037,898**

Racibórz, May 15th 2015

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Interim condensed statement of financial position

as at March 31st 2015

	Note	*Mar 31 2015 (unaudited)*	*Dec 31 2014*
EQUITY AND LIABILITIES			
Equity			
Share capital	11.14	139,200	139,200
Share premium	11.17	36,778	36,778
Reserve funds	11.18	81,201	81,201
Exchange differences on translating foreign operations	11.19	227	293
Retained earnings / Accumulated losses	11.20	33,603	19,025
		291,009	**276,497**
Non-current liabilities			
Interest-bearing borrowings		–	–
Finance lease liabilities	11.23, 13	2,294	1,581
Deferred tax liability		–	–
Provision for employee benefits	Błąd! Nie można odnaleźć źródła odwołania., 17.2	25,117	24,907
Trade and other payables	11.23	24,784	22,869
Trade payables	11.23, 13	22,687	20,504
Capital commitments	13, 20	149	172
Other liabilities	11.23	1,948	2,193
		52,195	**49,357**
Current liabilities			
Trade and other payables	11.24	291,885	378,810
Trade payables	13	216,719	299,227
Capital commitments	13, 20	597	4,860
Income tax payable		–	–
Other liabilities	11.24	74,569	74,723
Current portion of interest-bearing borrowings	14	106,853	130,229
Other financial liabilities and finance lease liabilities	11.24, 13	805	559
Provision for employee benefits	Błąd! Nie można odnaleźć źródła odwołania., 17.2	2,055	1,896
Amounts due to customers and provisions for construction contract work and deferred income	10	209,671	200,550
Amounts due to customers for construction contract work	10	179,635	161,446
Provisions for construction contract work	17	28,748	38,033
Grants		1,288	1,071
		611,269	**712,044**

Total liabilities	**663,464**	**761,401**
TOTAL EQUITY AND LIABILITIES	**954,473**	**1,037,898**

Racibórz, May 15th 2015

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Interim condensed statement of cash flows

for the three months ended March 31st 2015

	Note	*3 months ended Mar 31 2015 (unaudited)*	*3 months ended Mar 31 2014 (unaudited)*
Cash flows from operating activities			
Pre-tax profit/(loss)		18,717	3,886
Adjustments for:		(41,477)	96,233
Depreciation and amortisation		2,573	2,553
Foreign exchange gains/(losses)		–	14
Interest and dividends, net		1,230	1,898
(Gain)/loss from investing activities		(12,826)	(70)
Increase/(decrease) in liabilities/assets from valuation of derivative instruments		–	–
(Increase)/decrease in receivables	11.3	2,480	180,500
(Increase)/decrease in inventories		716	(2,949)
Increase/(decrease) in employee benefit provisions and obligations, excluding borrowings	11.3	(80,517)	(23,642)
Change in prepayments and accruals for construction contracts	11.3	47,079	(58,058)
Income tax (paid)/received		(2,212)	(4,013)
Other		–	–
Net cash from operating activities		**(22,760)**	**100,119**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment and intangible assets		194	5
Purchase of property, plant and equipment and intangible assets	11.3	(5,085)	(555)
Sale of financial assets		48,000	–
Purchase of financial assets		–	–
Share capital increase at subsidiary		–	–
Dividends and interest		19	–
Loans advanced		–	(191)
Repayment of loans advanced		–	–
Other		(1,440)	–
Net cash from investing activities		**41,688**	**(741)**
Cash flows from financing activities			
Proceeds from issue of shares		–	–
Payment of finance lease liabilities		(276)	(115)
Proceeds from borrowings	11.3	–	–
Repayment of borrowings	11.3	(23,509)	(106,489)
Interest paid	11.3	(1,081)	(2,406)
Bank fees		(17)	(317)
Other		216	312
Net cash from financing activities		**(24,667)**	**(109,015)**
Net increase/(decrease) in cash and cash equivalents		(5,739)	(9,637)
Net foreign exchange differences		(66)	(11)
Cash at the beginning of the period	11.11	**14,348**	**24,182**
Cash at the end of the period, of which:	11.11	**8,543**	**14,534**
- restricted cash	11.11	1,434	1,159

Racibórz, May 15th 2015

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Interim condensed statement of changes in equity
for the three months ended March 31st 2015

	Share capital	*Share premium*	*Reserve funds*	*Exchange differences on translating foreign operations*	*Retained earnings/ Accumulated losses*	*Equity equity*
As at Jan 1 2015	**139,200**	**36,778**	**81,201**	**293**	**19,025**	**276,497**
Total comprehensive income for the period	–	–	–	(66)	14,578	14,512
Distribution of prior year profits	–	–	–	–	–	–
Dividend	–	–	–	–	–	–
As at Mar 31 2015 *(unaudited)*	**139,200**	**36,778**	**81,201**	**227**	**33,603**	**291,009**
As at Jan 1 2014	**139,200**	**36,778**	**220,982**	**204**	**(140,216)**	**256,948**
Total comprehensive income for the period	–	–	–	(11)	3,139	3,128
Distribution of prior year profits	–	–	–	–	–	–
Dividend	–	–	–	–	–	–
As at Mar 31 2014 *(unaudited)*	**139,200**	**36,778**	**220,982**	**193**	**(137,077)**	**260,076**

Racibórz, May 15th 2015

NOTES

1. General information

RAFAKO S.A. ("the Company") 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 Company has been established for an indefinite term.

These interim condensed financial statements of the Company cover the three months ended March 31st 2015 and contain comparative data for the three months ended March 31st 2014 and as at December 31st 2014. The statement of comprehensive income and notes to the statement of comprehensive income contain data for the three months ended March 31st 2015 and the comparative data for the three months ended March 31st 2014 and have not been audited or reviewed by an auditor.

The Company'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 Company 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 financial statements of the Company have been prepared on a historical cost basis, modified in respect of financial instruments measured at fair value.

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

These interim condensed financial statements for the three months ended March 31st 2015 were authorised for issue by the Company's Management Board on May 15th 2015.

The Company has also prepared interim condensed consolidated financial statements for the three months ended March 31st 2015, which were authorised for issue by the Company's Management Board on May 15th 2015.

2. Basis of preparation of the interim condensed financial statements

These interim condensed financial statements were prepared in accordance with the International Financial Reporting Standards endorsed by the European Union ("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 financial statements of the Company have been prepared on the assumption that the Company will continue as a going concern for at least 12 months after the end of the reporting period, i.e. March 31st 2015.

To be able to continue its business activities, the Company must maintain its financial liquidity, that is the ability to secure sufficient financing for the current contracts. In view of the above, the Management Board of the Company has prepared management financial projections for 2015 and for the following years, based on a number of assumptions, the most important of which relate to:

- continued financing of the Company's operations with the PLN 150m credit facility subsequent to May 31st 2015 – pursuant to the annex executed on April 29th 2015, the repayment date for the credit facility was extended until May 31st 2015,

- securing financing for the Company's operations in the form of new guarantee lines and new sources of working capital,

- timely delivery and execution of the contracts in the Company's current order book, including in particular the timely generation of cash flows from the contracts,

- execution of contracts on assumption that the margins are positive and the loss already recognised on some contracts would not increase;

- availability of bank/insurance guarantees which would make the performance of new contracts possible and would free the cash tied up in security deposits for the current contracts.

The above assumptions relate to the key risks provided for in the financial projections. Materialisation of these risks/uncertainties, trade payables becoming past due, lower margins on contracts, and the need to commit significant funds by the Company as security for contract guarantees (as at the end of the reporting period, the value of deposits used to secure guarantees was PLN 166m) may significantly affect the Company's ability to continue as a going concern.

In 2014, the Company executed a number of contracts and agreements related to the Jaworzno project; successfully completed negotiations on the Opole project and the settlement of EUR 43.5m receivables from Alstom; reduced its bank debt from ca. PLN 300m to ca. PLN 105m as at March 31st 2015; significantly reduced past due trade payables; secured a significant part of the budgeted revenue; and provided the financing bank with collateral for the current credit facility, as required by the institution.

In 2015, the Company has secured new guarantee limits with a total value of PLN 50m. Moreover, negotiations with financial institutions to establish new guarantee limits are moving into the final stage.

All these developments indicate an improvement of the Company's financial standing, which should positively affect the assessment of the Company's financial standing and risks by the financial institutions.

In view of the above, the Company's Management Board does not identify any risk of refusal to extend the credit facility for another 12 months. The Management Board also believes that the Company will obtain new guarantee lines from other financial institutions, will secure new sources of working capital, and will be able to maintain positive margins and deliver the expected cash flows on its contracts, as a result of which the Company will be able to continue its business in line with the assumptions set forth in the financial projections.

Considering the risks discussed above, the improved financial standing of the Company, and the current status of negotiations with the financing bank and other financial institutions, the Management Board believes that its efforts will prove successful and the Company will be able to meet the targets set forth in the financial projections for the coming year, and has prepared these financial statements based on the assumption that the Company would continue as a going concern.
The Company applied the IFRSs applicable to financial statements prepared for the year beginning on January 1st 2015.

3. Significant accounting policies

The accounting policies applied in preparing these interim condensed financial statements are consistent with the policies applied in preparing the Company's annual 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.

- *IFRS 11* Joint Arrangements *and IAS 28* Investments in Associates and Joint Ventures

IFRS 11 covers joint arrangements. It defines two categories of joint arrangements: joint operations and joint ventures, and specifies the appropriate methods of accounting for the arrangements.

