DIRECTORS' REPORT ON THE OPERATIONS OF THE RAFAKO GROUP

for the six months ended

June 30th 2015

Racibórz, August 31st 2015

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I. General information

About us

RAFAKO S.A. (the "Parent") is one of the largest Polish companies acting as general contractor for complete power generating units, and engaged in designing, manufacturing, constructing and servicing of power sector equipment and facilities. Since November 2011, the RAFAKO Group has been included in the PBG Group.

The RAFAKO Group's key products and services include:

Complete power generating units	Steam generators and heat generators	Air protection systems	Subassemblies and parts of power machinery and	Other
• consisting of a boiler (fired with fossil fuels or biomass) together with a turbine coupled with a generator and complete assembly necessary for the proper operation of the unit.	• fired with fossil fuels, biomass and waste; • with stoker-fired, fluidised bed- and pulverised fuel furnaces; • sub- and supercritical; • manufacture and delivery of heat recovery steam generators.	• manufacture and delivery of wet and semi-dry flue gas desulfurisation units; • manufacture and delivery of flue gas denitration units, including SCR units; • manufacture and delivery of dust extraction equipment (electrostatic precipitators, bag filters);	• manufacture of components for steam generators and precipitators; • diagnostics, repairs, and upgrades of boiler equipment; • design, advisory and maintenance services; • manufacture of steel structures and other parts for the power generation industry.	• construction and process design, urban planning; • engineering and technical advisory services; • supervision services for the construction, industrial and environment protection sectors; • equipment assembly in the power and chemical industries; • property management

The Group delivers the above products and services in the EPC model (end-to-end project management including design, procurement, manufacture, assembly/construction, and commissioning) and in a non-EPC model (design, procurement, manufacture, assembly/construction of a given product in various configurations, with procurement and manufacture as mandatory elements).

The Group operates its own production plants. The main plant is located in Racibórz, along with the plant management staff, the head office, design and technology offices, as well as five production plants where high-pressure equipment is mainly produced. Electrostatic precipitators and their components are manufactured in Wyry. The Group's total production capacity for 2015 exceeded 1.4 million man-hour per year, with the potential to be increased to more than 1.6 million man-hour per year. The Group is currently Poland's and EU's leader in terms of the production capacity for high-pressure equipment.

RAFAKO has operated in the power sector since 1949. The Parent's product offering, initially comprising mainly steam generators and their components, has gradually been expanded to include flue gas desulfurisation and denitration units, dust removal units, etc. From a typical manufacturer, the Parent has been transformed into a general contractor for power facilities. In 2014, the Parent joined the group of companies offering and delivering power generating units under EPC contracts, when it launched, practically on a standalone basis, the construction of a 910 MW power generating unit for the Jaworzno Power Plant.

Since its inception, the Parent has been a leading supplier of steam generators for the country's power and industrial sectors. The combined capacity of RAFAKO-delivered steam generators accounts for a significant part of the capacity installed in the Polish commercial and industrial power sector. The most important facilities which use steam generators delivered by the Group include power plants in Bełchatów, Opole, Turów, Dolna Odra (all owned by PGE), Rybnik (EDF), Pątnów-Adamów-Konin, Kozienice (Enea), and power plants owned by Tauron Wytwarzanie, as well as Warsaw CHP Plants – Elektrociepłownie Warszawskie (PGNiG Termika), Wrocław CHP Plants – Zespół Elektrociepłowni Wrocławskich Kogeneracja, Łódź CHP Plants – Zespół Elektrociepłowni Łódź (Dalkia), and Zielona Góra CHP Plant – Elektrociepłownia Zielona Góra (EDF). The Group also delivered circulating fluidised bed (CFB) steam generators to the Żerań CHP Plant and Bielsko-Biała II CHP Plant (Tauron

Wytwarzanie), Siersza Power Plant (Tauron Wytwarzanie), and Zakłady Farmaceutyczne Polpharma Starogard Gdański.

In 2008, a 464 MW unit was commissioned at the Pątnów II Power Plant; RAFAKO S.A., in cooperation with SNC Lavalin, supplied the steam generator and the flue gas delsulfurisation (FGD) unit. The supercritical power generating unit at the Pątnów II Power Plant was the first such unit in Poland, both in terms of the capital expenditure incurred and the generating capacity delivered. The unit's high efficiency helps significantly reduce emissions of harmful gasses.

In 2011, an 858 MW unit was commissioned at the Bełchatów Power Plant. RAFAKO S.A. was the supplier of the boiler island comprising the steam generator, electrostatic precipitator, and flue gas desulfurisation unit. The power generating unit in Bełchatów is the most powerful lignite-fired unit in Poland.

In 2014, a project was completed to increase the generation capacity of green electricity and heat at PGE Elektrociepłownia Kielce (a CHP Plant) through the addition of a pass-out and condensing turbine generator (with a capacity of ca. 6.5 MW) and heat exchanger (with a capacity of ca. 14 MW), coupled with the existing biomass-fired OS-20 steam generator.

Foreign sales account for a significant part of RAFAKO S.A.'s total sales. The largest steam generators manufactured by RAFAKO S.A. are used in power plants in former Yugoslavia. A number of large units has also been delivered to the Czech Republic, China, Turkey, and India. RAFAKO S.A. is also an important player on the European market for steam-generator components. In H1 2015, RAFAKO products were sold to customers in the United Kingdom, Turkey, Finland, Germany, Serbia and India.

The Parent is solidifying its position on the European market of waste incineration solutions. In 2011, RAFAKO S.A. supplied three heat recovery steam generators to a waste incineration facility in Turin, Italy, and further two heat recovery steam generators were delivered to Baku, Azerbaijan. In December 2013, a steam generator was placed in service at a municipal waste incineration plant in Roskilde, Denmark. In 2013, the Company began to execute a contract for delivery of the process part for two units at the waste thermal treatment plant of the Szczecin Metropolitan Area. In 2014, we delivered a waste combustion boiler to Billingham, Cleveland County, England.

In December 2012, a fluidised bed boiler was commissioned at the Jaworzno Power Plant (Tauron Group). The boiler will only burn biomass, as opposed to coal-fired and biomass co-fired units already operated at the plant. In September 2014, the contract at the Stalowa Wola Power Plant for conversion of the existing coal-fired boiler into a biomass-fired unit was completed. A contract for delivery of a biomass-fired boiler to a customer in Wiesbaden, Germany, is nearing completion. These innovative projects highlight RAFAKO's established position as a supplier of renewable power generation technologies. They are also aligned with Poland's strategy for the power sector, where the share of renewables in power generation should be increased, as well as with the Company's own pro-environmental strategy.

RAFAKO S.A. is also a leading manufacturer of large FGD units in Poland. The Parent has delivered units of this type to the Jaworzno III Power Plant, Bełchatów Power Plant, Pątnów Power Plant, Ostrołęka B Power Plant, Dolna Odra Power Plant, Siekierki CHP Plant, Łódź CHP Plant, Siersza Power Plant, Skawina Power Plant, Trzebowice Power Plant (for Dalkia, the Czech Republic), Kozienice Power Plant, and Połaniec Power Plant.

In 2012, RAFAKO S.A. delivered one of its largest projects, the wet flue gas desulfurization unit at the Siekierki CHP Plant owned by PGNiG Termika S.A. The unit is also one of the largest environmental projects completed in Poland, and one of the largest stand-alone structures ever built by RAFAKO S.A. In December 2014, RAFAKO S.A. completed the modernisation of the FGD units on Units 5 and 6 at the Bełchatów Power Plant. In 2013, the construction of four wet FGD units at CHP plants owned by the EDF Group was also commenced. The units are being built in Wrocław, Kraków, Gdańsk and Gdynia as part of the EDF Group's comprehensive plan of bringing its generation assets in line with new environmental requirements. The execution of those projects is nearing completion and commissioning is to take place on or before October 31st 2015. The start-up of the units is currently under way and permits to operate are being obtained.

In 2007−2008, RAFAKO S.A. commissioned high-efficiency wet and semi-dry flue gas desulfurisation units at the Łódź CHP Plant and the Skawina Power Plant. The semi-dry system was engineered exclusively by RAFAKO S.A. and is a more cost-efficient solution than the wet method.

In 2011, the Parent gained foothold in a new area of pro-environmental projects in the power sector, i.e. the catalytic reduction of nitrogen oxides, and commenced manufacture of state-of-the-art SCR units on a turn-key basis. Following construction of the first unit delivered for the K8 boiler at PKN Orlen, construction of a second SCR unit has been under way since June 2011 at the Kozienice Power Plant. In June 2012, a contract for delivery of Catalytic Flue Gas Denitration Systems for six power generating units at Elektrownia Połaniec S.A. was signed with GDF SUEZ Energia Polska S.A.

In 2009, the Parent added to its offering dust extraction equipment, such as electrostatic precipitators and bag filters. In 2010−2013, a number of electrostatic precipitators were put in operation, including for units 10, 4, 3 and 8 in the Kozienice Power Plant; for BB-1150 steam generator of unit 4 (in 2010) and units K5 and K6 (in 2011) in the Bełchatów Power Plant, as well as an electrostatic precipitator with a slag and ash transport system for unit 6-215 MW in the Tuzla CHP Plant (in 2012). In 2014, RAFAKO S.A. installed two electrostatic precipitators at the Westfalen Power Plant in Germany and two at the Eemshaven Power Plant in the Netherlands.

2014 was a breakthrough year for RAFAKO S.A. A contract was signed for the construction of a 910 MW power generation unit at the Jaworzno III Power Plant, where RAFAKO S.A. will execute this turn-key project on a practically standalone basis and, in terms of technologies, will supply the entire boiler island.

In addition, in February 2014, the long-awaited contract for the extension of the Opole Power Plant came into effect. Under the contract, two new supercritical 900 MW power generation units are being built. It is the largest investment project in the Polish power sector since 1989. RAFAKO S.A.'s entire scope of work and services under the contract was subcontracted to Alstom Power Sp. z o.o.

The project designs are based on the state-of-the-art technology of electricity generation by means of supercritical steam generators and turbines, which pushes the efficiency of a generating unit up to 45% or more. The Parent has long cooperated with Polish scientists on the concept of generating units with efficiencies in excess of 50%, that is ultra-supercritical units. Its implementation will mark another milestone in the history of both the Company and Polish power sector, which cannot afford to discontinue the use of domestically produced coal as the key fuel. In May 2014, RAFAKO S.A. signed a contract for the execution of another ECP project involving the construction of a new CHP plant in Kędzierzyn for Grupa Azoty Zakłady Azotowe Kędzierzyn S.A. The project provides for the construction of a coal-fired generating unit with a high-efficiency steam generator, state-of-the-art flue gas treatment technology and steam turbine.

The Parent provides after-sale support and servicing for all products and equipment supplied. The Parent also offers upgrades for the existing equipment to enhance its operating parameters and mitigate negative environmental impacts.

Certificates held by RAFAKO S.A. confirm its compliance with the ISO 9001, ISO 14001, PN-N 18001 standards and Directive 97/23/EC. They also provide assurance to the Parent's customers that RAFAKO-manufactured equipment complies with the technical safety requirements in Poland, the EU, and the US.

In 2011, the RAFAKO Group was included in the PBG Group, whose Parent is PBG S.A. PBG S.A. w upadłości układowej (in company voluntary arrangement) is the Parent of a group of companies operating on the specialist construction market. The key segments of the Group's business currently include the construction of facilities and structures for the power, natural gas, crude oil and fuel sectors. In June 2012, the Court declared PBG S.A. insolvent in voluntary arrangement. By the decision of August 25th 2015, the Judge Commissioner approved PBG's Arrangement with Creditors consistent with the Arrangement Proposals of April 28th 2015.

The current shareholding structure is presented in Section III.6.

Strategy

In November 2014, the Management Board of RAFAKO S.A. approved the RAFAKO Group's Stable Growth Strategy for 2015−2018.

The RAFAKO Group's strategic objectives are to:

1. strengthen our development efforts in the three key areas of boiler, power generation and environmental protection technologies;
2. consolidate its position as a leader on the Polish market of technologically advanced and environmentally-friendly solutions for the power and industrial sectors;
3. expand foreign sales;
4. optimise working capital and borrowing cost management, and improve cost discipline.

The most important strategic challenges for the Parent in the near future will include revision in the areas of: contract financing and securing (including an increase in the share of self-financing contracts in the order book, as well as diversification of project amounts and types); cost optimisation (including revision of the rules of cooperation with intermediaries and external expense budgeting for projects, and deployment of appropriate IT solutions); as well as risk and supply chain management (including by developing counterparty risk assessment methods and implementing supply chain management for EPC projects).

The strategy was developed taking into account material changes in the business environment as well as trends in the energy and industrial markets.

The initiatives described in the strategy are designed to increase the EBIT and EBITDA margins in the years to come.

II. Organisation of the RAFAKO Group

1. Structure of the Group and its consolidated subsidiaries

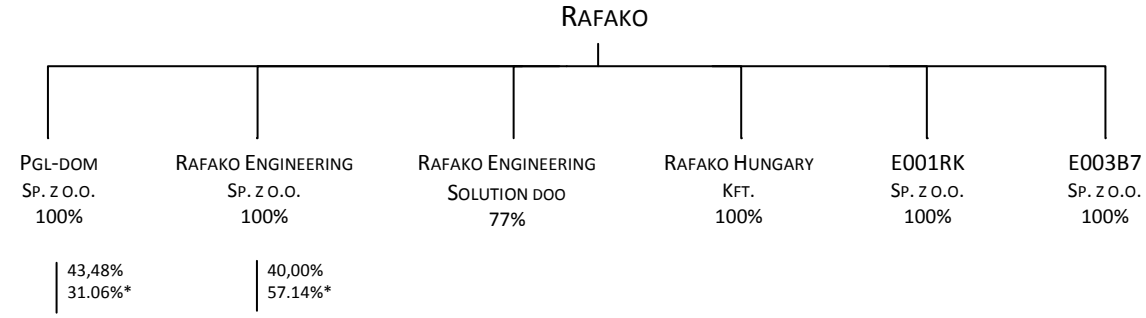
As at June 30th 2015, the RAFAKO Group was composed of the Parent and seven subsidiaries operating in the power construction, services and trade sectors. As at June 30th 2015, in addition to the parent, the RAFAKO Group comprised:

- Przedsiębiorstwo Gospodarki Lokalami PGL-DOM Sp. z o.o., registered office at ul. Bukowa 1, Racibórz, Poland. The Parent holds the entire share capital of the company and all voting rights at the General Meeting. Principal business activity: housing community management.
- RAFAKO ENGINEERING Sp. z o.o., registered office at ul. Łąkowa 33, Racibórz, Poland. The Parent holds the entire share capital of the company and all voting rights at the General Meeting. Principal business activity: construction and process design, urban planning.
- ENERGOTECHNIKA ENGINEERING Sp. z o.o. of Gliwice, a subsidiary of RAFAKO ENGINEERING Sp. z o.o. (which holds 42.5% of voting rights at the company's General Meeting) and of PGL DOM Sp. z o.o. (which holds 41.67% of voting rights at its General Meeting). Principal business activity: construction and process design, urban planning and engineering consultancy.
- RAFAKO ENGINEERING SOLUTION doo, registered office at Učiteljska 46, Belgrade, Serbia. The Parent holds a 77% interest in the share capital of the company and the same percentage of voting rights at the General Meeting. Principal business activity: process design, construction, industry, and environmental protection consultancy and supervision.
- RAFAKO Hungary Kft. of Budapest, Hungary. The Parent holds the entire share capital of the company and all voting rights at the General Meeting. Principal business activity: equipment assembly for the power sector and the chemical industry.
- E001RK Sp. z o.o. of Racibórz, entered in the National Court Register on October 9th 2013. The Parent holds 100% of the company shares. Principal business activity: development of building projects; construction of

roads and highways, railways and subways, bridges and tunnels; engineering activities and technical and scientific consultancy; production, repair and maintenance of machinery and equipment, generation and transmission of and trading in electricity.