Application of the standard may result in a change of the method of accounting for joint arrangements (for instance, arrangements previously classified as jointly-controlled entities and accounted for using the proportional consolidation method may now be classified as joint ventures, which are equity-accounted).

IAS 28 has been amended and stipulates guidelines for the application of the equity method to joint ventures.

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

- *IFRS 12* Disclosure of Interests in Other Entities

IFRS 12 requires a wide range of disclosures about an entity's interests in subsidiaries, associates or joint ventures. Application of this standard may result in more extensive disclosures in the financial statements, including for instance:

  - key financial information, including information on the risks associated with the Group's undertakings,
  - disclosure of interests in unconsolidated structured entities and the risks associated with such investments,
  - any material non-controlling interests held by the Group,
  - significant judgements and assumptions made in determining whether an investee is a subsidiary, a jointly-controlled entity or an associate.

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

- *Investment Entities – Amendments to IFRS 10, IFRS 12 and IAS 27*

The amendments introduce the term "investment entity", and provide an exception to the consolidation requirements of such entities, mandating them to measure their subsidiaries at fair value through profit or loss.

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

- *Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32*

The amendments to IAS 32 provide clarifications on the nature and consequences of a legally enforceable right of set-off of financial assets and financial liabilities, and on the offsetting criteria applicable to gross settlement mechanisms (e.g. clearing houses).

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

- *Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36*

The amendments have removed the unintended consequences of IFRS 13 concerning disclosures required under IAS 36. In addition, these amendments require additional disclosures of the recoverable amount of an asset or cash-generating unit (CGU) for which impairment loss was recognized or reversed in the period, where value in use corresponds to fair value less costs to sell.

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

- *Novation of Derivatives and Continuation of Hedge Accounting* − Amendments to IAS 39

The amendments to IAS 39 relate to the continued use of hedge accounting after a derivative is novated and provide some relief from the requirement to cease hedge accounting when such novation meets the criteria specified in IAS 39.

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

The Company 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 financial statements.
- IFRIC 21 Levies (published on May 20th 2013) − effective for annual periods beginning on or after January 1st 2014 − in the EU, effective not later than for annual periods beginning on or after June 17th 2014.
- 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.*
- *Improvements to IFRSs 2011−2013 (published on December 12th 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 January 1st 2015.*
- IFRS 14 *Regulatory Deferral Accounts* (published on January 30th 2014) – effective for annual periods beginning on or after January 1st 2016 – the dates have not been determined for EFRAG to conduct individual phases of work leading to the approval of the standard − not adopted by the EU by the date of authorisation of these interim condensed 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 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 financial statements.
- IFRS 15 *Revenue from Contracts with Customers* (published on May 28th 2014) − effective for annual periods beginning on or after January 1st 2017 − not adopted by the EU by the date of authorisation of these interim condensed 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 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 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 financial statements.
- *Improvements to IFRSs 2012−2014* (published on September 25th 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 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 January 1st 2016 − not adopted by the EU by the date of authorisation of these interim condensed 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 financial statements.

The Company 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 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 Company's Management Board.

5. Significant judgements and estimates

5.1. Professional judgement

When preparing the interim condensed financial statements of the Company, the Management Board 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 Company is the lessee

The Company is party to lease agreements. It classifies leases as either finance leases or operating leases based on the assessment of the extent to which 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.

Identification of embedded derivatives

At the end of each reporting period the management of the Company 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 Company 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 Company'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 three months ended March 31st 2015 and the amounts of assets and liabilities as at March 31st 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 Company 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 Company 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. The Company made an assessment of whether there are any indications of impairment of assets. The analysis showed that during the three months ended March 31st 2015 there were no such indications.

The amounts of impairment losses on assets at the end of the reporting period are presented in Note 11.13 to these interim condensed financial statements.

Revenue recognition

In accounting for its long-term contracts, the Company uses the percentage of completion method. The use of the method requires the Company to estimate the percentage of completion. If the estimated total cost of contract execution increased by 10% in relation to the Company's original estimate, the revenue would decrease by approximately PLN 39.9m.

Measurement of provision for employee benefits

Provisions for employee benefits were estimated with actuarial methods.

The underlying assumptions are presented in Note 11.22. The actuarial assumptions adopted at the end of 2014 remained unchanged. 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 Company relies on professional judgement. For information on the fair value measurement method for individual financial assets, see Note 13.

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 Company reviews the useful lives of its assets annually, on the basis of current estimates.

Deferred tax asset

The Company 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 end of the reporting period.

Provision for expected losses on contracts

At the end of each reporting period the Company 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 10 to these interim condensed financial statements.

Provision for costs due to late performance of contracts

The Company 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 Company as a contractor. 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 10 to these interim condensed financial statements.

Impairment of financial assets

At the end of the reporting period, the Company 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 23.

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 23, the Company recognised in the statement of financial position for the year 2012 a receivable which was 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 Company's ability to claim a refund of the price paid for the shares of ENERGOMONTAŻ-POŁUDNIE S.A., the estimation of the parameters for the measurement of the receivable, in particular at its initial recognition, was difficult and subject to uncertainty.

Valuation of receivables from related parties under arrangement proceedings

In light of the arrangement proceedings pending with respect to the Company's related entity, as discussed in detail in Note 23, and in light of the current arrangement proposals which have not yet been approved at the date of issue of these interim condensed financial statements, the Company'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 financial statements.

Exchange rates used to determine carrying amounts:

	Mar 31 2015	*Dec 31 2014*	*Mar 31 2014*
USD	3.8125	3.5072	3.0344
EUR	4.0890	4.2623	4.1713
GBP	5.6295	5.4648	5.0485
CHF	3.9110	3.5447	3.4192
SEK	0.4410	0.4532	0.4663
TRY	1.4571	1.5070	1.4021

6. Change in estimates

In the three months ended March 31st 2015 and as at March 31st 2014, the Company reviewed and updated estimates in significant areas, as discussed in Note 5.2.

7. Changes in the structure of the Company and the Group

In the reporting period, a change took place in the structure of the Group. On December 30th 2014, the Company executed a preliminary conditional agreement for sale of shares in FPM S.A., a subsidiary, to TDJ S.A. for PLN 48m. The transaction was conditional on:

- TDJ S.A. obtaining clearance for the business concentration from the President of the Office of Competition and Consumer Protection (President of UOKiK); or TDJ S.A.'s request for clearance being returned following President of UOKiK's declaration that there was no obligation to request such clearance; or the expiry of the deadline for the clearance without any decision on business concentration issued by the President of UOKiK;
- Approval of the sale of FPM S.A. shares granted by the Supervisory Board of RAFAKO S.A.

On January 12th 2015, the Supervisory Board of RAFAKO S.A. approved the sale of FPM S.A. shares. On February 19th 2015, RAFAKO S.A. was notified by TDJ that the President of UOKiK cleared the business concentration involving takeover of control of FPM S.A. by TDJ. On February 23rd 2015, a share sale agreement was executed for an aggregate amount of PLN 48m. The Sold Assets represent 82.19% of FPM S.A.'s share capital and confer 82.19% of total voting rights at the FPM S.A. General Meeting, i.e. 1,376,508 votes. The carrying amount of the shares in the Company's accounting books was PLN 35.2m. The gain on the sale, net of transaction costs, was PLN 11.4m. 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.

8. Seasonality and cyclical nature of the Company's operations

The operations of the Company are not affected by seasonality or periodic fluctuations that could materially impact its financial performance.

9. Operating segments

The Company operates in a single market segment of Power and Environmental Protection Facilities.

(PLN '000)

10. 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 March 31st 2015, December 31st 2014 and March 31st 2014, as well as gross amount due to customers for contract work and gross amount due from customers for contract work at the dates stated above.

	Mar 31 2015 (unaudited)	*Dec 31 2014*	*Mar 31 2014 (unaudited)*
Contract costs incurred to date (cumulative)	1,969,968	2,785,090	1,949,621
Recognised profits less recognised losses to date (cumulative)	121,716	156,277	42,351
Contract revenue recognised by reference to the contract stage of completion (cumulative)	2,091,684	2,941,367	1,991,972
Progress billings (cumulative)	2,072,313	2,874,767	1,931,025
Gross amount due to customers for contract work (liability), including:	**(179,635)**	**(161,446)**	**(109,333)**
advances received (liabilities arising from advances received)	(50,584)	(55,585)	(37,364)
- adjustment to advances received arising from amounts due from customers	4,639	19,998	36,531
- gross amount due to customers for contract work	(133,690)	(125,859)	(108,500)
Prepayments relating to accounting for construction contracts, including:	**201,560**	**239,735**	**207,466**
- gross amount due from customers for contract work (asset)	174,212	210,494	207,466
- contract acquisition cost and other accrued contract costs	27,348	29,241	–
Provision for penalties due to late contract performance or failure to meet guaranteed technical specifications	(560)	(1,946)	(40,108)
Provision for losses on construction contracts	(28,188)	(36,087)	(34,442)

The Company 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 Company 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 Company gives rise to risk of indeterminable consequences.

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

Key contracts executed by the Company

Opole Project

In February 2012, the Company, 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").

In the second half of 2011, mutual claims were raised between the RAFAKO Group and the Alstom Group companies in connection with disputes relating to jointly executed projects, as reported by the Company in previous reports.

On October 15th 2013, RAFAKO S.A. reached a settlement the Alstom Group which:

- governed in a comprehensive manner the terms of financial settlements between the groups,
- provided for a mutual waiver of claims by RAFAKO S.A. and the Alstom Group,
- and defined the scope of collaboration between the parties on RAFAKO S.A.'s projects.

The key provisions of the final settlement:

- The Alstom Group agreed to was obliged to pay EUR 43.5m to RAFAKO S.A.;
- RAFAKO S.A. and the Alstom Group waived their mutual claims relating to the Karlsruhe, Westfalen and Bełchatów projects and withdrew the court actions and calls for arbitration submitted in connection with the disputes; and
- RAFAKO S.A. agreed to cooperate with the Alstom Group on the Opole Contract, including to subcontract to the Alstom Group 100% of RAFAKO's scope of work under the Opole Contract. Detailed rules of cooperation and the scope of work subcontracted to the Alstom Group were defined in the Settlement concluded on October 25th 2013 between Alstom, the Consortium composed of RAFAKO S.A., Polimex-Mostostal S.A., Mostostal Warszawa S.A. and PGE, and special purpose vehicles of each of Consortium members.

The withdrawal of all claims, execution of the settlement, and the transfer of the agreed payments marked an end to all outstanding settlements, disputes, and issues related to penalties and claims between RAFAKO S.A. and the Alstom Group companies in connection with the projects described above.

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 100% of work and services related to the construction of the power generating units at Elektrownia Opole. 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 March 31st 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 Company's statement of comprehensive income.

The value of balances under the contract has no effect on the values disclosed in the Company'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 RAFAKO S.A.'s performance if the Company 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 Company 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 RAFAKO S.A. subcontracted approximately 90% of the Project's scope of work, with RAFAKO S.A. executing directly the remaining 10% (with an approximate VAT-exclusive value of PLN 447m; 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 S.A. 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.

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

In the consolidated financial statements, RAFAKO S.A. offsets Project-related income, expenses and settlements between RAFAKO S.A. and the special purpose vehicle. In its separate financial statements, RAFAKO S.A. recognises only income and expenses related to its scope of work, i.e. 10% of the total scope of work to be performed on the Jaworzno Project. In its separate financial statements, the Company does not recognise income and expenses related to the portion of work performed by E003B7 Sp. z o.o. − they are reported in the separate financial statements of E003B7 Sp. z o.o. and the consolidated financial statements of the RAFAKO Group.

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.

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

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

In the three months ended March 31st 2015, the Company's revenue amounted to PLN 199,583 thousand, up PLN 17,141 thousand compared with the corresponding period in 2014. The revenue increase in the first three months of 2015 was mainly attributable to:

- greater (year on year) progress of running contracts, primarily due to the different progress of contracts in the RAFAKO order book as at March 31st 2014 and March 31st 2015;
- positive adjustment to sales (release of provisions for contractual penalties).

Sales increase was recorded on the both domestic and foreign markets.

Cost of sales in the first three months of 2015 amounted to PLN 179,355 thousand, with the Company's gross profit at PLN 20,228 thousand. The change in relation to the first three months of 2014 was mainly due to:

- higher costs under ongoing contracts in 2015, with gross operating margin on ongoing contracts slightly higher than in Q1 2014;
- positive effect of changes in contract penalties/provisions for contact penalties on EBIT.

Distribution costs disclosed by the Company 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. In the Company's statement of comprehensive income for the first three months of 2015, distribution costs are disclosed at PLN 6,671 thousand, with the largest item being distribution costs net of impairment losses on trade receivables of PLN 6,171 thousand (March 31st 2014: PLN 9,901 thousand).

Other income chiefly included contractual penalties of PLN 506 thousand (March 31st 2014: PLN 197 thousand) and co-financing of education expenses of PLN 142 thousand.

Other expenses chiefly included loss on disposal of tangible assets of PLN 183 thousand, and donations of PLN 157 thousand (March 31st 2014: PLN 131 thousand).

In the first three months of 2015, the Company's finance income was generated mainly from measurement of long-term settlements of PLN 2,286 thousand (March 31st 2014: PLN 568 thousand), and interest on financial instruments of PLN 526 thousand (March 31st 2014: PLN 2,890 thousand), including PLN 519 thousand of interest on security deposits provided in respect of contracts.

Finance costs in the period chiefly included interest on financial instruments of PLN 1,246 thousand (March 31st 2014: PLN 1,935 thousand) and commissions on bank borrowings and bank and insurance guarantees of PLN 167 thousand (March 31st 2014: PLN 515 thousand).

(PLN '000)

11.2. Income tax

Income tax expense

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

	Three months ended Mar 31 2015 (unaudited)	*Three months ended Mar 31 2014 (unaudited)*
Current income tax	(4,544)	(1,501)
Current income tax expense	(4,544)	(1,501)
Adjustments to current income tax from previous years	–	–
Deferred tax	536	509
Related to recognition and reversal of temporary differences	536	509
Adjustments to deferred tax from previous years	–	–
Income tax expense in the statement of profit or loss	**(4,008)**	**(992)**
Deferred tax on other comprehensive income	31	(57)
Related to recognition and reversal of temporary differences	31	(57)
Income tax expense recognised in other comprehensive income	**31**	**(57)**

(PLN '000)

Deferred income tax calculated as at March 31st 2015

Deferred income tax calculated as at March 31st 2015 relates to the following:

	Statement of financial position		*Statement of comprehensive income for the period ended*	
	Mar 31 2015 (unaudited)	*Dec 31 2014*	*Mar 31 2015 (unaudited)*	*Mar 31 2014 (unaudited)*
- investment reliefs	(4)	(4)	–	–
difference between tax base and carrying amount of property, plant and equipment and intangible assets	(14,559)	(14,342)	(217)	(258)
difference between tax base and carrying amount of assets measured at fair value through profit or loss	1,561	1,818	(257)	(83)
difference between tax base and carrying amount of loans and receivables	776	509	267	(1,496)
different timing of recognition of revenue from sale of goods and services for tax purposes	(9,778)	(21,158)	11,380	3,645
difference between tax base and carrying amount of inventories	1,487	1,481	6	96
provisions	16,777	18,025	(1,248)	(1,825)
difference between tax base and carrying amount of financial liabilities measured at amortised cost	70	75	(5)	(107)
- difference between tax base and carrying amount of financial liabilities measured at fair value through profit or loss	–	–	–	–
- difference between tax base and carrying amount of liabilities under guarantees, factoring and excluded from the scope of IAS 39	13	15	(2)	(2)
different timing of recognition of cost of sales for tax purposes	38,964	50,288	(11,324)	3,867
tax asset related to tax loss	–	–	–	(1,467)
adjustment to costs of unpaid invoices	14,923	12,127	2,796	(947)
other	(93)	736	(829)	(971)
Deferred tax expense			**567**	**452**
Net deferred tax asset / liability, including:	**50,137**	**49,570**		
Deferred tax asset	50,137	49,570		
Deferred tax liability	–	–		

In 2014 and 2015, the Company submitted to tax authorities corrected corporate tax returns for 2008–2013, adjusting the taxable income by a total of PLN 19,695 thousand, which resulted in a PLN 3,742 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.

11.3. Significant items in the statement of cash flows

The PLN 2,480 thousand decrease in receivables disclosed in the statement of cash flows for the three months ended March 31st 2015 resulted mainly from:

- PLN 16,081 thousand decrease in trade receivables,
- PLN 5,699 decrease in receivables from the state budget (including VAT),
- PLN (15,293) thousand increase in prepayments made,
- PLN (4,367) thousand increase in security deposits receivables,
- PLN 139 thousand decrease in Company Social Benefits Fund receivables,
- PLN 24 thousand decrease in receivables from sale of debt,
- PLN 197 thousand decrease in other receivables.

For a detailed description of changes in security deposits and disputed receivables in the three months ended March 31st 2015, see Note 11.12.

The PLN 80,517 thousand decrease in liabilities disclosed in the statement of cash flows was mainly caused by:

- PLN (80,325) thousand decrease in trade payables,
- 435 thousand increase in the provision for retirement benefits, (net of actuarial gains/(losses)) of PLN 207 thousand,
- PLN (3,307) thousand decrease in the provision for warranty repairs,
- PLN 64 thousand increase in the provision for bonuses,
- PLN 1,327 thousand increase in the provision for leaves,
- PLN (8,011) thousand decrease in the provision for delayed cost collection,
- PLN 15 thousand increase in the provision for balance sheet audit,
- PLN 9,513 thousand increase in other liabilities,

The PLN 47,079 thousand change in accruals and deferrals relating to accounting for construction contracts as shown in the statement of cash flows was mainly caused by:

- PLN 39,750 thousand decrease in receivables relating to accounting for construction contracts
  PLN 38,175 thousand increase in gross amount due from customers for contract work,
- increase in gross amount due to customers for contract work,
  including: PLN 18,189 thousand,
  PLN 10,358 thousand increase in prepayments,
- PLN (9,285) thousand decrease in provisions for contract work,

The PLN 10,358 thousand change in prepayments recorded in the first three months ended March 31st 2015 resulted primarily from:

- Accounting for a PLN 2.6m prepayment received from TAURON Wytwarzanie S.A. in connection with the performance of the contract for 'Construction of a power unit at the Jaworzno Power Plant';
- Accounting for the PLN 1,920 thousand prepayment received in connection with the performance of the contract for the construction of an SCR system for units K2 and K6 for Elektrownia Połaniec S.A.