- E001RK Sp. z o.o. of Racibórz, entered in the National Court Register on November 22nd 2013. The Parent holds 100% of the company shares. Principal business activity: development of construction projects, construction, engineering and process consultancy and design.

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



* % share of voting rights at the General Meeting.

The Parent holds 1,956 shares, i.e. 26.23% of the share capital, of SANBEI-RAFAKO Sp. z o.o., of Zhangjiakou, Hebei Province, China. The company's principal business activity includes production of small steam generators and water boilers and other power equipment. As at June 30th 2015, the Parent's interest in the company's share capital was not material for the assessment of the Group's assets, liabilities, profits or losses. The RAFAKO Group's parent is PBG S.A. w upadłości układowej (in company voluntary arrangement), registered office at ul. Skórzewska 35, Wysogotowo, Poland.

2. Significant changes of equity interests

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

On December 30th 2014, the Parent 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 Parent's accounting books was PLN 35.2m. Following the transaction, RAFAKO S.A. holds no FPM S.A. shares.

There are no links between RAFAKO S.A. or the management or supervisory personnel of RAFAKO S.A. and TDJ or its management personnel.

3. Parent's governing bodies

The governing bodies of RAFAKO S.A. include:

General Meeting

the Supervisory Board;

the Management Board.

General Meeting

The Annual General Meeting of RAFAKO S.A. held on June 18th 2015 passed the following resolutions:

1. to set the number of the Parent's Supervisory Board members at seven,
2. appointed the Supervisory Board for the eighth term, composed of:

Jerzy Wiśniewski

Dariusz Sarnowski

Piotr Wawrzynowicz

Przemysław Schmidt

Dariusz Szymański

Adam Szyszka

Małgorzata Wiśniewska

Moreover, on June 18th 2015, the Annual General Meeting of RAFAKO S.A.:

1. reviewed and approved the Directors' Report on the Parent's operations and the Parent's financial statements for the financial year 2014,
2. reviewed and approved the Directors' Report on the RAFAKO Group's operations and the RAFAKO Group's consolidated financial statements for the financial year 2014,
3. approved the Report on the activities of the Parent's Supervisory Board in 2014,
4. granted discharge to members of the Parent's Management Board for performance of their duties in 2014,
5. granted discharge to members of the Parent's Supervisory Board for performance of their duties in 2014,
6. decided that the Parent's entire profit for the financial year from January 1st 2013 to December 31st 2014 will be applied towards the Parent's statutory reserve funds.

Supervisory Board

The Supervisory Board exercises ongoing supervision over the Parent's operations.

As at January 1st 2015, the Supervisory Board of RAFAKO S.A. was composed of:

Jerzy Wiśniewski	Chairman of the Supervisory Board
Dariusz Sarnowski	Deputy Chairman of the Supervisory Board
Piotr Wawrzynowicz	Secretary of the Supervisory Board
Przemysław Schmidt	Member of the Supervisory Board
Edyta Senger-Kałat	Member of the Supervisory Board
Adam Szyszka	Member of the Supervisory Board
Małgorzata Wiśniewska	Member of the Supervisory Board.

On June 18th 2015, the Annual General Meeting of RAFAKO S.A. made the following decisions:

1. to set the number of Supervisory Board Members at seven,
2. appointed the Supervisory Board for the eighth term, composed of:

Jerzy Wiśniewski

Dariusz Sarnowski

Piotr Wawrzynowicz

Przemysław Schmidt

Dariusz Szymański

Adam Szyszka

Małgorzata Wiśniewska

As at the date of this report, the composition of the Supervisory Board was 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
Dariusz Szymański	Member of the Supervisory Board
Adam Szyszka	Member of the Supervisory Board
Małgorzata Wiśniewska	Member of the Supervisory Board.

In H1 2015, there were changes in the composition of the Supervisory Board's Audit Committee.

As at January 1st 2015, the Audit Committee was composed of:

Dariusz Sarnowski,

Przemysław Schmidt,

Edyta Senger-Kałat.

On June 18th 2015, the Supervisory Board of the new term of office appointed the Audit Committee composed of:

Dariusz Sarnowski,

Przemysław Schmidt,

Adam Szyszka.

As at the date of this report, the Audit Committee was composed of:

Dariusz Sarnowski	Chairman,

Przemysław Schmidt,

Adam Szyszka.

Management Board

The Management Board manages the Parent's day-to-day operations and its affairs and represents it in relations with third parties.

As at January 1st 2015, the Management Board of RAFAKO S.A. was composed of:

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 H1 2015, no changes took place in the composition of the Parent's Management Board.

As at the date of this report, the composition of the managing body of RAFAKO S.A. was as above.

III. Economic and financial standing

1. External and internal factors material to the RAFAKO Group's financial performance and development prospects

A. External factors:

- domestic and global economic situation;
- situation in the domestic and global power industry;
- competition on the market on which the Group operates;
- financial standing and market position of the Group's customers, consortium partners, subcontractors and suppliers;
- timeliness of payments by the employers;
- market prices of materials used by the Group in manufacturing, market prices of services, and cost of employee benefits;
- foreign exchange rates;
- banks' willingness to provide financing and guarantees for contracts performed by the Group;
- financial standing of the main owner of the Group's Parent;
- the Group's limited ability to obtain guarantee facilities in view of PBG's arrangement proceedings;
- technological progress;
- changes in tax regulations.

B. Internal factors:

- conclusion and performance of material contracts by Group companies;
- maintaining financial liquidity of the Group;
- ability to capitalise on the effects of completed and planned investment projects designed to boost efficiency at the Group companies, particularly in manufacturing and management, and to increase the companies' capacity to acquire and execute orders;
- improvement of management processes at the Group companies, including management of long-term contracts and operating costs (fixed costs);
- formation of large, multi-industry teams for coordination of work on comprehensive power sector facilities;
- maintaining and acquiring new highly-qualified staff for designing and production.

2. Key threats and risks in the remaining months of the financial year

The RAFAKO Group has identified the following risks and threats to the Group's operations in the near future:

Risks relating to macroeconomic conditions and the sector in which the Group operates

1. Risk factors relating to the macroeconomic situation, including the GDP growth rate, unemployment rate, salaries and wages, growth rates in the industrial production and construction and assembly sectors, capital expenditure, and foreign exchange rates;
2. Risk relating to political environment, as well as energy policy and uncertainty over its future directions;
3. Currency risk;
4. Interest rate risk;
5. Risk of competition.

Risks specific to the Group:

1. Risk relating to the Group's non-performance or improper performance of contracts;
2. Risk related to non-payment or delayed payment of amounts due under contracts performed by the Group;
3. Risk relating to performance of high value contracts and limited number of customers;
4. Risk of increased operating costs resulting from higher prices of supplies and services and increased employee benefit expenses;
5. Risk of underestimating project costs;
6. Risk related to winning new contracts;
7. Risks related to execution of certain projects in consortia;
8. Risk related to project acquisition and execution in cooperation with suppliers and subcontractors;
9. Risk of failure to obtain financial guarantees required to acquire and perform contracts;
10. Risk related to failure to secure external financing in assumed amounts and on expected terms;
11. PBG and Hydrobudowa Polska may fail to repay the Parent's claims in full or in part;
12. Risk related to failure to maintain appropriate liquidity by the Group;
13. The risk of failure to implement the strategy;
14. Reputational risk;
15. Risk related to the use by the Group of complex and innovative manufacturing technologies;
16. The Group's IT systems may suffer a failure or security breach;
17. The Group's day-to-day operations and growth depend on its senior management and ability to hire and retain highly-qualified personnel, particularly specialist production staff and engineers;
18. Risk that the insurance cover maintained by the Group will prove insufficient;
19. Risk related to consequences of accidents at work and occupational diseases;
20. Risk related to plant failure or destruction or loss of the Group's assets.

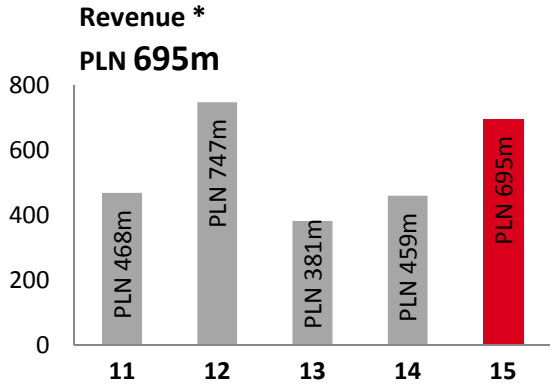
Regulatory risks:

1. Risk related to changes in regulations concerning the power sector;
2. Risk related to environmental protection;
3. Risk of changes in tax laws or their interpretation and changes of private letter rulings;
4. Risk associated with related-party transactions.

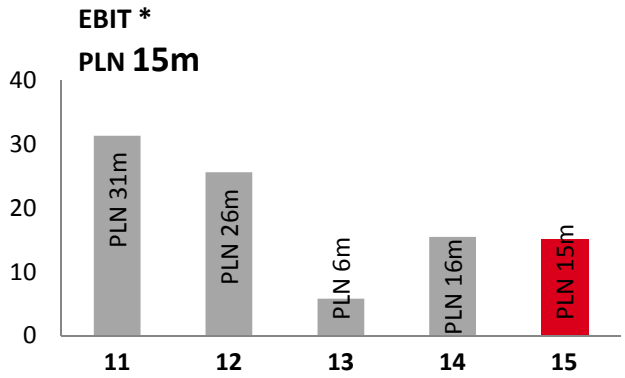
The objectives and policies of financial risk management have not changed relative to those published in the most recent consolidated full-year financial statements.

3. Analysis of key financial and economic data

3.1. Summary of H1 2015 (compared with H1 of previous years)

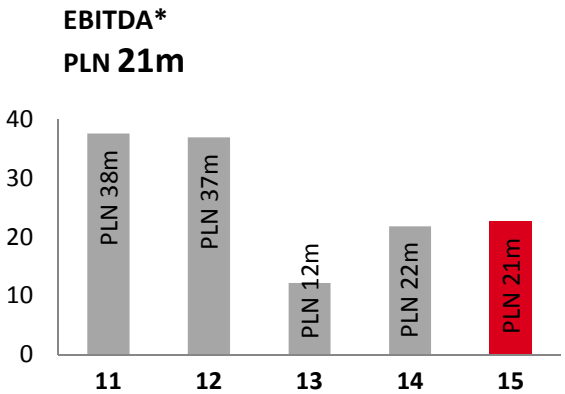


Definition: Total sales of products, merchandise and materials, net of VAT.
Relative to H1 2014: Revenue rose by 51.6%, driven mainly by higher sales of power generating units and steam generators.

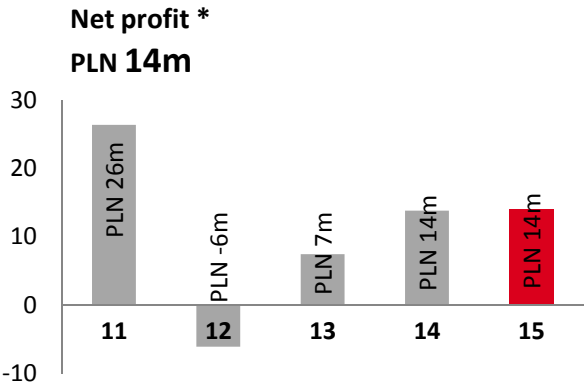


Definition: Profit (loss) from continuing operations

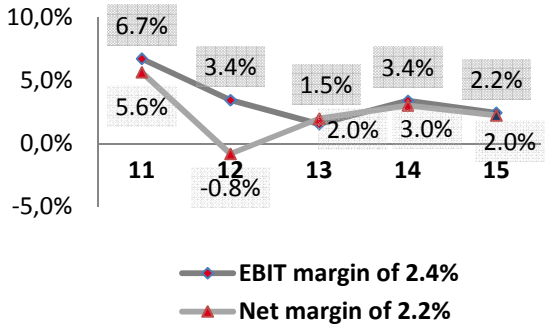
Relative to H1 2014: Profit from continuing operations amounted to more than PLN 15m, down by PLN 1m year on year.



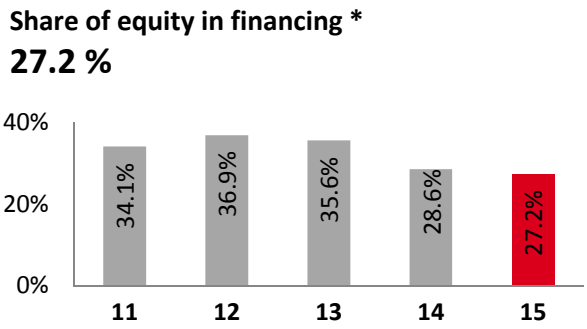
Definition: Sum of profit (loss) from continuing operations, depreciation and amortisation
Relative to H1 2014: EBITDA fell from PLN 22m to PLN 21m, i.e. by PLN 1m.



Definition: Excess that remains after deducting all costs. Difference between revenue and total costs.
Relative to H1 2014: As a year earlier, the Group generated a net profit of PLN 14m.



Definition: EBIT margin: operating profit (loss) / net revenue from sale of products and merchandise; Net margin: net profit (loss) / net revenue from sale of products and merchandise.
Relative to H1 2014: The Group's operating margin decreased relative to H1 2014.



Definition: Equity / total assets.

Relative to H1 2014: The share of equity in total sources of financing of assets fell by 1.4%.

* The comparative data for the six months ended June 30th 2014 have been restated to ensure comparability following the recognition of discontinued operations related to the sale of FPM S.A., a subsidiary.

3.2. Revenue and its structure

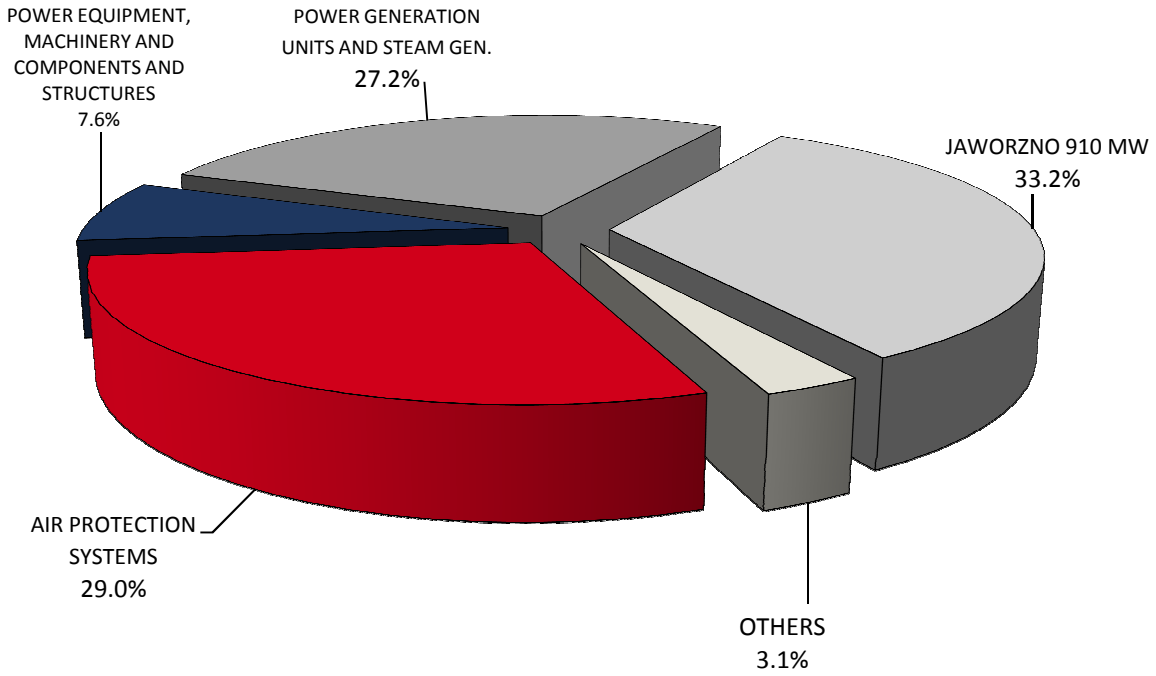
In H1 2015, revenue from sales of products, merchandise and materials was PLN 695,272 thousand, having increased year on year by PLN 236,556 thousand (or 51.6%). Sales of products and services amounted to PLN 694,204 thousand, while revenue from sales of materials was PLN 1,068 thousand.

The sales growth reported in H1 2015 was driven mainly by higher revenue from sales of power generation units and steam generators. High sales of these products were mostly attributable to the implementation of the PLN 4.4bn Jaworzno contract signed in 2014: the project generated revenue of PLN 230,601 thousand, up by PLN 218,048 thousand on H1 2014 (PLN 12,553 thousand). Excluding the Jaworzno project, sales of power generating units and power machinery and equipment on the domestic market amounted to PLN 154,191 thousand, and were over 4.2 times higher than in the corresponding period of the previous year (H 1 2014: PLN 29,338 thousand).

At PLN 199,380 thousand, sales of air protection systems on the domestic market were 29.2% lower than in H1 2014, when they stood at PLN 281,581 thousand. The sales decline in this product segment was related to the closing of projects performed for the EDF Polska Group companies (with a value of about PLN 770m) and lack of new large orders. Sales of subassemblies and parts of power machinery and equipment fell by PLN 19,077 thousand, to PLN 37,348 thousand.

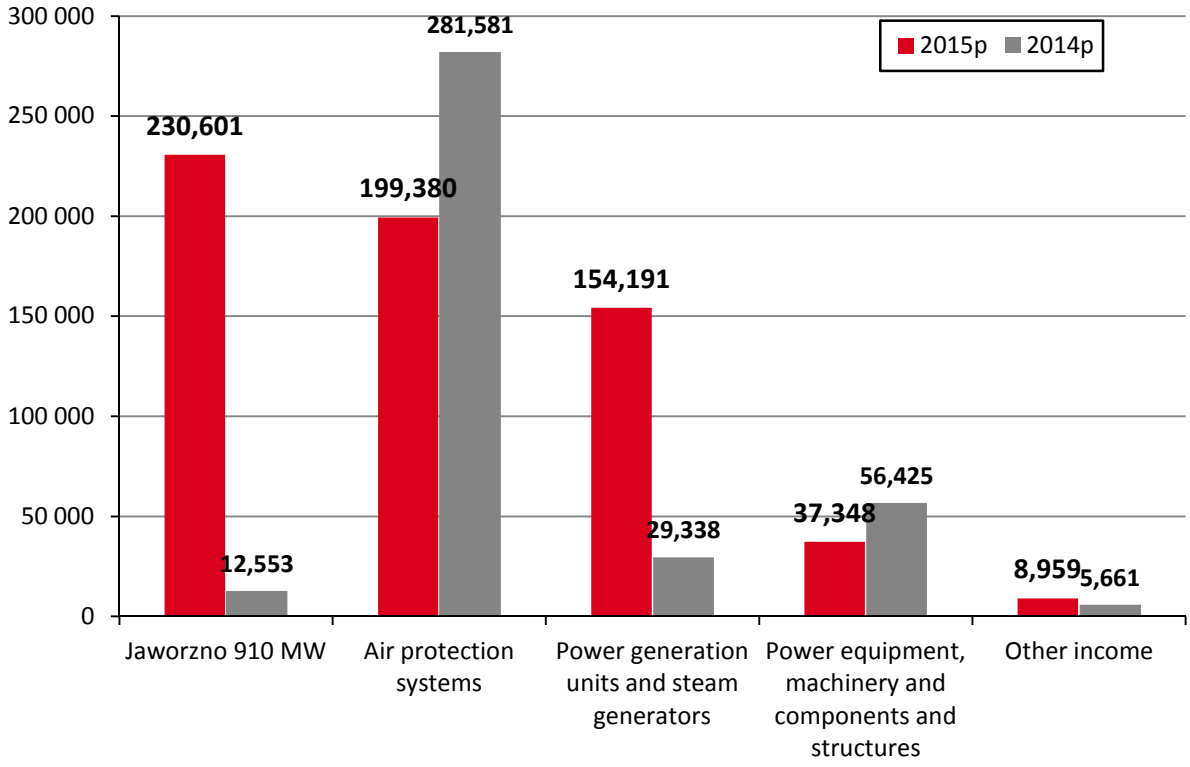
The share of export sales in total sales was 9.3%, having decreased year on year by 6.6 percentage points. In H1 2015, export sales were PLN 64,793 thousand, down by 11.4% from PLN 73,158 thousand reported in H1 2014. The decline in export sales was seen primarily in subassemblies and parts of power machinery and equipment, and was related mainly to lack of new orders for these products. Also other product categories saw a drop in sales. Lower sales in the above product categories were partly offset by higher sales in other product categories, mainly power generating units and steam generators, where sales amounted to PLN 34,750 thousand and were 77.6% higher than in H1 2014.

In H1 2015, the Group's sales structure was as follows:

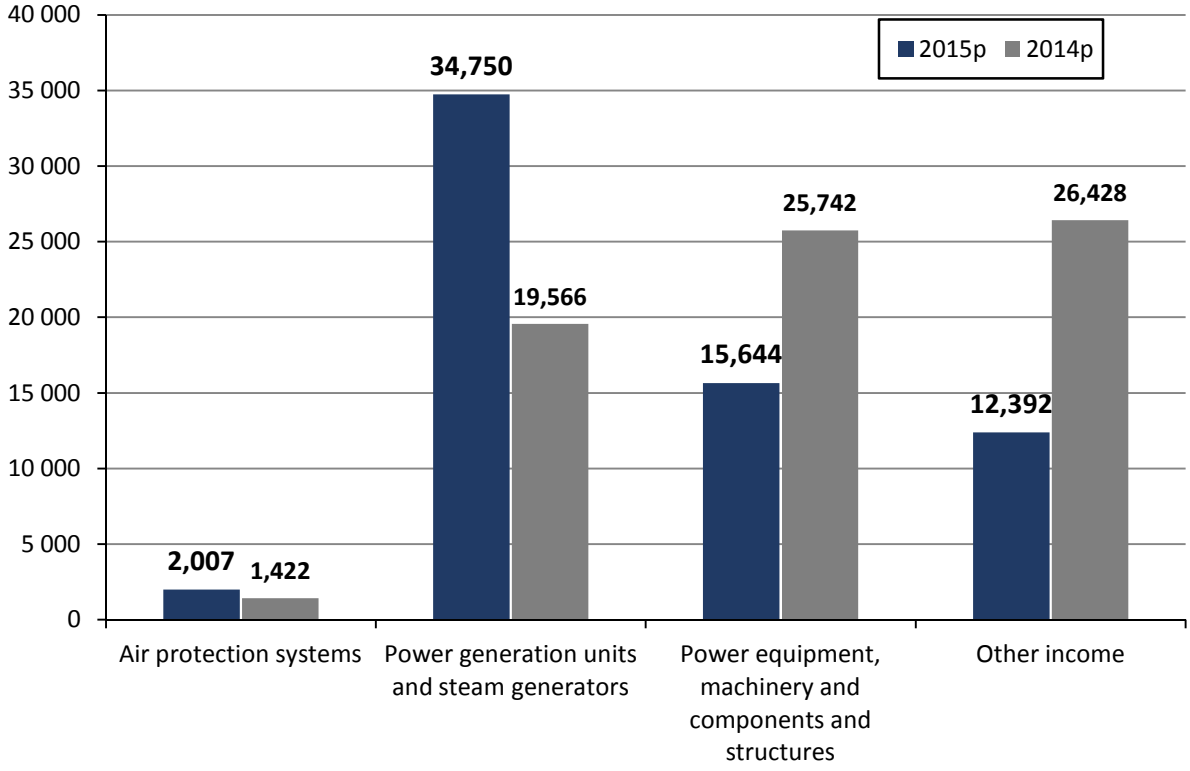


Sales by market:

Domestic market (H1 2015: PLN 630,479 thousand; H1 2014: PLN 385,558 thousand):

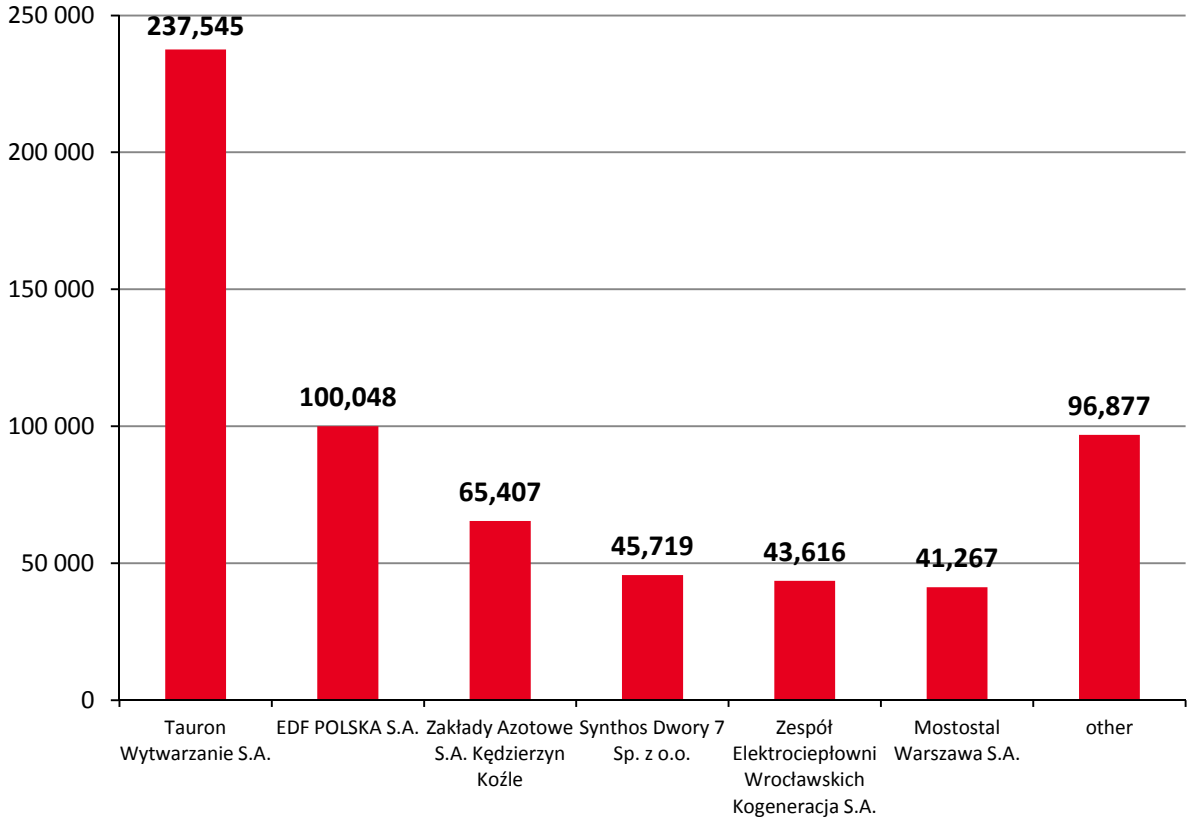


Foreign markets (H1 2015: PLN 64,793 thousand; H1 2014: PLN 73,158 thousand):



The RAFAKO Group's major customers in H1 2015 included:

on the domestic market (PLN 630,479 thousand in total):



In H1 2015, the Group's main customer was Tauron Wytwarzanie S.A., which accounted for 34.2% of the Group's total sales (3.5% in H1 2014); revenue from this customer was generated mostly on the construction of the 910 MW supercritical power generating unit at the Jaworzno Power Plant.