The amount of PLN 5,085 thousand related to the purchase of property, plant and equipment and intangible assets comprises capital expenditure on property, plant and equipment of PLN 5,064 thousand and capital expenditure on intangible assets of PLN 21 thousand. The expenditure on property, plant and equipment was primarily related to the modernisation of the Company's buildings and structures as well as purchase of plant and equipment.

The
PLN 23,509 thousand decrease in borrowings disclosed under financing activities in the statement of cash flows was caused by the repayment of the credit facility from PKO BP S.A. The Company's cash from financing activities was also affected by interest of PLN 43 thousand paid on the credit facility extended by PKO BP S.A.

(PLN '000)

11.4. Property, plant and equipment

Mar 31 2015 *(unaudited)*	*Land*	*Buildings*	*Plant and equipment*	*Vehicles*	*Other*	*Property, plant and equipment under construction*	*Total*
Net carrying amount as at Jan 1 2015	**9,288**	**81,066**	**44,095**	**5,349**	–	**3,008**	**142,806**
Acquisitions	–	–	–	1,235	–	776	2,011
Liquidation/sale	(2)	–	(3)	(372)	–	–	(377)
Transfers from property, plant and equipment under construction	–	218	626	–	–	(844)	–
Exchange differences on translating foreign operations	–	–	(1)	–	–	–	(1)
Depreciation for the period	–	(595)	(1,352)	(210)	–	–	(2,157)
Impairment loss for the reporting period	–	–	–	–	–	–	–
Other, including reclassification of property, plant and equipment to/from assets held for sale	2	–	(1)	240	–	–	241
Net carrying amount as at Mar 31 2015 *(unaudited)*	**9,288**	**80,689**	**43,364**	**6,242**	–	**2,940**	**142,523**

Mar 31 2014 *(unaudited)*	*Land*	*Buildings*	*Plant and equipment*	*Vehicles*	*Other*	*Property, plant and equipment under construction*	*Total*
Net carrying amount as at Jan 1 2014	**9,270**	**83,031**	**46,365**	**3,582**	–	**1,022**	**143,270**
Acquisitions	–	–	–	–	–	1,387	1,387
Liquidation/sale	–	–	–	–	–	–	–
Transfers from property, plant and equipment under construction	–	222	771	544	–	(1,537)	–
Exchange differences on translating foreign operations	–	–	–	–	–	–	–
Depreciation for the period	–	(620)	(1,351)	(153)	–	–	(2,124)
Impairment loss for the reporting period	–	–	–	–	–	–	
Other, including reclassification of property, plant and equipment to/from assets held for sale	–	–	8	–	–	–	8
Net carrying amount as at Mar 31 2014 *(unaudited)*	**9,270**	**82,633**	**45,793**	**3,973**	–	**872**	**142,541**

As at March 31st 2015, property, plant and equipment pledged as security for liabilities amounted to PLN 135,321 thousand. The assets serve as security in respect of liabilities under the multi-purpose credit facility agreement with 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 arising in connection with the agreement providing for issuance of guarantees for the benefit of TAURON Wytwarzanie S.A. in connection with implementation of the Jaworzno III 910 MW unit Project (a registered pledge over a set of movables and rights).

As at March 31st 2014, property, plant and equipment with a net carrying amount of PLN 91,700 thousand served as security in respect of a mortgage with PKO BP S.A.

(PLN '000)

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

	3 months ended Mar 31 2015 (unaudited)	*3 months ended Mar 31 2014 (unaudited)*
Purchase of property, plant and equipment and intangible assets*	776	1,648
Proceeds from sale of property, plant and equipment	194	5

*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 Company'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.

11.6. Shares in subsidiaries and other entities

	Mar 31 2015 (unaudited)	*Dec 31 2014*
Shares in listed subsidiaries	–	–
Shares in non-listed subsidiaries	25,032	25,032
Shares in other listed companies	322	369
Shares in other non-listed companies	19	19
	25,373	**25,420**

As at March 31st 2015, shares held by the Company worth PLN 25,373 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 implementation of the Jaworzno III 910 MW unit Project (a registered pledge over a set of movables and rights).

As at December 31st 2014, shares held by the Company worth PLN 25,420 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 implementation of the Jaworzno III 910 MW unit Project (a registered pledge over a set of movables and rights).

In the 12 months ended December 31st 2014, the Company recorded a PLN 35,184 thousand change in shares in subsidiaries, attributable to the reclassification of shares in FPM S.A. to assets held for sale, as discussed in Note 17 to the financial statements for 12 months ended December 31st 2014.

(PLN '000)

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

	Mar 31 2015 (unaudited)	*Dec 31 2014*
Trade receivables, including:	26,054	28,990
Trade receivables from related entities	–	–
Trade receivables from other entities	26,054	28,990
Other receivables and prepayments, including:	–	–
Prepayments under bank and insurance guarantees	–	–
Total receivables (net)	**26,054**	**28,990**
Impairment loss on receivables	–	–
Gross receivables	**26,054**	**28,990**

11.8. Other non-current financial assets

	Mar 31 2015 (unaudited)	*Dec 31 2014*
Loans advanced	37	38
Non-current deposits, including:	–	–
- deposits securing bank guarantees provided to the Company	–	–
Other non-current financial assets, including:	35,025	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.	29,114	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)	5,911	5,627
	35,062	**33,382**

In the three months ended March 31st 2015, the Company 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 discussed in Note 23.

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.

11.9. Inventories

	Mar 31 2015 (unaudited)	*Dec 31 2014*
Materials (at cost)	20,999	21,715
At cost	28,825	29,507
At net realisable value	20,999	21,715
Total inventories, at the lower of cost and net realisable value	**20,999**	**21,715**
- including: inventories pledged as security for liabilities	20,999	21,715

As at March 31st 2015, inventories worth PLN 20,999 thousand served as security in respect of the Company'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).

(PLN '000)

As at December 31st 2014, inventories worth PLN 21,715 thousand served as security in respect of the Company'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).

Inventory write-downs

	3 months ended Mar 31 2015 (unaudited)	*12 months ended Dec 31 2014*
At the beginning of the period	(7,792)	(6,354)
- write-down recognised	(34)	(1,743)
- write-down reversed	–	305
Balance at end of period	**(7,826)**	**(7,792)**

11.10. Other current financial assets

	Mar 31 2015 (unaudited)	*Dec 31 2014*
Other current financial assets, including:		
Additional contributions to the equity of a subsidiary	–	–
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.	–	–
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)	–	–
	–	–

On April 5th 2012, the General Meeting of a subsidiary passed a resolution requiring its shareholders to provide additional refundable contributions with a view to increasing the subsidiary's equity. The additional contributions were refunded on August 16th 2013.

On April 18th 2012, the Company 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 the advance paid by the Company under the agreement was PLN 16,176 thousand (of which PLN 5,676 thousand was paid in respect of shares presented as other non-financial assets and PLN 10,500 thousand was paid in respect of the loan presented 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 Company'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)

11.11. Cash and cash equivalents

	Mar 31 2015 (unaudited)	*Dec 31 2014*	*Mar 31 2014 (unaudited)*
Cash in hand and at banks	8,137	7,101	9,072
Current deposits for up to 3 months, including:	406	7,247	5,462
- inventories pledged as security for liabilities	–	–	–
	8,543	**14,348**	**14,534**
including: restricted cash	1,434	1,317	1,159

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

The Company carries restricted cash, including cash from subsidies (held in separate bank accounts), which may be used to make payments under ongoing projects.

11.12. Current trade receivables, other receivables and prepayments

	Mar 31 2015 (unaudited)	*Dec 31 2014*
Trade receivables, including:	224,808	237,953
Trade receivables from related entities	1,963	1,817
Trade receivables from other entities	222,845	236,136
Income tax receivable	11,334	13,666
Other receivables and prepayments, including:	199,230	185,629
Advance payments made to related parties	2,298	363
Advance payments made to other parties	26,207	12,849
Receivables from the state budget	351	6,050
Contractual penalties receivable	–	–
Settlement of property insurance costs	506	921
Settlements with the Company Social Benefits Fund	–	139
Disputed receivables	300	300
Prepaid expenses	1,446	1,315
Prepayments under bank and insurance guarantees	–	–
Security deposits	166,637	162,270
Receivables sold	659	683
Other receivables	–	–
Other	826	739
Other receivables from related entities	–	–
Total receivables (net)	**435,372**	**437,248**
Impairment loss on receivables	40,794	40,294
Gross receivables	**476,166**	**477,542**

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.

The Company follows a policy pursuant to which it sells its products exclusively to customers who have successfully passed a credit verification procedure. As a result, Management believes there is no additional credit risk that would exceed the uncollectible debt allowance made for trade receivables.

Current trade receivables of PLN 224,808 thousand recognised in the statement of financial position as at March 31st 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 40,883 thousand,
- EDF Polska S.A. – PLN 40,845 thousand,

(PLN '000)

- GDF SUEZ Energia Polska S.A. – PLN 27,507 thousand,
- Synthos Dwory 7 Sp. z o.o. sp.j. – PLN 18,653 thousand.

In the three months ended March 31st 2015, the Company recorded a PLN 4,369 thousand increase in security deposit receivables
.

The amount of security deposit receivables as at March 31st 2015 changed mostly in connection with payments and repayments of security deposits under the following contracts:

- security deposit (cash) paid as performance bond under the contract for modernisation of electrostatic precipitators signed with ENERGA Elektrownie Ostrołęka; the value of security deposits paid and accounted for in the three months ended March 31st 2015 was PLN 3,151 thousand;
- security deposit (cash) paid as performance bond under contracts performed by the Company; the value of security deposits paid to PKO Bank Polski S.A. and accounted for in the three months ended March 31st 2015 was PLN 2,956 thousand.

A significant item of other receivables was prepayments, which amounted to PLN 28,505 thousand as at March 31st 2015 and included:

- prepayments to SUMITOMO FRANCJA S.A.S. – PLN 12,756 thousand,
- prepayments to Wallstein Ingenieur Gesellschaft GmbH – PLN 2,357 thousand,
- prepayments to Termokimik Corporation SPA – PLN 2,224 thousand.

11.13. Impairment losses on assets

	*Shares**	*Other non-financial assets*	*Inventories***	*Receivables****
Jan 1 2015	(24,230)	(5,676)	(7,792)	(40,294)
Impairment loss recognised	(47)	–	(34)	(699)
Impairment loss utilised/reversed	–	–	–	199
Mar 31 2015 *(unaudited)*	**(24,277)**	**(5,676)**	**(7,826)**	**(40,794)**
Jan 1 2014	(24,252)	(5,676)	(6,354)	(57,633)
Impairment loss recognised	–	–	(505)	(712)
Impairment loss utilised/reversed	–	–	–	18,055
Mar 31 2014 *(unaudited)*	**(24,252)**	**(5,676)**	**(6,859)**	**(40,290)**

*Impairment losses on shares in companies are recognised for shares in companies declared bankrupt and in connection with remeasurement of shares.

** 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

11.14. Share capital

In the three months ended March 31st 2015 and in the corresponding period of the previous year, the Company's share capital did not change. It amounted to PLN 139,200,000 and was divided into 69,600,000 ordinary shares with a par value of PLN 2.00 per share, of the following series:

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
	69,600,000	**139,200**

11.15. 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.

11.16. Shareholders' rights

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

11.17. Share premium

The share premium comprises the excess of issue price over the par value of the shares, amounting to PLN 77,947 thousand.

On May 15th 2000, RAFAKO S.A.'s General Meeting resolved to allocate PLN 41,169 thousand to cover accumulated loss brought forward from previous years.

In the three months ended March 31st 2015 and the twelve months ended December 31st 2014, there were no events which would result in any changes in the share premium, which amounted to PLN 36,778 thousand at March 31st 2015 (December 31st 2014: PLN 36,778 thousand).

11.18. Reserve funds

Reserve funds have been created from statutorily required transfers from profits generated by the Company in previous financial years, as well as from profit appropriations in excess of the statutorily required transfers. As at March 31st 2015, the reserve funds amounted to PLN 81,201 thousand (December 31st 2014: PLN 81,201 thousand).

11.19. Translation reserve

The balance of translation reserve is adjusted for exchange differences arising from translation of the financial statements of the Company's foreign branch. As at March 31st 2015, translation reserve amounted to PLN 227 thousand (December 31st 2014: PLN 293 thousand).

(PLN '000)

11.20. Retained earnings and dividends paid

Following the recognition of a PLN 14,709 thousand net profit for the three months ended March 31st 2015, recognition of PLN 131 thousand of actuarial losses, as at March 31st 2015 the Company's retained earnings amounted PLN 33,603 thousand.

In 2015, the Company did not pay dividends nor did the Management Board declare such payment.

11.21. Earnings /(loss) per share

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

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

	3 months ended Mar 31 2015 (unaudited)	*3 months ended Mar 31 2014 (unaudited)*
Net profit/(loss) from continuing operations	14,709	2,894
Profit/(loss) from discontinued operations	–	–
Net profit/(loss)	14,709	2,894
Net profit/(loss) attributable to ordinary shareholders, applied to calculate earnings/(loss) per share	**14,709**	**2,894**
Weighted average number of outstanding ordinary shares, applied to calculate basic earnings/(loss) per share	69,600,000	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	69,600,000	69,600,000
Earnings /(loss) per share		
– basic earnings/(loss) from profit/(loss) for the period	0.21	0.04

The Company does not present diluted earnings per share for the three months ended March 31st 2015 as it does not have any dilutive financial instruments.

(PLN '000)

11.22. Post-employment and other employee benefits

Based on a forecast made at the end of the period by a professional actuarial company, the Company recognises a provision for the present value of the liability arising from retirement benefits, jubilee bonuses and the Social Fund. The provision amount and a reconciliation showing movements in the provision during the financial year are presented in the table below:

	Mar 31 2015 (unaudited)	*Dec 31 2014*
As at Jan 1 2012	26,803	22,808
Interest expense	164	912
Current service costs	311	585
Actuarial (gains)/losses	162	5,005
Benefits paid	(268)	(2,507)
Closing balance	**27,172**	**26,803**
Non-current provisions	25,117	24,907
Current provisions	2,055	1,896

The main assumptions adopted by the actuary as at March 31st 2015 and for the three months ended March 31st 2015, as well as for the 12 months ended December 31st 2014 to determine the amount of the obligation were as follows:

	Mar 31 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.
** 5% in 2015 and 2.5% in 2016 and in the following years

11.23. Non-current trade and other payables

	Mar 31 2015 (unaudited)	*Dec 31 2014*
Trade payables		
Trade payables to related entities	74	6
Trade payables to other entities	22,613	20,498
	22,687	**20,504**
Capital commitments	149	172
	149	**172**
Financial liabilities		
Finance lease liabilities	2,294	1,581
	2,294	**1,581**
Other liabilities		
Unpaid bonus accrual	398	334
Provisions for warranty repairs	1,550	1,859
	1,948	**2,193**

(PLN '000)

11.24. Current provisions, trade and other payables

	Mar 31 2015 (unaudited)	*Dec 31 2014*
Trade payables		
Trade payables to related entities	5,518	7,017
Trade payables to other entities	211,201	292,210
	216,719	**299,227**
Other financial liabilities		
Valuation of derivatives	–	–
Finance lease liabilities	805	559
	805	**559**
Liabilities under investments in non-current assets	597	4,860
	597	**4,860**
Other liabilities		
VAT	9,818	4,394
Personal income tax	2,585	2,101
Social security liabilities	9,565	8,741
Other taxes, customs duties and insurance payable	347	201
Salaries and wages payable	8,622	7,687
Accrued holiday entitlements	4,616	3,289
Unpaid bonus accrual	8,107	8,107
Provisions for warranty repairs	6,990	9,988
Liabilities under financial guarantees and sureties issued	745	745
Accrual for costs of uninvoiced materials and services	13,552	21,563
Liabilities under dispute	–	–
Accrual for audit fees	115	100
Provisions for other liabilities and disputed claims	5,467	5,667
Other amounts payable to employees	–	–
Security deposits	572	613
Settlements with the Company Social Benefits Fund	600	–
Other	2,868	1,527
	74,569	**74,723**

12. 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 full-year financial statements.

(PLN '000)

13. Financial instruments

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

Classes and categories of financial assets	*Carrying amount*	
	Mar 31 2015 (unaudited)	*Dec 31 2014*
Assets at fair value through profit or loss	–	–
Investment fund units	–	–
Derivative instruments	–	–
Available-for-sale financial assets	**322**	**369**
Long-term shareholdings	322	369
Loans and receivables	**452,915**	**462,965**
Trade receivables	250,862	266,943
Other receivables	166,937	162,570
Loans advanced	91	108
Non-current deposits	–	–
Current deposits	–	–
Other non-current financial assets	35,025	33,344
Other current financial assets	–	–
Cash and cash equivalents	**8,543**	**14,348**
	461,780	**477,682**

Classes and categories of financial liabilities	*Carrying amount*	
	Mar 31 2015 (unaudited)	*Dec 31 2014*
Financial liabilities at fair value through profit or loss	–	–
Derivative instruments	–	–
Financial liabilities at amortised cost	**347,005**	**454,992**
Borrowings	106,853	130,229
Trade payables (including capital commitments)	240,152	324,763
Other financial liabilities	–	–
Liabilities under guarantees, factoring and excluded from the scope of IAS 39	**3,099**	**2,140**
Liabilities under leases and lease agreements with a purchase option	3,099	2,140
	350,104	**457,132**

(PLN '000)

14. Borrowings

Current borrowings	*Security*	*Other*	*Currency*	*Effective interest rate*	*Maturity date*	*Liabilities under borrowings*	
						Mar 31 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	Agreement for a renewable overdraft of PLN 150 million***	PLN	1M WIBOR + margin	May 31 2015****	104,735	128,127
						104,735	**128,127**
Short-term loans received:							
PGL-DOM Sp. z o.o.*****	blank promissory note with a promissory note declaration	Agreement for a cash loan to be used for funding day-to-day operations	PLN	1M WIBOR + margin	Dec 31 2015	2,118	2,102
						2,118	**2,102**

* 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 and the Kielce CHP Plant (performed for PGE Górnictwo i Energetyka Konwencjonalna S.A.), as well as receivables under the contract performed for the Połaniec Power Plant.

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

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

***** A subsidiary.

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

(PLN '000)

15. Derivative instruments

As at March 31st 2015, the Company did not carry any open currency forward contracts or any other derivative instruments.