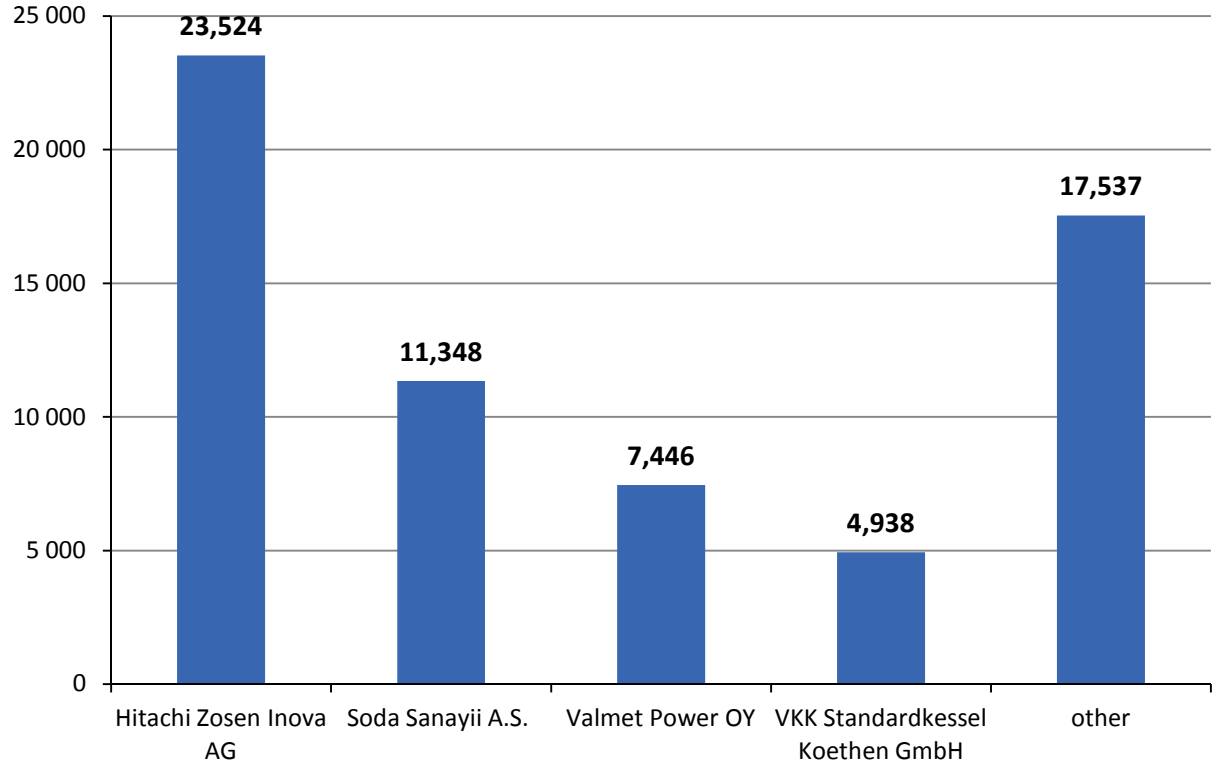
Another customer with a significant contribution to the Group's total sales was EDF Polska S.A., which accounted for 14.4% of the total sales in H1 2015 (27.2% in H1 2014); revenue from sales to this customer was generated mostly on the construction of flue gas desulfurization units for the CHP plants in Gdańsk, Gdynia and Kraków. These projects are nearing completion: start-up of the units is currently under way and permits to operate are being obtained.

Zakłady Azotowe S.A. Kędzierzyn, which accounted for 9.4% of the Group's total sales (0.02% in the corresponding period of the previous year), was another significant customer of the Group; revenue from sales to this customer was generated on the construction of a new CHP plant at Grupa Azoty ZAK S.A.

Other customers accounting for a material portion of the Group's total sales included Synthos Dwory 7 Sp. z o.o. (6.6% in H1 2015, 2.0% in H1 2014), for which the Group built an OFz – 140 fluidised bed boiler on a turn-key basis,

and Zespół Elektrociepłowni Wrocławskich Kogeneracja S.A. (an EDF Group company), which accounted for about 6.3% of the total sales in H1 2015 (about 3.5% in H1 2014); the key project performed for Kogeneracja included the construction of a flue gas desulfurization unit in Wrocław.

on foreign markets (PLN 64,793 thousand in total):



On foreign markets, RAFAKO S.A.'s main customer was Hitachi Zosen Inova AG of Switzerland, accounting for 3.4% of the Company's total sales (H1 2014: 3.6%). Sales to this customer included the delivery of a steam generator for a municipal waste incineration facility located in Calvert, UK.

Given the nature of the Parent's sales, major customers' individual shares in total sales exceed 10% at times of execution of the largest projects.

The presented revenue data includes construction contract revenue accounted for using the percentage of completion method.

3.3. Deliveries, procurement and purchase of production materials

In H1 2015, the value of the Group's purchases rose by 53.9% compared with the corresponding period of the previous year. The Group made its purchases mostly on the Polish market. Its main supply sources included:

	PLN '000			
	H1 2015		*H1 2014*	
Source	*value*	*share in total purchases*	*value*	*share in total purchases*
Domestic purchases	470,046	82.7%	356,772	93.6%
Foreign purchases	98,494	17.3%	24,295	6.4%
TOTAL	**586,540**	**100.0%**	**381,067**	**100.0%**

In H1 2015, the Company's supplier structure was highly distributed, as none of the suppliers represented more than 10% of the total value of purchases.

The Group relies on external suppliers for pipes, metal sheets, shaped materials, welding materials and specialist equipment, as well as various services, including design work, delivery and assembly of machines and equipment, construction and installation services and transport. The range of purchases depends heavily on the nature and requirements of individual orders (customised production). The Group is not limited by availability of production materials, supplies or procurement services. Suppliers are chosen based on their ability to provide materials and equipment that meet relevant technical and quality standards within specified deadlines and in the most cost-effective manner. The procurement process is based on market analysis, with the pool of suppliers including only manufacturers recognised for the quality of their products and compliance with safety, environmental and other relevant standards.

With some contracts, the list of potential manufacturers and service providers must be approved by the Group's employers.

Some products made for sale on foreign markets are manufactured from employers' own materials (customer-provided materials), which on the one hand reduces the risk of cost increases caused by changing prices of supplies, but on the other hand results in lower revenue of the Group companies.

3.4. Operating expenses, structure of operating expenses and gross profit (loss)

In H1 2015, the cost of sales of products, services and materials was PLN 643,082 thousand, with revenue at PLN 695,272 thousand. Thus, the Company posted gross profit of PLN 52,190 thousand (80.8% of the gross profit recorded in H1 2014).

The gross profit decline was attributable mainly to lower gross operating margin on running contracts in H1 2015 (7.5%) relative to H1 2014 (14.1%).

Administrative expenses totalled PLN 24,326 thousand, up PLN 2,426 thousand year on year. The main reason behind the increase in administrative expenses was commencement of implementation of the Jaworzno 910MW project by subsidiary E003B7 (the order was signed on April 17th 2014).

In H1 2015, distribution costs were PLN 13,717 thousand, having decreased by PLN 9,247 thousand year on year. This considerable decline in distribution costs was a consequence of much lower impairment losses on receivables recognised in H1 2015 (PLN 430 thousand) compared with the corresponding period of the previous year (PLN 6,935 thousand). Net of impairment losses on receivables, distribution costs in the first six months of 2015 were PLN 13,287 thousand, down by PLN 2,742 thousand on the same period of 2014 (PLN 16,029 thousand).

After accounting for distribution costs and administrative expenses, the Company generated a profit on sales of PLN 14,147 thousand in H1 2015, compared with a profit of PLN 19,701 thousand in H1 2014.

3.5. Other income and expenses and net finance income/cost

3.5.1.Net other income/expenses

In H1 2015, the Company recorded net other income of PLN 1,014 thousand (compared with net other expenses of PLN 4,174 thousand in H1 2014), attributable to:

		PLN '000
1.	income from contractual penalties and compensations received	609
2.	disposal of property, plant and equipment	487
3.	contributions to (co-financing) of education expenses	298
4.	reversal of impairment loss on property, plant and equipment	150
5.	donations and subsidies	(406)
6.	negative net balance of other items of other income and expenses	(124)

3.5.2.Net finance income/cost

In H1 2015, the Group recorded net finance income of PLN 4,776 thousand (compared with net finance cost of PLN 1,788 thousand in H1 2014), attributable to:

		PLN '000
1.	reversal of impairment loss on disputed receivables	3,639
2.	interest received on financial instruments	2,620
3.	interest on security deposits provided	1,330
4.	net foreign exchange losses	(85)
5.	other interest	(132)
6.	commission fees paid to banks in connection with credit facilities and guarantees	(378)
7.	interest paid on financial instruments	(2,074)
8.	negative net balance of other finance income and cost	(144)

The Group's net finance income benefited from the favourable outcome of its dispute with ING Bank Śląski S.A. (see Note 24 to the interim condensed consolidated financial statements), which entailed a reversal of the PLN 3,636 thousand impairment loss on disputed receivables and a PLN 2,557 thousand increase in interest income.

3.6. Income and its structure

The main source of the Group's pre-tax profit, which amounted to PLN 19,937 thousand in H1 2015 (45.1% more than in H1 2014), was the gross profit of PLN 14,147 thousand generated by the Group from its core operations.

After accounting for net other income (PLN 1,014 thousand), net finance income (PLN 4,776 thousand), and income tax (an expense of PLN 5,856 thousand), the Group achieved a net profit of PLN 14,026 thousand, against a profit of PLN 13,818 thousand reported in H1 2014.

The Group did not publish any financial forecasts or profit guidance for H1 2015.

The structure and change of pre-tax profit (loss) in H1 2015 and 2014 are presented in Appendix 4.

3.7. Margins, ROE and ROA

In H1 2015, the Group's operating profit margin contracted year on year. Gross profit margin fell to 7.5% and was 6.6pp lower than in H1 2014, while operating profit margin amounted to 2.2% (compared with 3.4% in H1 2014).

With its net profit at PLN 14,026 thousand, the Group's return on equity (ROE) amounted to 4.5%. In the same period of the previous year, ROE stood at 4.7%.

Return on assets (ROA) fell marginally, by 0.1 percentage point, to 1.2% (with total assets higher by 7.9% and net profit up by 1.5%).

The H1 2015 and 2014 profitability ratios are presented in Appendix 1.

3.8. Financial liquidity

As at the end of June 2015, the RAFAKO Group's liquidity ratios did not change significantly. The current ratio (current assets to current liabilities) was 1.1, whereas the quick ratio (current assets net of inventories to current liabilities) amounted to 1.0, and was 0.1 lower than in the corresponding period of the previous year.

In H1 2015, the average collection period lengthened by 4 days (to 80 days), while the inventory cycle shortened by 18 days (to 72 days) and the average payment period contracted by 19 days (to 92 days). The working capital cycle (average collection period + inventory cycle - average payment period) lengthened by 5 days relative to the end of 2014, to 60 days.

In H1 2015, liabilities to the Social Security Institution (ZUS), State Treasury and employees were settled in a timely manner, though delays occurred in the payment of liabilities towards suppliers.

The Parent continued its multi-purpose credit facility agreement with PKO BP S.A. Several annexes were signed to extend to period of availability of the facility. The last annex extended the availability of the credit facility until May 31st 2016. The overall facility amount of PLN 200m continues to be divided into an overdraft facility of PLN 150m and a guarantee facility of PLN 50m.

Changes in the facility's interest rate affected the Parent's finance cost. Further, the use of a credit facility bearing interest at a variable rate of 1M WIBOR plus margin also exposed the Parent to the risk of higher interest expenses typical of such financing instruments.

In terms of financial liquidity, the need to engage substantial cash to secure contract bonds (performance bond and advance payment guarantee), provided mainly by banks, is a significant burden on the Parent.

A factor of key importance from the point of view of financial liquidity will be the Company's access to new bank/insurance guarantees that would enable the Company to free some of the cash serving as performance bonds provided in respect of contracts which are already being performed. In 2015, the Parent carried out a share issue the main objective of which was to raise funds to finance contractual security arrangements in building the Group's order book and to finance working capital requirements to enable the performance of contracts in the future. The Parent is planning to allocate 85-90% of the issue proceeds for this purpose. The issue was successful – all the offered shares were sold for PLN 93,525 thousand. Moreover, this year the Parent obtained additional guarantee facilities for an aggregate amount of PLN 91m, and has been negotiating agreements for more guarantee facilities with other financial institutions.

On August 25th 2015, the Judge Commissioner declared that an Arrangement was made between PBG S.A. (Parent of the PBG Group of which RAFAKO S.A. is a member) and its Creditors. The execution of the Arrangement should have a positive effect on the Group's ability to obtain financial guarantees, and thus on its capacity to win and perform contracts.

The Group is also exposed to currency risk. Changes in PLN exchange rates, especially if frequent and significant, may materially affect both profitability of contracts and the amount of currency translation differences on assets and liabilities denominated in foreign currencies and translated into PLN.

The strategy of currency risk management followed by the Group Companies is to use natural hedging to the largest possible extent. Therefore, the Group Companies strive to achieve the highest possible level of structural matching of income and expenses denominated in the same currency and related to running contracts. Apart

from natural hedging, the Group can hedge between 30% and 70% of its net exposure to foreign exchange risk by means of approved derivative instruments (e.g. FX forwards) available on the market.

As at June 30th 2015, the Group did not carry any unsettled FX hedges.

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

3.9. Debt

In H1 2015, the RAFAKO Group's liabilities towards its creditors increased by PLN 12,362 thousand. As at June 30th 2015, total non-current and current liabilities were PLN 845,470 thousand, compared with PLN 833,108 thousand as at December 31st 2014.

At PLN 290,986 thousand, trade payables accounted for the largest portion of the Group's liabilities (34.4% of total liabilities). Liabilities, provisions for construction contract work and deferred income was PLN 228,793 thousand (PLN 11,816 thousand less than as at December 31st 2014) and interest bearing borrowings amounted to PLN 129,185 thousand.

As at June 30th 2015, the Group's assets not encumbered with on-balance-sheet (non-current and current) liabilities were PLN 315,556 thousand (as at December 31st 2014 they were 0.7% lower, at PLN 313,454 thousand).

Debt to equity ratio (including non-current and current liabilities), measuring the Group's ability to secure repayment of debt with assets, increased by 1.4 pp year on year, to 72.8%.

Debt to assets ratio does not take into consideration the Group's contingent liabilities under bank and insurance guarantees granted on the Group's instruction (including mainly performance bonds and advance payment guarantees which are typical for RAFAKO S.A.'s business and the market of power generation equipment), letters of credit and promissory notes issued as security.

The liquidity and debt ratios for H1 2015, 2014 and H1 2014 are presented in Appendix 1.

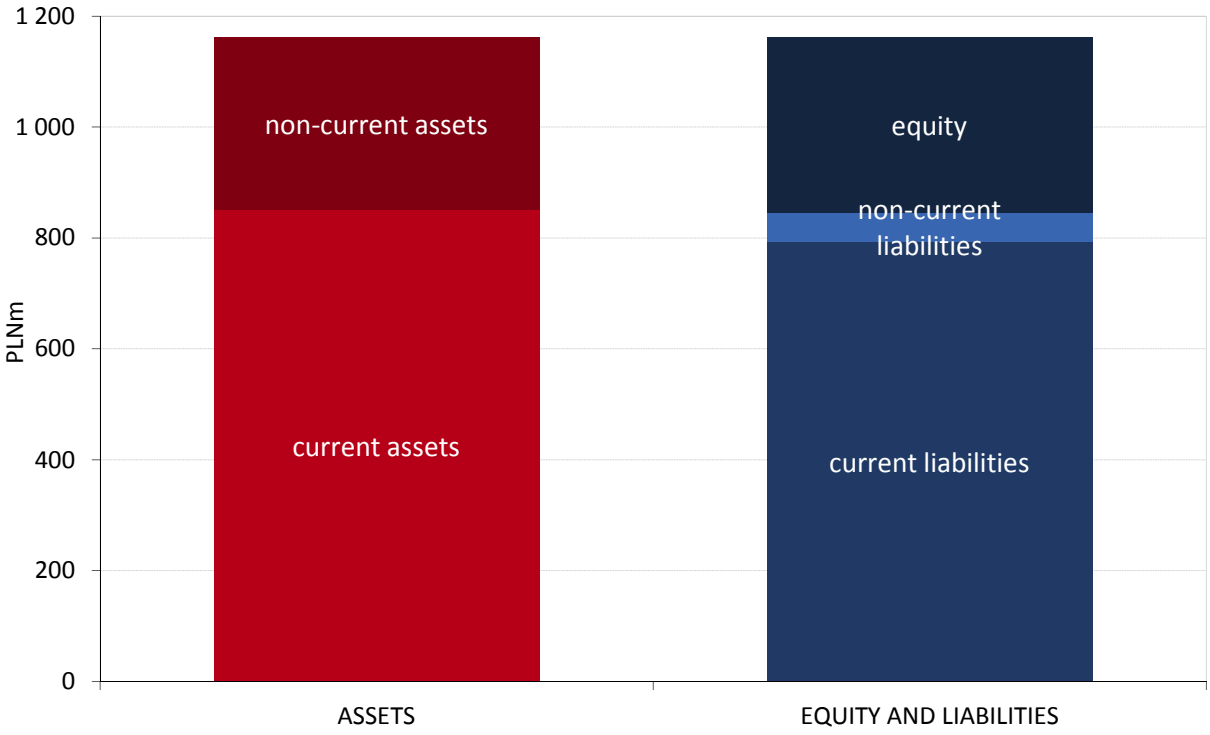
3.10. Off-balance-sheet items

As at June 30th 2015, the Group's contingent liabilities under bank and insurance guarantees, letters of credit and promissory notes issued as security stood at PLN 1,300,668 thousand. The main item of these liabilities (PLN 1,046m) was represented by a surety issued for the benefit of financial institutions which provided financial security in respect of the Jaworzno Project, the surety was provided to secure proper discharge of obligations by the Jaworzno project SPV in connection with financial guarantee agreements. In the first six months of 2015, guarantees (mainly performance bonds of PLN 17,058 thousand and bid bonds of PLN 2,642 thousand) were issued by banks and insurance companies to the Group's trading partners upon the Parent's instruction.

In connection with its ongoing contracts, besides contingent (off-balance-sheet) liabilities, the Group also carried contingent receivables, which amounted to PLN 605,024 thousand as at June 30th 2015 (PLN 546,916 thousand as at December 31st 2014). The main item of these receivables was represented by bank and insurance guarantees totalling PLN 580,051 thousand.

For details of changes in contingent receivables and liabilities, see Note 23 to the interim condensed consolidated financial statements for H1 2015.

3.11. Assets financing structure



As at June 30th 2015, total assets stood at PLN 1,161,026 thousand, up by PLN 14,464 thousand (or 1.3%) from the figure posted as at December 31st 2014. The share of equity in the financing of assets decreased by 0.1 pp relative to December 31st 2014, and was 27.2%.

The long-term capital (equity plus non-current liabilities) covered the full amount of non-current assets and 6.7% of current assets.

As at June 30th 2015, the assets financing structure was as follows:

1. non-current assets of PLN 310,421 thousand were fully financed with equity,
2. current assets (and non-current assets held for sale) of PLN 850,605 thousand, were financed with:

long-term capital	6.7%
current borrowings	15.2%
amounts due to customers for construction contract work	26.9%
trade payables	34.2%
other current liabilities	17.0%

3.12. Non-current assets

3.12.1. Structure of non-current assets

The structure of non-current assets changed as a result of execution of investment projects, sale of assets, liquidation or sale of redundant property, plant and equipment, remeasurement of assets, and changes in the deferred tax asset. As at June 30th 2015 and December 31st 2014, it was as follows:

	June 30th 2015		*Dec 31 2014*	
	Amount	*Percentage*	*Amount*	*Percentage*
1. Property, plant and equipment, including:	173,979	56.1%	172,199	58.5%
- land	23,773	7.7%	23,773	8,1%
- buildings	89,221	28.7%	89,529	30.4%
- plant and equipment	48,243	15.6%	46,140	15.7%
- vehicles	7,991	2.6%	6,370	2.2%
- property, plant and equipment under construction	4,364	1.4%	6,029	2.0%
- other	387	0.1%	358	0.1%
2. Intangible assets	8,718	2.8%	9,310	3.1%
3. Non-current trade receivables, other receivables and prepayments	35,991	11.6%	29,706	10.1%
4. Non-current financial assets	31,712	10.2%	33,770	11.5%
5. Deferred tax asset	60,021	19.3%	49,536	16.8%

The most important item of non-current assets was represented by land and buildings, which accounted for 36.4% of non-current assets and about 9.7% of total assets. Other significant items included the deferred tax asset as well as plant and equipment: at the end of June 2015, these accounted respectively for 19.3% and 15.6% of total assets. Plant and equipment includes mostly machinery, equipment and apparatuses used in the production process, as well as computer sets.

In H1 2015, non-current assets rose by PLN 15,900 thousand (or 5.4%) year on year. The deferred tax asset grew by PLN 10,485 thousand, or 21.2%, while trade receivables were up by 6,285 thousand, or 21.2%, year on year.

3.12.2. Key investments in property, plant and equipment

In H1 2015, the Group incurred capital expenditure on non-financial non-current assets of PLN 7,527 thousand, including:

- PLN 7,221 thousand on property, plant and equipment,
- PLN 306 thousand on intangible assets.

Capital expenditure on property, plant and equipment involved chiefly purchases of transport vehicles, IT equipment, production plant and equipment, as well as expenditure on construction infrastructure. Capital expenditure on intangible assets was primarily made to purchase licences and software. The expenditure was financed with internally generated funds and through lease agreements.

3.13. Current assets

In H1 2015, current assets increased by PLN 71,760 thousand, to PLN 849,663 thousand. The change in this asset group was mainly attributable to a PLN 63,417 thousand increase in trade receivables and a PLN 26,606 thousand higher other receivables and prepayments.

The income tax receivable was down PLN 10,846 thousand, whereas cash and cash equivalents decreased by PLN 3,836 thousand, to PLN 35,013 thousand.

Material receivables included deposits provided as security for contract guarantees (mainly issued by banks on the Group's instruction). At the end of June 2015, the amount of deposits provided as security for guarantees was PLN 167.8m (PLN 162.3m at the end of December 2014).

3.14. Equity amount and structure

As at June 30th 2015, the RAFAKO Group's equity was PLN 315,556 thousand, of which:

1. Share capital was PLN 139,200 thousand and comprised 69,600,000 Series A, B, C, D, E, F, G, H and I ordinary shares; in H1 2015, there were no changes in the share capital;
2. Share premium was PLN 36,778 thousand. In H1 2015, there were no changes in the share premium account;
3. Following the disposal of a subsidiary, reserve funds decreased by PLN 27,352 thousand and, as a result of transfer of the 2014 earnings to reserve funds, increased by PLN 25,674 thousand, to PLN 112,715 thousand as at June 30th 2015 (down PLN 1,678 thousand on December 31st 2014).
4. Retained earnings/accumulated losses were PLN (+)25,998 thousand;
5. Exchange differences on translating foreign operations were PLN (+)26 thousand;
6. Equity attributable to non-controlling interests was PLN 839 thousand.

The Company's share capital is expected to increase in H2 2015 on the back of a successful public offering and issue of Series J ordinary bearer shares in July 2015.

4. Human resources and workforce at the RAFAKO Group

In H1 2015, the average workforce at the Group was 2,326 employees, 143 fewer than in H1 2014. It should be noted, however, that the data for H1 2014 takes into account the 242 employees of FPM S.A., which ceased to be consolidated in 2014. The average workforce at the Group increased in fact by 99.

	Jun 30 2015
Workforce structure at end of period	**2,336**
production	979
engineering design office	407
technology office	97
quality control	103
maintenance	46
other employees (financial and accounting, sales and procurement staff)	704

As at June 30th 2015, the Group's employees with university degree or secondary school diploma accounted for 68.9% of the personnel (against 66.2% as at June 30th 2014). The Parent's Management Board recognises the importance of acquiring new, well-educated employees. As more than 90% of posts at the Company require specialist knowledge, persons with specialist university degrees are given priority in the recruitment process. As at June 30th 2015, university graduates accounted for 43.7% of the personnel (up by 4.7% on June 30th 2014). The Group also attaches importance to continuous professional advancement, and many employees decide to enrol on part-time university courses.

Workforce structure at the Group companies at end of period	**2,336**
RAFAKO S.A.	2,133
ENERGOTECHNIKA ENGINEERING Sp. z o.o.	104
E003B7 Sp. z o.o.	56
Przedsiębiorstwo Gospodarki Lokalami PGL-DOM Sp. z o.o.	27
RAFAKO ENGINEERING SOLUTION doo.	10
RAFAKO ENGINEERING Sp. z o. o.	5
RAFAKO Hungary Kft.	1

There was a change in the age structure of the workforce: the share of employees aged up to 30 increased and accounted for 18.4% of the personnel (vs. 16.5% as at June 30th 2014), and the share of employees aged between 31 and 40 increased slightly to 23.4% (from 22.5% as at June 30th 2014). The share of employees aged between 41 and 50 went down by 1% to 23.2%, while that of employees aged 50 or older was 35.0% (down 1.8% compared with June 30th 2014).

Over the last 12 months, some changes were observed in the workforce structure in terms of length of service. As at June 30th 2015, employees with length of service of up to 10 years accounted for 29.8% of the Group's personnel. The employees with length of service of between 11 and 20 years represented 17.6% of the entire personnel (against 13.5% as at June 30th 2014), while the percentage of employees with over 20 years of service decreased slightly, to 52.6% (from 53.5% in H1 2014). The Group has personnel with many years' unique professional experience.

5. Number of RAFAKO shares and options for RAFAKO shares held by the management and supervisory staff as at the date of this half-year report

To the best of RAFAKO S.A.'s knowledge, as at the date of this report the holdings of RAFAKO S.A. shares by the management and supervisory staff of the Company did not change relative to the previous consolidated quarterly report, and were as follows:

	As at May 15 2015	*Increase*	*Decrease*	*As at Aug 31 2015*
Supervisory staff of RAFAKO S.A.	–	–	–	–
Management staff of RAFAKO S.A.	**2,000**	**–**	**–**	**2,000**
- Edward Kasprzak – Vice-President of the Management Board	2,000	–	–	2,000

6. Shareholders holding – directly or indirectly through subsidiaries – 5% or more of the total vote at the General Meeting of the Parent as at the date of this half-year report

Shareholder	*Number of shares (pcs.)*	*Number of votes attached to the shares held*	*Ownership interest*	*% of the total vote at GM*
PBG S.A. w upadłości układowej (in company voluntary arrangement)[1]	**42,466,000**	**42,466,000**	**61.01%**	**61.01%**
including:				
held directly:	7,665,999	7,665,999	11.01%	11.01%
indirectly through Multaros Trading Company Limited[2] (a subsidiary of PBG S.A. w upadłości układowej (in company voluntary arrangement)):	34,800,001	34,800,001	50.00% + 1 share	50.00% + 1 share
NN Investment Partners Towarzystwo Funduszy Inwestycyjnych S.A. (formerly ING TFI S.A.)[3]	3,512,217	3,512,217	5.05%	5.05%

1. *Based on a notification of August 8th 2012*
2. *Based on a notification of November 15th 2011*
3. *Based on a notification of July 31st 2015*

Changes in major holdings since the submission of the previous quarterly report:

Multaros Trading Company Limited[1]

	As at May 15 2015	*Increase*	*Decrease*	*As at Aug 31 2015*
Number of shares and votes at the AGM	34,800,001	–	–	34,800,001
Ownership interest and share in total vote at AGM	50.00% + 1 share	–	–	50.00% + 1 share

1. *Based on a notification of November 15th 2011*

PBG S.A. w upadłości układowej (in company voluntary arrangement)[2]

	As at May 15 2015	*Increase*	*Decrease*	*As at Aug 31 2015*
Number of shares and votes at the GM	42,466,000	–	–	42,466,000
Ownership interest and share in total vote at AGM	61.01%	–	–	61.01%
including:				
held directly	7,665,999	–	–	7,665,999
	11.01%	–	–	11.01%
- **held indirectly through Multaros Trading Company Limited[3] (a subsidiary of PBG S.A. w upadłości układowej (in company voluntary arrangement):**	34,800,001	–	–	34,800,001
	50.0%			50.0%
	+ 1 share	–	–	+ 1 share

2. *Based on a notification of August 8th 2012*
3. *Based on a notification of November 15th 2011*

NN Investment Partners Towarzystwo Funduszy Inwestycyjnych S.A. (formerly ING TFI S.A.)[4]

	As at May 15 2015	*Increase*	*Decrease*	*As at Aug 31 2015*
Number of shares and votes at the AGM	3,508,403	3,814	–	3,512,217
Ownership interest and share in total vote at AGM	5.04%	0.01%	–	5.05%

4. *Based on a notification of July 31st 2015*

As at the issue date of this half-year report, the Parent's share capital increase through the issue of 15,331,998 Series J shares had not been registered by the District Court of Gliwice, 10th Commercial Division of the National Court Register.