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

16. Capital management

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

	Mar 31 2015 (unaudited)	*Dec 31 2014*
Equity	291,009	276,497
Borrowed funds (bank credit facility and loans)	106,853	130,229
Total equity and liabilities	954,473	1,037,898
Capitalisation ratio	**0.30**	**0.27**

17. Provisions for costs

17.1. Provision for costs due to late performance of construction contracts

During the three months ended March 31st 2015, the Company reviewed the amounts of provisions for costs due to late performance of contracts (including realised delays with respect to contractual obligations, in particular, penalty computation conditions) 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 Company set the amount of provisions for costs due to late performance of contracts at PLN 560 thousand.

(PLN '000)

17.2. Change in provisions, liabilities and accruals and deferred income disclosed in the statement of financial position

	*Provision for expected losses on contracts**	*Provision for length-of-service awards and retirement gratuity and Company Social Benefits Fund*	*Provision for unused holiday entitlement***	*Provision for warranty repairs***	*Provision for costs of contractual penalties****	*Provision for bonuses***	*Provision for other liabilities***	*Other provisions*
Jan 1 2015	36,087	26,803	3,289	11,847	1,946	8,441	5,667	100
Provision recognised	1,265	369	1,327	(218)	–	220	–	65
Provision reversed/ utilised	(9,164)	–	–	(3,089)	(1,386)	(156)	(200)	(50)
Mar 31 2015 *(unaudited)*	**28,188**	**27,172**	**4,616**	**8,540**	**560**	**8,505**	**5,467**	**115**
Jan 1 2014	35,704	22,808	2,102	10,646	50,192	1,124	2,745	100
Provision recognised	609	133	1,920	2,113	229	179	–	65
Provision reversed/ utilised	(1,871)	–	–	(2,018)	(10,313)	(208)	(394)	(50)
Mar 31 2014 *(unaudited)*	**34,442**	**22,941**	**4,022**	**10,741**	**40,108**	**1,095**	**2,351**	**115**

*Amounts resulting from accounting for construction contracts described in Note 10.
**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)

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

In the three months ended March 31st 2015, the Company did not issue, redeem or repay any debt or equity securities. On June 24th 2014, the Extraordinary General Meeting of RAFAKO S.A. passed a resolution authorising the Management Board of the Company to increase the share capital by issuing new shares with a total par value of up to PLN 30,663,996, in a single or several share capital increases within the aforementioned limit (authorised capital).

19. Dividends paid or declared

In the three months ended March 31st 2015, the Company did not pay dividend and the Management Board did not declare dividend.

20. Capital commitments

As at March 31st 2015, the Company had commitments related to purchase of property, plant and equipment of PLN 746 thousand. As at March 31st 2015, the Company also had signed agreements for capital expenditure to be made in 2015, not disclosed in the accounting books at the end of the reporting period, for a total of PLN 8,018 thousand.

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

	Mar 31 2015 (unaudited)	*Dec 31 2014*
Off-balance sheet items under bank guarantees received mainly as security for performance of contracts, including:	232,895	189,601
- from related entities	–	–
Receivables under sureties received, including:	7,600	7,600
- from related entities	–	–
Promissory notes received as security, including:	29,306	27,557
- from related entities	16,540	14,821
Letters of credit	1,883	19,180
	271,684	**243,938**

	Mar 31 2015 (unaudited)	*Dec 31 2014*
Off-balance sheet items under bank guarantees issued mainly as security for performance of contracts, including:	228,377	243,232
- to related entities	–	–
Liabilities under sureties, including:	1,046,000	1,046,000
- to related entities	–	–
Promissory notes issued as security, including:	28,647	28,647
- to related entities	2,000	2,000
Letters of credit	–	–
	1,303,024	**1,317,879**

In the first three months of 2015, RAFAKO S.A. recorded a PLN 14,855 thousand drop in contingent liabilities, which resulted from a decrease in liabilities under guarantees. In the first three months of 2015, guarantees (mainly performance bonds of PLN 5,505 thousand and bid bonds of PLN 600 thousand) were issued by banks and insurance companies to the Company's trading partners upon RAFAKO S.A.'s instruction. In this category of liabilities, the largest item was a performance bond of EUR 438 thousand issued in March 2015. Liabilities under sureties issued, of PLN 1,046,000 thousand, relate to a surety for SPV-Jaworzno'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 three months of 2015 was a performance bond of PLN 8,472 thousand.

Over the first three months of 2015, the Company recorded an increase in contingent receivables, including mainly performance bonds, of PLN 27,746 thousand, and an increase in receivables under promissory notes of PLN 1,719 thousand. In the first three months of 2015, receivables under received bank and insurance guarantees grew by PLN 43,294 thousand. The largest item among received guarantees in the first three months of 2015 was a performance bond of PLN 41,107 thousand. In this period, RAFAKO S.A. also recorded a PLN 1,719 thousand increase in receivables under letters of credit opened for the Company. The largest item among expired guarantees in the first three months of 2015 was a performance bond of PLN 2,264 thousand.

22. Litigations and disputes

Below are described the key litigations and disputes in which the Company is involved.

On November 3rd 2009, RAFAKO S.A. brought an action for payment with the Regional Court of Warsaw, 20th Commercial Division, against ING Bank Śląski S.A. ('ING'). In the action, RAFAKO S.A. demanded a refund of approximately PLN 9m unlawfully enforced from its accounts by ING Bank Śląski S.A. On November 29th 2010, the court of first instance issued a ruling in which it awarded PLN 8,996,566.00, plus statutory interest and litigation costs, to be paid by ING Bank Śląski S.A. to RAFAKO S.A. The attorney of ING Bank Śląski S.A. filed an appeal against the ruling of the court of first instance. On October 12th 2011, the Court of Appeals in Warsaw, having completed hearings, did not find the claims raised in the appeal by ING Bank Śląski S.A. justified, but resolved ex officio that the court of first instance failed to consider the substance of the dispute, reversed the ruling and remanded the case for re-examination by the court of first instance.

In its ruling of April 1st 2014, the Regional Court of Warsaw ordered ING to pay RAFAKO S.A. PLN 3,646,699.59 plus statutory interest for the period from November 3rd 2009 until the payment date.

The court dismissed the remaining part of the claim. Both parties lodged appeals against the ruling. The date of the hearing has not been set.

In another material litigation, the Company is seeking compensation of USD 11,500 thousand (PLN 38,151 thousand) from Donetskoblenergo of Ukraine. RAFAKO demands the compensation following the customer's final decision to abandon a steam-generator construction project. In 2009, courts of the first and second instance ruled in favour of RAFAKO. However, the High Commercial Court, having examined a cassation appeal, reversed the rulings and remanded the case for re-examination. On August 6th 2010, RAFAKO received a decision issued by the Judicial Chamber for business cases of the Supreme Court of Ukraine granting a cassation appeal lodged by the Company on March 2nd 2010 and upholding the ruling of the Donetsk Commercial Court of Appeals of December 23rd 2008, whereby RAFAKO was awarded UAH 56.7m (approximately USD 11.5m as at the date of filing the claim) in compensation, default interest, court expenses and legal representation costs. As the recovery of the awarded receivable is uncertain, the Company did not recognise that amount as revenue. RAFAKO's attorney reported that in July 2012 the Commercial Court for the Donetsk region resumed the examination of the case having received Donetskoblenergo's petition to declare the agreement of May 16th 1994 invalid. According to the attorney, there are no new arguments or evidence to grant the petition. Due to the current situation in Ukraine, no date for the next hearing has been set.

An action brought by Steinmüller Babcock Environment GmbH (formerly FISIA BABCOCK ENVIRONMENT GmbH) against RAFAKO S.A. is pending before the International Court of Arbitration at the International Chamber of Commerce in Vienna. The proceedings were initiated following the filing of a claim for payment of approximately EUR 3.8m in connection with a licence agreement relating to a wet flue gas desulfurisation unit. The principal claim concerns payment of an allegedly outstanding licence fee. In RAFAKO S.A.'s opinion, the claim is groundless. RAFAKO S.A.'s stance is that the contract for the upgrade of four desulfurisation units, in relation to which the dispute arose, had been performed based RAFAKO's proprietary technological solutions, without any licensed know-how. In its response to the statement of claim, RAFAKO S.A. also argues that the claim has become time-barred. The Court of Arbitration will address the matter of the claim being time-barred in the first place.

In connection with the arbitration proceedings, the Company has recognised a provision for arbitration costs of approximately PLN 586 thousand. The provision was partially used in 2014 and its balance as at March 31st 2015 was PLN 477 thousand. In the opinion of the Company's Management Board, as at March 31st 2015 there were no circumstances which would justify the recognition of any provisions for the claim.

On December 9th 2014, RAFAKO received a claim for payment of EUR 644.5 thousand from ESPD Environmental Solutions and Project Development GmbH of Vienna (ESPD). The Company's liability is alleged to arise out of the cooperation agreement signed between the parties, under which ESPD agreed to provide support for RAFAKO's efforts to win contracts for flue gas denitration (DeNOx) units. RAFAKO's stance is that the fee claimed by ESPD is not due since no services have been provided. The proceedings are pending before the Court of Arbitration at the Polish Chamber of Commerce in Warsaw.

23. Receivables from related entities in company voluntary arrangement

At the end of the reporting period, the Company recognised in the statement of financial position net receivables of PLN 35 million from related parties in the process of bankruptcy by way of arrangement with creditors.