In 2011, RAFAKO S.A. was included in the PBG Group, whose Parent is PBG S.A.

PBG S.A. is the Parent of a group of companies operating on the specialist construction market. The key segments of the Group's business currently include the construction of facilities and structures for the power, natural gas, crude oil and fuel sectors.

In early June 2012, the Court declared PBG S.A. insolvent in voluntary arrangement. By the decision of August 25th 2015, the Judge Commissioner approved PBG's Arrangement with Creditors consistent with the Arrangement Proposals of April 28th 2015.

IV. Key events and developments in H1 2015 and in the period from the end of H1 2015 to the date of the report

The key events and developments related to the activities of RAFAKO S.A. are presented below.

1. Contract with TAURON (Jaworzno Power Plant)

On April 17th 2014, RAFAKO S.A., acting as the leader of a consortium with Mostostal Warszawa S.A., executed a contract with Tauron Wytwarzanie S.A. for the construction of a power generation unit at the Jaworzno III Power Plant - Power Plant II. The value of the contract is PLN 4.4bn. The subject matter of the contract is design and delivery, on a turn-key basis, of a supercritical 910 MW power generation unit consisting of a steam generator, turbine generator set, main building, electrical and I&C systems.

The coal-fired unit to be erected in Jaworzno will be one of the most advanced facilities of this kind.

Key parameters
Supercritical pulverised-fuel, tower-type, once-through steam generator,
Unit's nominal output (gross) – 910 MW,
Generator's rated thermal input – 1,832 MWt,
Rated capacity – 2,390 t/h,
Temperature of steam at outlet (live/superheated) – 603/621°C,
Pressure of live steam at outlet – 28.5 MPa,
Pressure of superheated steam at outlet – 6.2 MPa,
Efficiency in standard conditions >95%,
Availability > 95%,
Net generating efficiency > 45.91 %.

Unit's components
Superheated steam generator,
Steam turbine powering the electricity generator,
Feed water pump system,
Systems designed to meet the sulfur dioxide, nitric oxide and dust emission standards specified in the Industrial Emissions Directive (IED),
Systems for disposal of combustion waste, as well as for delivery and preparation of various auxiliary media.

The Jaworzno unit will be a high-efficiency electricity generation facility operating within the power system. The operating life of the unit will be at least 200 thousand hours or 30 years.

Environmental implications:

According to the project owner's estimates, once the project is complete, sulfur dioxide emissions will be sixteen times lower than from the 120 MW units, which are to be decommissioned, nitric oxide emissions will be more than five times lower, and dust emissions will be reduced eleven times. In addition, carbon dioxide emissions will be cut by nearly two million tonnes a year.

Key events in 2015

2015	
January	On January 20th 2015, SPV Jaworzno and UNISERV-PIECBUD S.A. of Katowice executed a PLN 164,800 thousand contract for the design, delivery and assembly of a cooling tower along with related equipment.
January–June	Delivery of key milestones: 1. Development and delivery of the Basic Engineering Package to the Employer 2. Preparation of documents necessary for the Employer to update the Construction Plans with respect to the Unit 3. Completion of the foundation pit for the boiler house and removal of excess soil.
August	On August 18th 2015, SPV Jaworzno and Energopol – Szczecin S.A. signed an annex to the subcontractor agreement for the performance of construction work, reducing the scope of work of the Subcontractor and, consequently, reducing its remuneration from PLN 380m to PLN 30m.

In its separate financial statements, RAFAKO S.A. recognises only income and expenses related to its own scope of work, i.e. 11.5% of the total scope of work to be performed on the Jaworzno Project. In its separate financial statements, the Parent 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.

For rules of accounting for the contract, see Note 11 to the financial statements.

2. Contract with PGE Elektrownia Opole

On February 15th 2012, the Parent, acting as the Leader of a Consortium comprising RAFAKO S.A., Polimex-Mostostal S.A. of Warsaw and Mostostal Warszawa S.A. of Warsaw, executed a PLN 9,397m contract with PGE Elektrownia Opole S.A. of Bełchatów (currently PGE Górnictwo i Energetyka Konwencjonalna S.A.) 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 the Opole Power Plant, together with equipment and devices as well as all related buildings and structures (the "Opole Project").

The units, each with a capacity of 900 MW, will be fired with hard coal. The project will be completed within 54 months from the notice to proceed for unit No. 5, and within 62 months of the notice to proceed for unit No. 6.

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 Parent in previous reports.

On October 15th 2013, the Parent signed an out-of-court settlement with ALSTOM Power Systems GmbH, ALSTOM Boiler Deutschland GmbH and ALSTOM Power Sp. z o.o. (jointly the "Alstom Group"), regulating in a comprehensive manner the terms of financial settlements, providing for a mutual waiver of claims by the Parent and the Alstom Group, and defining the scope of collaboration between the Parent and the Alstom Group on RAFAKO's projects.

The settlement became effective on November 7th 2013, following execution of a subcontractor agreement for the Opole Project between the RAFAKO Group and the Alstom Group.

On October 26th 2013, E001RK Sp. z o.o. (a company dedicated to the Opole Project, wholly-owned of RAFAKO S.A.) entered into a subcontractor agreement with Alstom. Under the agreement, E001RK Sp. z o.o. appointed Alstom as its subcontractor responsible for 100% of the work and services making up the Parent's scope of work under the Opole Project.

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

The Opole Project may affect RAFAKO S.A.'s performance if the Parent becomes Alstom's subcontractor, which is possible under the agreement between RAFAKO and Alstom.

For the rules of accounting for the contract, see Note 11 to the financial statements.

On January 31st 2014, the Consortium received a Notice to Proceed for the Opole Project from the Employer.

The project is on schedule, with invoices issued and payments made without any disruptions. As at June 30th 2015, PLN 547,730 thousand (17.0% of the contract's total value) was invoiced in relation to the Opole Project.

3. Events related to other significant contracts:

a. On January 28th 2015, the Parent signed a PLN 85,395 thousand contract with ENERGA Elektrownie Ostrołęka S.A., providing for upgrade of electrostatic precipitators in units 1, 2 and 3 at Elektrownie Ostrołęka S.A.;

b. On February 16th 2015, the Parent signed a EUR 4,035 thousand contract with the Delegation of the European Union to Serbia for upgrade of an electrostatic precipitator at the Morava Power Plant.

c. On April 30th 2015, the Parent and Valmet Technologies Oy signed a contract for the delivery of boiler pressurised parts to the Metsa Fibre Oy boiler in Finland, with a total value of EUR 7,702 thousand.

4. Other material events

a. On February 20th 2015 in Racibórz, the articles of association of JV Sanbei-RAFAKO Ltd of Zhangjiakou (the Parent's subsidiary established in 1994) were signed providing for the company's continued operation for the next 20 years. The company's business consists in the manufacture of wind turbine towers, lifting equipment, as well as coal-fired and oil/gas-fired boilers marketed mostly in China.

b. On February 23rd 2015, the Parent executed a final agreement for the sale of FPM S.A. of Mikołów. RAFAKO S.A. sold the company to TDJ S.A. of Katowice – the main shareholder of Famur, Polska Grupa Odlewnicza and Zamet Industry. Under the agreement, 82.19% of FPM shares were sold for PLN 48m. The preliminary conditional sale agreement was signed in late December 2014. The transaction was cleared by the Polish Office of Competition and Consumer Protection on February 19th 2015.

FPM was sold as part of the plan to raise funds otherwise than through issue of shares, in line with the Group's strategy for 2014−2018. The sale of the subsidiary will not materially affect the supply chain for RAFAKO S.A.'s contracts, as the use of FPM's products in the Parent's contracts has been marginal. FPM's results do not have a material effect on the RAFAKO Group's revenue and profit. In the last few years, its EBITDA was in the range of PLN 6-8m per year.

c. On May 29th 2015, an annex to the Credit Facility Agreement with Powszechna Kasa Oszczędności Bank Polski S.A. of Warsaw was executed. The annex extends the availability and repayment date of the overdraft facility and the period during which the bank will issue guarantees under the agreement until May 31st 2016. In addition, under the annex the Company agreed to amend the terms of the joint contractual mortgage for up to PLN 300m to make it an instrument securing not only the amounts due under the overdraft facility, the working capital revolving facility, interest and the Bank's other costs, but also amounts due under payments made in respect of the bank guarantees issued under the Agreement.

Under the credit facility agreement, in February 2012 the Bank granted to the Company a PLN 300m overdraft facility for the financing of its day-to-day operations. The annex introduced the restated text of the agreement, now renamed as 'Multi-purpose credit facility agreement'. Under the annex, the Bank made available to RAFAKO S.A. a multi-purpose credit facility of PLN 200m, including:

- an overdraft credit facility of up to 75% of the limit (i.e. PLN 150m) to finance obligations under day-to-day operations,
- bank guarantees, to be provided on such terms as defined in the facility agreement, and a working capital revolving facility to finance payments under realised bank guarantees granted by the Bank, of up to 25% of the limit (PLN 50m).

The other terms and conditions of the credit facility agreement were not materially amended under the annex. The facility bears interest at 1M WIBOR + bank margin. The agreement also provides for customary bank fees and commissions. Interest is payable on a monthly basis.

d. In July 2015, the Parent of the RAFAKO Group successfully issued 15,331,998 Series J shares for a total of PLN 93,525,188 (price of PLN 6.10 per share). In response to the invitation to subscribe, a total of 145 institutional investors eligible to participate in the offering subscribed for the shares.

PBG S.A., which held 11.01% of RAFAKO S.A. shares prior to the issue, and Multaros Trading Company LTD, which held 50% + 1 share in RAFAKO S.A., did not exercise their subscription rights.

On July 29th 2015, the WSE Management Board introduced 15,331,998 rights to Series J ordinary bearer shares to trading on the main market of the WSE.

As at the issue date of this half-year report, the Parent's share capital increase related to the issue of Series J shares had not been registered by the District Court of Gliwice, 10th Commercial Division of the National Court Register.

The purpose of the issue was to raise funds which the Group intends to use:

- to finance contractual security arrangements in building the Group's order book and to finance working capital requirements to enable the performance of contracts in the future The Parent plans to apply approximately 85-90% of the funds raised from the issue towards that purpose;
- to increase its research and development spending with a view to advancing its technology portfolio and supplementing it with unique solutions that help improve product efficiency and reliability. The Group's key focus in its research and development work financed with the proceeds from the issue will be on environmental protection technologies. The Parent plans to apply approximately 10-15% of the funds raised from the issue towards that purpose; The proceeds will be used to finance research and development projects until the end of 2016. The final allocation schedule will depend, inter alia, on results the R&D projects.

e. On November 3rd 2014, PBG S.A. w upadłości układowej (in company voluntary arrangement) put forward updated arrangement proposals with respect to the first group of creditors (which includes RAFAKO S.A.) providing for repayment of PLN 500 thousand and an 80% reduction of receivables in excess of PLN 500 thousand. The receivables 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 total amount of receivables from the related entity (PBG S.A), recognised in the statement of financial position, is PLN 35.3m.

By the decision of August 25th 2015, the Judge Commissioner approved PBG's Arrangement with Creditors consistent with the Arrangement Proposals of April 28th 2015.

For a detailed description of the receivables, see Note 25 to the interim condensed consolidated financial statements of the Group.

5. Pending litigation, arbitration or administrative proceedings

For information on material disputes and litigations, see Note 24 to the interim condensed consolidated financial statements of the Group.

6. Related-party transactions by RAFAKO or its subsidiaries

In H1 2015 and 2014, the Parent and its subsidiaries did not enter into any material related-party transactions on non-arm's length terms.

For a detailed list of related-party transactions in H1 2015, see Note 26 to the interim condensed consolidated financial statements of the Group for H1 2015.

7. Sureties for loan repayment and guarantees issued by RAFAKO or its subsidiary

In H1 2015, the Parent and its subsidiaries did not issue any sureties for loan repayment or guarantees jointly to one entity or its subsidiary, where the aggregate value of such sureties or guarantees would represent 10% or more of the company's equity.

For details of changes in contingent assets and liabilities, see Note 23 to the Group's interim condensed consolidated financial statements for H1 2015.

V. Growth prospects for 2015

1. Energy policy

Power market and environmental protection regulations

The power market, especially its commercial segment, is subject to extensive regulation governing both the way it operates and its future development and structure in the context of increasingly stringent environmental protection norms. The highly-regulated nature of the segment follows from the power market's strategic importance to energy security of each country, with environmental protection and reduced CO2 emissions becoming a global priority in international relations. Such regulations include both legislation and general objectives of national and EU-level power policies concerning environmental protection.

Because of the introduction of more stringent environmental protection norms, businesses generating flue gases during production, such as CHP plants and power plants, are required to upgrade their existing units and install new equipment to reduce air emissions. This translates into more projects in the power segment, including construction of low-emission, high-efficiency power plants and upgrade of old power plants to make them comply with the strict environmental requirements imposed under EU law, which may in turn boost demand for products and services offered by the Group.

Environmental protection regulatory environment in the EU

The EU's energy policy is formulated by Member States as well as EU institutions. The formal allocation of responsibilities in this area results from Title XXI 'Energy' introduced to the Treaty on the Functioning of the European Union. In accordance with the Treaty, the EU's actions in the area of energy policy are driven by four objectives to be achieved in a spirit of solidarity between Member States:

a. to ensure the functioning of the energy market;

b. to ensure security of energy supply in the Union;

c. to promote energy efficiency and saving and the development of new and renewable forms of energy;

d. to promote the interconnection of energy networks.

Regulations adopted at the EU level concern chiefly environmental protection and reducing the share of coal-based generation in the energy mix of EU member states.

The energy policy is currently based on the third energy package adopted in 2009. The targets of the package, also stated in the 'Europe 2020' strategy (named the '20-20-20 targets'), include: a 20% reduction in greenhouse gas emissions, raising the share of energy consumption produced from renewable resources to 20% and a 20% improvement in the energy efficiency by 2020 (the reference year for the three targets is 1990).