On December 20th 2011, RAFAKO S.A. and PBG S.A. ("indirect parent") of Wysogotowo an agreement ("Agreement"), under which RAFAKO S.A. acquired an interest in ENERGOMONTAŻ-POŁUDNIE Spółka Akcyjna ("EP") with 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 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 Company'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 Company'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 Management Board of RAFAKO S.A. received a letter from the Court Supervisor of PBG S.A. w upadłości układowej (in company voluntary arrangement) addressed to the company ("PBG"), informing PBG that the sale of 46,021,520 shares in ENERGOMONTAŻ-POŁUDNIE S.A. by PBG to the Company 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 ("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 Company'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 Company'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 Company 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 Company'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 Company 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 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 three months ended March 31st 2015, the Company remeasured the asset based on updated 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 Company's Management Board estimates that the first instalment will be paid by June 30th 2016. The value of the receivable determined based on the assumptions discussed above as at March 31st 2015, recognised under 'Other non-current financial assets', amounts to PLN 29.1m. 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, RAFAKO S.A. entered into a loan agreement with Hydrobudowa Polska S.A. of Wysogotowo, under which RAFAKO S.A. granted a cash loan of PLN 32m to the company 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 Company's Management Board filed a proof of the Company's 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.

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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 Company's Management Board filed the claim with the register of claims maintained as part of the PBG bankruptcy arrangement proceedings PBG S.A. In the three months ended March 31st 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 the Company, 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 the Company, assessed by the Company's Management Board as June 30th 2016 (arrangement proposals provide for the repayment of the debt on a semi-annual basis over the period of five years). The value of the receivable determined based on the assumptions discussed above as at March 31st 2015, recognised under 'Other non-current financial assets', amounts to PLN 5.9m. 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.) subject to bankruptcy proceedings with an arrangement option, which results from the above-mentioned titles and is recognised in the statement of financial position, is PLN 35m.
The recoverable amount of the claims depends on the terms of the arrangement with PBG S.A.'s creditors, which had not been signed by the date of authorisation of these interim financial statements, as well as on the possibility of fulfilment of that arrangement by PBG S.A. in the future.

In the three months ended March 31st 2015, the measurement of the receivable contributed PLN 1,681 thousand (December 31st 2014: PLN 83 thousand) to the Company's net profit/(loss).

24. Management Board and Supervisory Board of the Company

In the three months ended March 31st 2015, no changes took place in the composition of the Company's Management Board.

As at the date of these interim condensed financial statements, the composition of the Management Board is 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 three months ended March 31st 2015, no changes took place in the composition of the Company's Supervisory Board.

At the date of these interim condensed financial statements, the composition of the Supervisory Board is as follows:

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)
Edyta Senger-Kałat	– Member of the Supervisory Board (independent member)
Adam Szyszka	– Member of the Supervisory Board (independent member)
Małgorzata Wiśniewska	– Member of the Supervisory Board

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

In the reporting and comparable periods, no loans were granted to members of the Company's Management or Supervisory Boards.

In the reporting and comparable periods, the Company did not enter into any transactions with members of its Management or Supervisory Boards.

(PLN '000)

26. Related-party transactions

In the first three months of 2015 and 2014, the Company did not enter into any material related-party transactions on non-arm's length terms. Aggregate amounts of related-party transactions in the financial periods indicated:

Related party	*3 months ended Mar 31:*	*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*	–	1	35,025*	774
	2014	–	24	33,707*	27
PBG Group companies:					
PBG Oil and Gas Sp. z o.o. (formerly HBP DROGI Sp. z o.o.)	*2015*	–	1,156	–	1,525
	2014	–	–	–	–
PBG Avatia Sp. z o.o. w upadłości układowej (in company voluntary arrangement)	*2015*	–	1	–	1
	2014	–	1	–	1
Subsidiaries:					
PGL-DOM Sp. z o.o.	*2015*	–	13	–	1
	2014	–	12	–	9
RAFAKO Engineering Sp. z o.o.	*2015*	13	–	8	26
	2014	4	1,803	46	730
ENERGOTECHNIKA Engineering Sp. z o.o.	*2015*	12	2,803	5	2,942
	2014	12	3,985	1,299	3,454
RAFAKO Engineering Solution doo.	*2015*	–	114	–	264
	2014	–	603	–	860
RAFAKO Hungary Sp. z o.o.	*2015*	–	–	–	–
	2014	181	–	179	–
E001RK Sp. z o.o.	*2015*	2	146	–	60
	2014	2	–	4	–
E003B7 Sp. z o.o.	*2015*	130	–	1,950	–
	2014	2	–	2	–

**The receivables from PBG S.A. w upadłości układowej (in company voluntary arrangement) described in Note 23.*

27. Brief description of the Company's material achievements and failures in Q1 2015

On December 30th 2014, the Company executed a preliminary conditional agreement for sale of shares in FPM S.A. to TDJ S.A. of Katowice. On January 12th 2015, the Supervisory Board of RAFAKO S.A. approved the sale of FPM S.A. shares. Thus, one of the two conditions precedent of the Preliminary Agreement was fulfilled. On February 19th 2015, RAFAKO S.A. was notified by TDJ that the President of the Office for Competition and Consumer Protection (UOKiK) gave TDJ clearance for business concentration involving takeover of control of FPM S.A. by TDJ. Thus, the second condition precedent of the Preliminary Agreement was fulfilled. On February 23rd 2015, a share sale agreement was executed for an aggregate amount of PLN 48m. The sold assets represent 82.19% of FPM S.A.'s share capital and confer 82.19% of total voting rights at the FPM S.A. General Meeting, i.e. 1,376,508 votes.
Following the transaction, the Company holds no FPM S.A. assets.

On January 20th 2015, E003B7 Sp. z o.o. ('SPV') and UNISERV-PIECBUD Spółka Akcyjna executed an agreement for the performance of works related to the supercritical 910 MW generating unit at the Jaworzno III Power Plant – Power Plant II, in connection with the 'Development of new coal-fired generation capacities at Tauron Wytwarzanie S.A. – Construction of supercritical 910 MW generating unit at the Jaworzno III Power Plant – Power Plant II' project implemented by RAFAKO and the SPV.

The Agreement was executed on the following terms:

1. Subcontractor will design, deliver and assemble for the SPV a cooling tower along with the related equipment, to be used at the supercritical 910 MW generating unit at the Jaworzno III Power Plant – Power Plant II.
2. The value of the Agreement for the performance of the full scope of works is PLN 164,800,000 (VAT-exclusive).
3. The Agreement caps the aggregate value of contractual penalties at 25% of its value (VAT-exclusive).
4. If the cost of damage resulting from non-performance or improper performance of works under the Agreement exceeds the amount of contractual penalties, the SPV may seek additional compensation on general terms, in compliance with the Polish Civil Code.
5. The Subcontractor's total liability (compensation, claims and demands) may not exceed 100% of the value of the Agreement.

The Agreement will become effective provided it is approved by:

a) the guarantors (PKO BP S.A., BGK and PZU S.A.),
b) the Employer (with respect to the terms and conditions of the Agreement),
c) RAFAKO S.A.

As at the date of these interim condensed financial statements, all conditions precedent for the Agreement had been fulfilled and the Agreement became effective.

On March 10th 2015, the Company received from ING Towarzystwo Funduszy Inwestycyjnych S.A., acting on behalf of its investment funds, a notification that following the acquisition of RAFAKO S.A. shares the number of votes at the General Meeting of RAFAKO S.A., held jointly by the funds managed by ING TFI, increased above the threshold of 5% of total vote.

According to the notification, ING TFI's share in the total vote at the General Meeting of RAFAKO S.A. changed following the acquisition of Company shares on March 5th 2015 by ING Specjalistyczny Fundusz Inwestycyjny Otwarty Akcji 2, Fundusz Własności Pracowniczej PKP Specjalistyczny Fundusz Inwestycyjny Otwarty, and by one subfund, ING Parasol Funduszu Inwestycyjnego Otwartego.

Prior to the change, ING TFI Funds held jointly 3,478,023 shares in RAFAKO S.A. and the same number of votes at its General Meeting, representing 4.99% of RAFAKO S.A.'s share capital and the same percentage of votes at its General Meeting.

As at the date of exceeding the threshold, the Funds held jointly 3,508,403 shares in RAFAKO S.A. and the same number of votes at its General Meeting, representing 5.04% of RAFAKO S.A.'s share capital and the same percentage of votes at its General Meeting.

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

The Company has not published any forecasts for 2015.

29. Shareholders holding 5% or more of the total vote at the General Meeting of RAFAKO S.A.

Shareholders holding 5% or more of the total vote at the General Meeting of RAFAKO S.A. are presented in Note 31 to the interim condensed consolidated financial statements for the three months ended March 31st 2015.

(PLN '000)

30. Statement of changes in holdings of RAFAKO S.A. shares or RAFAKO share options by the Company's management and supervisory staff of which RAFAKO S.A. became aware after the issue of the previous financial statements

	Company name	*As at Mar 23 2015*	*Increase*	*Decrease*	*As at May 15 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	–	–	–	–	–

31. Factors with a material bearing on the Group's performance in Q2 2015

- Currency movements − substantial changes in the PLN/EUR exchange rate may have a material effect on the profitability of EUR-denominated contracts.
- Negotiations with Customers and Customers' decisions to claim contractual penalties for untimely performance of contracts. Should the Customers decide not to charge contractual penalties or to charge penalties lower than the amount of recognised provisions, the provisions will be appropriately reversed (it is possible that Customers will decide on contractual penalties after the date of submission of the interim condensed financial statements for Q2 2015).
- The adequacy of provisions and impairment losses for current and completed contracts (some of these matters may be settled only after the date of submission of the interim condensed financial statements for Q2 2015).
- The consequences of the final settlements between RAFAKO S.A. and ING Bank Śląski S.A. concerning their mutual claims under the Loan Agreement of June 25th 2008 and the resulting joint and several liability of RAFAKO S.A. and RAFAKO Engineering Sp. z o.o. for the liabilities of ELWO S.A. w upadłości (in bankruptcy).
  If the outcome of the case is favourable to the Group, the provisions on the claim will be released in whole or in part. Ultimately, some additional revenue could be earned by the Parent. The settlement is likely to take place only after the date of submission of the interim condensed financial statements for Q2 2015.
- The risk of necessity to pay disputed claims which are not covered by provisions.
- 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 ending June 30th 2015.
- 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 related to the recovery of receivables under proceedings for insolvency with an arrangement option.

32. Events after the end of the reporting period

Except for the events described in these interim condensed financial statements, there were no significant events that should have been recognised or disclosed in these financial statements.

On April 29th 2015, the Company and Powszechna Kasa Oszczędności Bank Polski S.A. of Warsaw executed an annex to the multi-purpose credit facility agreement. The annex extends the availability and repayment date of the overdraft facility and the period during which the Bank may issue guarantees under the Agreement until May 31st 2015. The other material terms and conditions of the Agreement have not been amended under the Annex.

On May 13th 2015, acting under Art. 444, Art. 446 and Art. 447 of the Polish Commercial Companies Code of September 15th 2000 ("Commercial Companies Code"), and Art. 7a of the Company's Articles of Association ("Articles of Association"), the Management Board of RAFAKO S.A. adopted the following resolutions to increase the Company's share capital within the limit of authorised share capital by not less than PLN 2 and not more than PLN 30,663,996, through the issue of no fewer than 1 and no more than 15,331,998 Series J ordinary bearer shares with a par value of PLN 2 per share ("Series J Shares"):

(i) Resolution No. 47 of RAFAKO S.A. Management Board to increase the Company's share capital within the limit of authorised share capital through the issue of Series J ordinary bearer shares of the Company, waive all pre-emptive rights with respect to Series J Shares, and amend the Company's Articles of Association ("Private Placement Resolution"), and

(ii) Resolution No. 48 of the Management Board to increase the Company's share capital within the limit of authorised share capital through the issue of Series J ordinary bearer shares, waive all pre-emptive rights with respect to the Company's Series J shares, amend the Company's Articles of Association, and seek admission and introduction of Company Series J Shares to trading on the regulated market operated by the Warsaw Stock Exchange, and to convert Company Series J Shares into book-entry form ("Open Subscription Resolution") (jointly "Management Board Resolutions").

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 to amend the Articles of Association in connection with the authorisation of the Management Board to increase the share capital within the limit of authorised share capital ("EGM Resolution"), the Management Board decided to offer Series J Shares ("Subscription Right") 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. In accordance with Art. 432.1.6, the Company will enter into subscription agreements for Series J Shares ("Subscription Agreements") with the Entitled Shareholders who decide to exercise their Subscription Rights, by the end of the period prescribed for exercising the Subscription Rights, which falls 30 days after the date of adoption of the Private Placement Resolution ("Subscription Right Exercise Date").

In accordance with the Private Placement Resolution, the Management Board will determine by way of a separate resolution or separate resolutions:

(i) the issue prices of Series J Shares;

(ii) the list of Entitled Shareholders; and

(iii) the number of Series J Shares to be offered for acquisition. Should the Management Board fail to determine in a resolution the number of Series J Shares, the number of Series J Shares to be offered in Private Placement will be equal to the maximum number of Series J Shares that can be issued under the Private Placement Resolution.

The resolution of the Management Board on determination of the issue price of Series J Shares will be adopted provided it is first approved by the Company's Supervisory Board.

In the Open Subscription Resolution, the Management Board resolved to offer Series J Shares by way of open subscription within the meaning of Art. 431.2.2 of the Commercial Companies Code ("Open Subscription"), with the pre-emptive rights of the Company's existing shareholders waived, to be carried out in the form of a public offering ("Public Offering") within the meaning of Art. 3.3 of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies, dated July 29th 2005, ("Public Offering Act"), provided that the Entitled Shareholders fail to subscribe for some or all of Series J Shares by the Subscription Right Exercise Date ("Private Placement").

In accordance with the Open Subscription Resolution, the issue prospectus of the Company ("Prospectus"), drafted in compliance with the applicable laws in relation to the public offering of Series J Shares and application for admission and introduction of the rights to Series J Shares ("Rights to Series J Shares") and Series J Shares to trading on the regulated market operated by the Warsaw Stock Exchange ("WSE"), will set forth the rules for offering Series J Shares and Rights to Series J Shares to investors in Open Subscription.

The Open Subscription Resolution also provides that the Management Board will determine by way of a separate resolution or resolutions:

(i) the issue prices of Series J Shares;
(ii) the number of Series J Shares to be offered for acquisition, including the number of Series J Shares acquired in the Private Placement,
(iii) the opening and closing dates of the subscription for Series J Shares in the Public Offering. Should the Management Board fail to determine in a resolution the number Series J Shares, the number of Series J Shares to be offered in the Public Offering will be equal to the maximum number of Series J Shares that can be issued under the Open Subscription Resolution. The resolution of the Management Board on determination of the issue price of Series J Shares will be adopted provided it is first approved by the Company's Supervisory Board. The detailed rules for the offering, distribution and allotment of Series J Shares will be defined in the Prospectus.

Based on the Open Subscription Resolution, the Company will seek admission and introduction of Series J Shares and Rights to Series J Shares to trading on the regulated market operated by the WSE and the Management Board will take any actions necessary to achieve this end. Moreover, Series J Shares and Rights to Series J Shares will be converted into book-entry form and the Management Board will conclude with the Polish National Depository for Securities an agreement on registration of Series J Shares and Rights to Series J Shares in the depository for securities, and any other necessary steps will be taken to convert Series J Shares and Rights to Series J Shares into book-entry form.

Following the adoption of the Resolutions by the Management Board, the Management Board decided that, in the best interest of the Company, the existing shareholders' pre-emptive rights to acquire Series J Shares should be waived in full. Pursuant to Art. 433.2 in conjunction with Art. 447 of the Commercial Companies Code, the Management Board prepared written opinions on each of the Resolutions of the Management Board, presenting grounds for the waiver of the existing shareholders' pre-emptive rights with respect to shares to be issued within the limit of authorised share capital, and also defined the method for setting the issue price. In the opinions of the Management Board concerning both Resolutions of the Management Board, the Management Board indicated that the full waiver of the pre-emptive rights of the Company's existing shareholders to Series J Shares will enable the Company to raise necessary financing in a quick and flexible manner. The issue price of Series J Shares will be determined on the basis of the market price of Company Shares or valuations using comparative methods, as well as the Company's projected financial performance. Other methods of estimating the value of Series J Shares to determine the issue price of Series J Shares will also be considered.

Moreover, under both Resolutions of the Management Board, the Management Board also decided that:

1. Series J Shares will be paid for exclusively with cash contributions;
2. The Management Board of the Company will make a representation, in the form of a notarial deed, on the amount of share capital subscribed for and on the precise amount of the share capital prior to notifying the court register of the share capital increase – in accordance with Art. 310.2 and 4 of the Commercial Companies Code in conjunction with Art. 453.1 and Art. 431.7 of the Commercial Companies Code;
3. Series J Shares will carry the right to dividend for the 2015 financial year, i.e. as of January 1st 2015, on a par with other shares of the Company;
4. Following the share capital increase pursuant to the Resolutions of the Management Board, the Articles of Association are amended as follows:
   Art. 7 of the Articles of Association is amended to read as follows:
   "*The Company's share capital shall amount to no less than PLN 139,200,002 (one hundred and thirty-nine million, two hundred thousand and two złoty) and no more than PLN 169,863,996 (one hundred and sixty-nine million, eight hundred and sixty-three thousand, nine hundred and ninety-six złoty)*".
   Art. 8 of the Articles of Association is amended to read as follows:
   "*The Company's share capital shall be divided into no fewer than 69,600,001 (sixty-nine million, six hundred thousand and one) shares and no more than 84,931,998 (eighty-four million, nine hundred and thirty-one thousand, nine hundred and ninety-eight) shares with a par value of PLN 2.00 (two złoty) per share.*".

The Resolutions come into force as of the their dates, subject to approval by Company's Supervisory Board of the full waiver of the existing shareholders' pre-emptive rights to Series J ordinary bearer shares to be issued within the limit of authorised share capital, referred to in Art. 447.1 sentence 2 of the Commercial Companies Code and Art. 21.3.8 of the Articles of Association of the Company, with the amendments to the Company's Articles of Association coming into effect on the date of their registration by the registry court.

(PLN '000)

These interim condensed financial statements of the Company were authorised for issue on May 15th 2015 by virtue of Resolution No. 55 of the RAFAKO S.A. Management Board dated May 15th 2015.

Signatures:

May 15th 2015	Agnieszka Wasilewska-Semail	President of the Management Board	....
May 15th 2015	Krzysztof Burek	Vice-President of the Management Board	....
May 15th 2015	Jarosław Dusiło	Vice-President of the Management Board	....
May 15th 2015	Edward Kasprzak	Vice-President of the Management Board	....
May 15th 2015	Tomasz Tomczak	Vice-President of the Management Board	....
May 15th 2015	Jolanta Markowicz	Chief Accountant	....