Plans for the future under the EU's energy policy were initially proposed in the energy roadmap 2050, specifying the direction of long-term actions in the area of energy, and subsequently in the European Commission's communication of January 2014 setting out the 2020-2030 framework. Two main focus areas specified in the communication were to further reduce greenhouse gas emissions and increase the share of renewable energy sources. Other important areas mentioned in the communication included: improving of energy efficiency, completion of the internal energy market, ensuring competitive prices and increasing security of supplies. The communication was published together with a legislative proposal to reform the emissions trading scheme. These priority objectives were upheld in the European Council's conclusions of March 2014.

On May 28th 2014, the European Commission put forward the EU's energy security strategy, which is to be closely linked with the EU's energy policy until 2030. The strategy is aimed at improving the EU's resilience to energy crises and increasing energy production in Europe.

At its meeting held on June 26th-27th 2014, the European Council approved the strategy: it also undertook to set new objectives of the climate and energy policy in October 2014.

At its meeting held on October 23rd-24th 2014, the European Council adopted a framework of the energy policy until 2030 based on the principles set out in the conclusions of March 2014. In the conclusions from October the following binding targets were set:

- greenhouse gas reduction by 2030 by at least 40% compared with 1990,
- increasing the share of renewable energy to at least 27% of the EU's energy consumption,
- increasing energy efficiency by at least 27% (indicative) in 2030.

Member States are required to meet these targets, but may also set their own higher national targets. The need to create an internal energy market was reiterated and tasks were assigned for the European Commission and Member States in the area of interconnections between Europe's gas and electricity networks. An action plan was also developed to reduce the EU's energy dependence and improve its energy security.

The targets under the EU's energy policy, particularly the reduction of CO2 emissions by at least 40% compared with 1990, will be a great challenge for Poland's coal-reliant energy sector (approximately 90% of electricity generated in Poland comes from coal). That is why the summit's decision allowing less prosperous Member States to allocate free emission allowances to power plants is so important.

In July 2015, the European Commission presented a set of regulations reforming the CO2 emission allowances system. In line with the amended system, some of the CO2 emission allowances will be automatically withdrawn from the market and placed in a market stability reserve whenever the number of allowances in circulation goes outside a predefined level. At present, there is a surplus of over 2 billion allowances on the market, increasing as of 2009. The adopted solution provides for withdrawing 900m emission allowances through a backloading procedure and placing them in the stability reserve. The amended directive on the EU Emissions Trading Scheme is a step towards meeting the EU's goal of reducing greenhouse gas emissions by at least 40% by 2030. Pursuant to the new system, Poland and nine other of the less developed EU countries will have the right to allocate some of the allowances free of charge to power plants, thus enabling them to use their funds on unit upgrades rather than redemption of emission allowances. Priority will be given not only to large projects with a value of more than EUR 10m, but also to smaller ones.

Regulatory environment in Poland

The key legal document regulating the operation of the Polish power sector is the Energy Law. The President of the Energy Regulatory Office (URE) is responsible for fuels and energy management and promoting competition in the energy sector in Poland. As a rule, operation in the energy sector requires a licence granted by the President of URE. The powers and responsibilities of the President of URE also include approval and monitoring the use of tariffs for gaseous fuels, electricity and heat, drawn up by energy companies and implemented as applicable to customer groups specified in those tariffs.

Poland's Energy Policy until 2030, prepared by the Ministry of Economy, plays a material role in setting the development directions for the energy sector. The Policy's objectives include:

- improving electricity generation efficiency through the construction of high-efficiency generating units and a two-fold increase in the quantity of electricity from high-efficiency cogeneration (by 2020);
- increasing the share of renewable energy sources in the total energy consumption in Poland to 15% in 2020 and 20% in 2030.

It is also planned that the share of biofuels in the fuel market will reach 10% in 2020. The Policy also highlights the need to reduce the environmental impact of the energy sector (including the reduction of CO2 , SO2 and NOX emissions), which would enable Poland to meet its international obligations. Among the objectives relating to electricity and heat supplies, the Policy lists the construction of new generating capacities to balance the domestic electricity demand and maintain an operationally available capacity surplus of at least 15% of the maximum domestic demand for electricity during the peak use of total capacity of the domestic conventional and nuclear generation sources. The Policy defines the key priorities and directions in which Poland's energy policy, and thus the Polish energy market, will develop.

The work on Poland's Energy Policy until 2050 has also begun. The draft of August 2014 sets the following three operational objectives designed to support the main objective:

- to ensure national energy security;
- to increase the competitiveness and energy efficiency of the Polish economy;
- to reduce the environmental impact of the heat and power sector.

Moreover, Poland's Energy Policy until 2050 provides for three scenarios of the national power sector's development: the primary scenario assuming continuation of the current trends, with coal having a predominant share in the energy mix, and two additional scenarios. First of the two assumes the dominance of nuclear energy (45%-60% of the energy mix), while the second is based on gas and renewable energy (50%-55% of the energy mix).

Poland's Energy Policy until 2050 is scheduled for publication after the Paris climate summit in December. At the beginning of 2015, the long-anticipated acts on shale gas and renewable energy came into force. The Act on Renewable Energy Sources and the so-called shale gas law were among the most anticipated pieces of legislation in recent years. The regulations on hydrocarbon exploration became effective as of 2015. The Act on Renewable Energy Sources, designed to promote the development of renewable energy sources in Poland by replacing the green certificate system with an auction system, became effective as of May 4th 2015, and the regulations governing the change of the systems will take effect as of January 1st 2016.

2. Asset development plans for the power sector

Energy infrastructure in Poland

Given the continuing wear and tear of the power generation units and the ever more stringent EU emission standards, the existing units will be phased out or upgraded. According to Poland's Energy Policy until 2050, almost 45% of Poland's electricity generation facilities are more than 30 years old, and approximately 77% are more than 20 years old. As the expected useful life of coal-fired generation units is between 40 and 45 years, it will be necessary to install 13–18 GW in new generation capacities just to renew the current generation potential.

In Poland's Energy Policy until 2030, the new capacities to come on stream or the existing capacities to be replaced with new generation units are estimated at 4.9 GW in 2011–2015, 8.5 GW in 2016–2020, 8.2 GW in 2021–2025, and approximately 10.4 GW in 2026–2030. Factoring in the phase-out of existing electricity generation capacities in the Polish power grid, the maximum net capacity of the country's generation units is expected to increase to the region of 46.4 GW in 2030. The largest decline in maximum net capacity is expected in the case of hard coal-fired commercial power plants (fall from 14,536 MW in 2008 to 5,433 MW in 2030). Since lignite-fired power plants will be gradually replaced with new units, their maximum capacity is to remain stable until 2025, when it should begin to grow. Nuclear power plants planned to be built will bring combined installed capacity of 4,500 MW.

Generation capacities will increase the most in the case of renewable energy sources, particularly wind farms and biogas plants. By 2030, onshore and offshore wind farms should contribute an additional 6,000 MW and 2,550 MW in installed capacities respectively, although the new capacities are not expected to translate into higher power output due to the wind farm capacity factor. Biomass-fired power and CHP plants should reach a combined capacity of some 1,400 MWe by 2030, while biogas-fired units should contribute an additional 631 MWe. New capacities are planned to be built in response to an expected increase in electricity demand in Poland.

Investments in energy infrastructure

The Ministry of Economy forecasts a steady increase in electricity demand in Poland, to 194.6 TWh in 2020 and 217.4 TWh in 2030. The rising demand for electricity will translate into more investment projects in the power sector, which is where RAFAKO Group's key customers operate.

By 2020, power companies intend to invest in Poland more than PLN 129bn. Some investment projects are already in progress, others are still uncertain. A lion's part of the planned expenditure will go on the construction of power generating sources, based on various technologies.

According to expectations, investments in the EU's power sector will run to about a trillion dollars by the end of 2023, because power installations built in Europe in the 1950s and 1960s are approaching the end of their technical lives.

Ongoing projects include the construction of two power generating units at the Opole Power Plant, and one power generating unit at each of the Jaworzno III Power Plant and the Kozienice Power Plant. In aggregate, these projects will deliver nearly 4 thousand MW of new capacity.

Among large power units currently being built, three most advanced projects to construct power generating units should be specifically mentioned, all implemented under contracts signed in 2012:

- construction of a 449 MW CCGT unit at the Stalowa Wola CHP Plant (Elektrociepłownia Stalowa Wola) for Tauron/PGNiG by Abener Energia of Spain, valued at PLN 1.6bn (VAT exclusive) – the unit is to be placed in service in Q1 2016;
- construction of a 1,075 MW hard coal-fired unit at the Kozienice power plant for Enea by Polimex-Mostostal in cooperation with Hitachi Power Europe, valued at PLN 6.4bn (VAT exclusive),
- construction of a 463 MWe gas-fired unit at the Włocławek power plant for PKN Orlen by the General Electric International and SNC-Lavalin Polska consortium, valued at PLN 1.4bn (VAT exclusive) – the start-up is expected in late Q3 2015.

In H2 2013, other projects were also launched, which were less cost-intensive. Those include a 50 MW coal-fired unit at the Tychy plant and a 75 MW coal-fired unit at the Zofiówka plant, built for Tauron and Jastrzębska Spółka Węglowa, respectively, by Energoinstal and Elektrobudowa, with the total value of approximately PLN 1.1bn, as well as a 138 MW CCGT unit at the Gorzów plant, to be constructed for PGE by Siemens, valued at approximately PLN 0.6bn.

Other projects under way in 2014 included the construction of a 200-270 MW CCGT unit in Szczecin (PGE) and a 596 MW CCGT unit in Płock, constructed for PKN Orlen by a consortium of Siemens AG and Siemens Spółka z o.o. The estimated VAT-exclusive value of the contract is PLN 1.3bn. The unit is scheduled to come online in late 2017 or early 2018.

Another planned project involves the construction of a 1,000 MW coal-fired power generating unit in Wola for Kompania Węglowa. PGNiG is planning to build a 400-500 MW CCGT unit at the Żerań CHP plant, while Tauron is contemplating the construction of a 412-490 MW gas-fired unit at the Łagisza Power Plant in Będzin. A consortium of investors led by an American fund plans to resume the construction of a coal-fired unit at the Ostrołęka power plant. The construction of the 1,000 MW unit could begin next year, with the start-up scheduled for 2019.

PGE is planning to spend about PLN 50bn by 2020, mostly on new conventional capacities as well as on development and upgrade of power distribution networks.

In the same period, the Enea Group is expecting to spend about PLN 20bn, of which about PLN 6bn will be assigned to investments in distribution assets, and about PLN 14bn – in power generation.

The Tauron Group assumes that the value of its investment projects in 2014–2023 will reach PLN 37bn. As part of these projects, the Group plans, among other things, to increase its installed capacity.

Energa plans capital expenditure of PLN 18.2bn in 2014–2022.

In 2013, French corporation EDF commenced to modernise its Polish assets. The value of EdF's entire investment programme is estimated at about PLN 3.3bn. The largest project will involve comprehensive modernisation of the Rybnik Power Plant, at an estimated cost of about PLN 1.4bn.

In accordance with the Energy Regulatory Office's data, a trend to expand generation capacities has been recently seen in the heat segment, including, under the Infrastructure and Environment Operational Programme, through the construction of twelve advanced municipal waste thermal treatment plants.

Work has begun on projects in Szczecin, Bydgoszcz, Białystok, Poznań, Konin, and Kraków, to be completed by the end of 2015.

Environmental protection construction projects

In accordance with the "Environmental Protection 2014" report prepared by the Central Statistics Office, the last decade has seen an increase in spending on property, plant and equipment used for environmental protection purposes. In 2013, the expenditure was approximately PLN 10.9bn – up by 7% on 2012. Spending on environmental protection assets has remained at 0.6–0.8% of GDP for several years. Spending on property, plant and equipment for environmental protection purposes in Poland's capital expenditure has been around 5% over the past years. The data points to a potential increase in environmental protection spending in the coming years and greater investment in environmental protection construction projects.

In accordance with the General Inspectorate for Environmental Protection's 2014 "State of the Environment" report, the share of investors' own funds in environmental protection projects is 40–50% of total expenditure on property, plant and equipment for environmental protection purposes.

Ecological funds – such as environmental protection and water management funds (National Fund for Environmental Protection and Water Management) and provincial funds for environmental protection and water management – remain an important source of financing of environmental protection projects. In 2012, their share in expenditure on property, plant and equipment for environmental protection and water management purposes was 13.9% and 17.3% respectively. The funds are financed with charges for economic use of the environment, fines for violations of environmental protection standards, and from the repayment of loans advanced to investors. Environmental protection and water management projects are also financed from the budgets of individual counties and municipalities.

The share of budget funding, taking into account all levels of financing (including central and provincial), was close to 10% in the case of environmental protection projects and nearly 20% for water management projects. In 2012, the largest item of expenditure on property, plant and equipment for environmental protection purposes was wastewater management (55.9%), while 22.9% was allocated to air and climate protection projects, and 7.5% to waste management projects.

Competitive environment

The Group operates on a market dominated by large, mainly international players. On this market, contracts are typically awarded as part of tenders announced by customers, and projects can take as much as several years to complete.

Given the significance of factors such as experience, credentials and technological and financial capabilities in bidding for new contracts, the Group faces a limited number of competitors, which are typically companies specialising in EPC projects. In line with market requirements, the majority of the Group's projects are also implemented in this format.

The Group operates on the Polish market (90.7% of revenue in H1 2015 came from domestic sales) and foreign markets (9.3% of revenue in H1 2015). Given the limited number of projects and customers on each market, as well as specific contract requirements, contractors competing with the Company over projects in Poland (major foreign companies often have branches in Poland) usually also bid for foreign contracts.

There is considerable competition in terms of the products and services which are part of EPC projects. Each company which the Company believes to be a significant competitor has proprietary energy generation technologies, extensive credentials and many years' experience in EPC contracts. While some of them specialise in specific types of steam generators, others offer a comparable range of products and have access to technologies allowing them to bid for contracts within the same product scope as the Group. Complete generating units are constructed by Alstom, Mitsubishi Hitachi Power Europe, Doosan Power Systems, COVEC, CNEEC, SEC, Bilfinger Berger Power Systems, Foster Wheeler, and CNIM, all of which have proprietary energy generation technologies, as well as organisational capacities necessary to pursue EPC contracts. These companies, as well as the Group, offer products necessary to construct complete generating units utilising any kind of fuel.

On the Polish market, there exist several companies, such as WARBUD, BUDIMEX and POLIMEX, which plan to enter the power construction industry by including EPC contracts in their offering or, at the very least, by offering assembly and construction services. However, the companies do not have any technologies on a par with those of the Group and their role is essentially that of subcontractors. Developing capabilities necessary to design and manufacture equipment for the power sector is complicated and requires considerable expenditures over long periods of time. In their competition with the Group, the companies rely solely on the technologies and products supplied by the Group's direct competitors, including Alstom, Mitsubishi Hitachi Power Europe, Doosan Power Systems, Bilfinger Berger Power Systems, and CNIM.

With respect to specific products, such as steam generators, desulfurization units, denitrification units and waste incineration facilities, the Group's major competitors again include Alstom, Mitsubishi Hitachi Power Europe, Doosan Power Systems, Bilfinger Berger Power Systems, Foster Wheeler, and CNIM, as well as Andritz, Metso and Strabag.

The market is also seeing a number of Chinese companies, whose competitive edge consists primarily in offering lower prices and different − uncertain in the Company's opinion − technical specifications. The Group believes that customers on the Polish and European markets, including Turkey, perceive the offering of Chinese companies as unreliable, but the situation may well change if the Chinese competitors are able to maintain low prices while improving the technological quality of their products. Then the companies may become important players on the market of electricity generation technologies.

Furthermore, given the nature of large EPC contracts, it cannot be ruled out that the Group will not partner with the above-mentioned companies for certain projects, especially those consisting in the supply of steam generators, their pressurised components or flue gas desulfurization units.

3. Operational plans

The RAFAKO Group is prepared to face the challenges of the power market. The Group companies currently offer the widest selection of power technologies in Europe. In addition to all environmental protection facilities, which are constantly developed and upgraded, the Parent has capabilities necessary to construct power units of all parameters, running on all types of fuels. RAFAKO S.A. is one of Europe's four companies (the other being Alstom, Hitachi Power Europe and Doosan Babcock) offering the complete technology for the construction of supercritical power units.

In response to the shortage of new capacities, environmental requirements and insufficient energy resources, the Company's strategy meets the expectations of power sector clients by offering them high-efficiency power facilities and environmental protection systems.

In 2015, the Parent will continue to offer on the domestic and foreign markets:

- Complete thermal power stations, including:
    - supercritical power units,
    - municipal waste incineration facilities,
    - units with coal-fired and biomass-fired steam generators,
    - CCGT units;
- Deliveries of complete conventional 'technology islands', including:
    - subcritical steam generators and water boilers fired with various types of fuel: coal/gas/oil/biomass; stationary and circulating fluidised bed combustors, supercritical steam generators,
    - environmental solutions, including flue gas desulfurisation units (wet/semi-dry/dry technology), flue gas denitration units and dust extraction equipment (electrostatic precipitators, bag filters), etc.;
- Comprehensive rehabilitation projects designed to improve efficiency and reduce emissions into the environment; complete power installations provided under EPC contracts;

- Manufacture of steam generator parts;
- Engineering and maintenance services, including diagnostics, modernisation and repair of steam generators and auxiliaries.

Given the need to comply with more exacting EU environmental standards, the Parent should continue to increase its presence on the domestic market of environmental protection systems, where it currently offers technologies for the construction of complete flue gas desulfurisation units, industrial and municipal waste incineration systems and biomass-fired units, upgrading of boilers to reduce NOx emissions, as well as dust extraction equipment.

In 2015, the following factors and developments will have the greatest effect on the Group's development and prospects:

- securing financial liquidity and obtaining access to new bank/insurance guarantees that will enable the Group to perform new contracts,
- making good progress in construction of the 910 MW supercritical power generating unit at the Jaworzno Power Plant,
- execution of the arrangement between PBG and its creditors,
- implementation of a large number of significant contracts in the Polish and European markets, including construction of modern steam generators, flue gas desulfurisation and denitration units, biomass-fired units, municipal waste treatment and incineration systems, as well as pressurised parts of supercritical boilers.

Capital expenditure planned for 2015 will be made mainly on the upgrade of existing buildings and structures, purchase of production plant and machinery, as well as computer software and hardware. Investment projects will be financed using external sources (e.g. leases), as well as the Group companies' own funds.

According to forecasts of the Group's performance in 2015, the Group is expected to report net profit. These plans assume implementation of existing contracts, which will account for a significant part of the projected sales figures, as well as new contracts which the Group needs to win in 2015 to achieve the planned performance targets.

4. Order book

As at June 30th 2015, the value of the Group's order book was nearly PLN 5.2bn. The order book's largest item is the Jaworzno project – the amount outstanding under the contract is PLN 4.1bn, of which PLN 0.47bn is attributable the Parent and PLN 3.63bn to SPV Jaworzno. The order book does not include the Opole contract (RAFAKO's entire share in the project worth PLN 3.2bn was subcontracted outside the RAFAKO Group, of which PLN 2.68bn is still outstanding). At present, the order book comprises only power construction projects.

ORDER BOOK	
June 30th 2015	**June 30th 2014**
~PLN 5.2bn	**~PLN 6.3bn**

	ORDER BOOK as at June 30th 2015	Due for execution in		
		Jul–Dec 2015	2016	after 2016
TOTAL	**~ PLN 5.2bn**	**~PLN 0.8bn**	**~ PLN 1.8bn**	**~PLN 2.6bn**
RAFAKO Group	**~ PLN 1.6bn**	**~PLN 0.3bn**	**~ PLN 0.7bn**	**~PLN 0.6bn**
SPV Jaworzno	**~ PLN 3.6bn**	**~ PLN 0.5bn**	**~ PLN 1.1bn**	**~PLN 2.0bn**

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

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

Key contracts for power generating units, boilers, power equipment, machinery and components

1) Construction of a 910 MW supercritical power generating unit at the Jaworzno Power Plant

On April 17th 2014, RAFAKO S.A., acting as the leader of a consortium with Mostostal Warszawa S.A., executed a contract with Tauron Wytwarzanie S.A. for the construction of a 910 MW supercritical power generation unit at the Jaworzno III Power Plant - Power Plant II. The value of the contract is PLN 4.4bn.

The consortium will construct the unit together with a complete set of key facilities, installations and external equipment required for its safe and proper operation. The unit will be fitted with a coal-fired supercritical pulverised-fuel once-through steam generator and a condensing steam turbine coupled with the power generator. The unit will be connected to a new 400 kV substation supplying electricity to the National Power Grid. The unit's gross capacity will be 910 MWe, with a net efficiency of 45.91% and design coal consumption of ca. 345 t/h at nominal capacity.

The unit will be a high-efficiency electricity generation facility operating within the power system. It will be fitted with systems enabling compliance with the NOx, SO2 and dust emission standards, i.e. an SCR denitration unit, a desulfurisation unit and an electrostatic precipitator. The operating life of the unit will be at least 200 thousand hours or 30 years, and its output will increase the total capacities of the Polish electric utility sector by approximately 2.5%.

2) Execution of the first phase of the 'New CHP Plant at Grupa Azoty ZAK S.A.' project

On May 23rd 2014, RAFAKO S.A. and Grupa Azoty Zakłady Azotowe Kędzierzyn S.A executed a contract for approximately PLN 320m.

The contract provides for:

- construction and supply of equipment and services, as well as start-up of a boiler house with a coal-fired pulverised-fuel boiler, with a capacity of 140 Mg/h of steam with temperature of 495ºC and pressure of 7.5 MPa,
- construction and supply of equipment and services, as well as start-up of a 25 MWe pass-out and condensing turbine in the existing turbine house, to be fed inlet steam with temperature of 490ºC and pressure of 7.0 MPa,
- construction of a building (housing the central control room, DCS control system and social amenities), including equipment supply and start-up.

3) Design, delivery and erection of a grid, boiler and flue gas treatment unit for the Thermal Waste Treatment Plant in Szczecin

On June 7th 2013, RAFAKO S.A. and Mostostal Warszawa executed a contract with a value of over PLN 227m for construction of a boiler island for the Thermal Waste Treatment Plant in Szczecin.

Under the contract, RAFAKO S.A. is responsible for the entire process part, including the burner grid, boiler and flue gas desulfurisation, denitration and dust removal units. The contract is part of a project to build a waste incineration facility for the Thermal Waste Treatment Plant in Szczecin, carried out by Mostostal Warszawa. The facility, located on the Puck Island, will meet the most stringent environmental standards. It is to have an annual capacity of 150 thousand tonnes of waste. The total value of the project is over PLN 711m. At present, the only waste incineration facility operating in Poland is located in Warsaw.

4) Construction of fluidised bed boiler at Synthos Dwory 7

The contract, with a VAT-exclusive value of PLN 151.6m, is for the turnkey delivery of a OFz-140 fluidised bed boiler at Synthos Dwory 7 in Oświęcim.

The boiler will be designed and manufactured by RAFAKO S.A. The Parent undertook to complete the manufacture, delivery and assembly of the fluidised bed boiler and the necessary construction works by January 2016.

Fluidised bed boilers enable reduction of sulfur and nitrogen oxides emissions already at the combustion stage. Consequently, they do not require any separate desulfurisation units, which are very costly. RAFAKO S.A. has designed and delivered seven boilers with circulating fluidised beds for burning coal.

5) Construction of a municipal waste steam generator for Hereford & Worcestershire in the United Kingdom.

On July 18th 2014, RAFAKO S.A. and Hitachi Zosen Inova AG of Zurich executed a EUR 11.2m-worth contract

providing for delivery, assembly and start-up of a boiler for a municipal waste incineration system in Hereford & Worcestershire in the United Kingdom.

6) Upgrade and overhaul of the rotary air heaters and boiler auxiliary systems for power generating units No. 7-12 at the Bełchatów Power Plant

On January 18th 2011, a contract of ca. PLN 120m was signed with PGE Górnictwo i Energetyka Konwencjonalna S.A., Bełchatów Power Plant Branch.

Key contracts for air protection systems

1) Construction of catalytic flue gas denitration system at the Kozienice Power Plant

Since June 28th 2012, RAFAKO S.A. has carried out work at the Kozienice Power Plant under a contract executed with Enea Wytwarzanie S.A. for the turnkey delivery of complete, advanced catalytic (SCR) flue gas denitration units. The total value of the contract is PLN 191m.

Thanks to the unit for OP-650 boilers, which is to be fitted on five biomass- and coal-fired 200 MW units (No. 4-8), the boilers will be able to operate in line with the environmental requirements.

2) Flue gas desulfurisation units for the EDF Polska Group

The contract provides for design, delivery and start-up of wet flue gas desulfurisation units at the Gdynia CHP Plant, Gdańsk CHP Plant, Wrocław CHP Plant and EDF Kraków S.A. The VAT-exclusive value of the contract for:

Gdynia CHP Plant:	PLN 147.1m
Gdańsk CHP Plant:	PLN 186.0m
Wrocław CHP Plant:	PLN 199.0m
EDF Kraków S.A.	PLN 237.8m

The project provides for turnkey delivery to the EDF Polska Group companies of wet flue gas desulfurization units comprising: an absorber with auxiliary systems; an absorber stack; sorbent unloading, storage and preparation systems; process residue collection, storage and loading systems; installation for loading the sorbent onto trucks; process water system, including water preparation units; process wastewater treatment system; systems for controlling other units required for the proper operation of the wet flue gas desulfurization unit, along with adaptation of existing systems.

3) SCR systems in Połaniec

On June 14th 2012, RAFAKO S.A. signed a contract for delivery of SCR Catalytic Flue Gas Denitration Systems to the Połaniec Power Plant. The contract provides for delivery of systems for six units (No. 2-7), and will be carried out in stages until 2017. The value of the contract is PLN 242m. The contract also includes optional delivery of equipment with a value of PLN 26m.

4) SCR units on OP-650 boiler No. 1, 2 and 3 at the Ostrołęka B Power Plant

On October 10th 2014, a consortium comprising RAFAKO S.A. and OMIS S.A signed a contract with ENERGA Elektrownie Ostrołęka S.A. The contract provides for reduction of NOx emissions from the OP-650 units at the Ostrołęka B Power Plant. In accordance with the contract, RAFAKO S.A. is responsible for the performance of 58% of the scope of work, and is entitled to receive remuneration reflecting this share;

The project, with a budget of nearly PLN 150m, represents another step towards making the Ostrołęka B Power Plant compliant with new emission standards. The process leading to reduction of nitrogen oxides emissions will be gradual, and will cover three coal-fired units at the Ostrołęka Power Plant. It will be carried out in stages, with the common part of the installation and the first boiler unit expected to be placed in operation next year, and the entire project scheduled for completion by the end of 2017. The guaranteed maximum NOx emissions on completion of the project are 100 mg/Nm3, with the option to improve the denitration efficiency should more stringent emission standards be introduced.

5) Upgrade of electrostatic precipitators in units 1, 2 and 3 at Elektrownie Ostrołęka S.A.

The upgrade work, scheduled for three years, will cover three units of the power plant. With an estimated value of over PLN 85m, the project represents another stage in adapting the Ostrołęka B Power Plant to new EU emission standards for coal- and biomass-fired units. Following completion of the work, dust emissions will be cut in more than half.

Management Board's statement

The Management Board of RAFAKO S.A., the Parent of the RAFAKO Group, hereby represents that:

1) to their best knowledge, the interim condensed consolidated financial statements for the six months ended June 30th 2015, as well as the comparative data for the year ended December 31st 2014, were drawn up in compliance with the applicable accounting standards and give a true, fair and clear view of the Group's assets, its financial condition and performance, and that the Directors' Report on the operations of the RAFAKO Group gives a true view of the Group's development, achievements and standing, including a description of key risks and threats;

2) the auditor of the Company's annual financial statements, being an entity qualified to audit financial statements, was appointed in compliance with the applicable laws, and the auditing firm and the auditors who conducted the audit satisfied the auditor independence criteria to deliver an unbiased and independent auditor's opinion on the audited annual financial statements, in compliance with the applicable laws and professional standards.

Signatures of Management Board members

August 31st 2015	Agnieszka Wasilewska-Semail	President of the Management Board	.....
August 31st 2015	Krzysztof Burek	Vice-President of the Management Board	.....
August 31st 2015	Jarosław Dusiło	Vice-President of the Management Board	.....
August 31st 2015	Edward Kasprzak	Vice-President of the Management Board	.....
August 31st 2015	Tomasz Tomczak	Vice-President of the Management Board	.....