The RAFAKO Group

THE PBG GROUP

INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS
with
the independent auditor's review report

for the six months ended
June 30th 2015

August 31st 2015

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

(PLN '000)

Interim condensed consolidated statement of comprehensive income
for the six months ended June 30th 2015

	Note	*Three months ended June 30th 2015 (unaudited)*	*Six months ended Jun 30 2015 (unaudited)*	*Three months ended Jun 30 2014 (unaudited, restated)*	*Six months ended Jun 30 2014 (unaudited, restated)*
Continuing operations					
Revenue	12.1	**415,180**	**695,272**	**274,908**	**458,716**
Revenue from sale of goods and services		414,668	694,204	275,314	458,540
Revenue from sale of materials		512	1,068	(406)	176
Cost of sales	12.1	(386,217)	(643,082)	(228,339)	(394,151)
Gross profit/(loss)		**28,963**	**52,190**	**46,569**	**64,565**
Other income	12.1	679	2,019	983	2,686
Distribution costs	12.1	(6,909)	(13,717)	(14,850)	(22,964)
Administrative expenses		(14,620)	(24,326)	(13,105)	(21,900)
Other expenses	12.1	(700)	(1,005)	(6,579)	(6,860)
Profit/(loss) from continuing operations		**7,413**	**15,161**	**13,018**	**15,527**
Finance income	12.1	6,929	7,866	(1,467)	2,763
Finance costs	12.1	(744)	(3,090)	(2,109)	(4,551)
Profit/(loss) before tax		**13,598**	**19,937**	**9,442**	**13,739**
Income tax expense	12.2	(1,804)	(5,856)	(1,244)	(2,219)
Net profit/(loss) from continuing operations	12.22	**11,794**	**14,081**	**8,198**	**11,520**
Discontinued operations	12.3				
Profit/(loss) from discontinued operations		–	**(55)**	**2,144**	**2,298**
Net profit for the year		**11,794**	**14,026**	**10,342**	**13,818**

Racibórz, August 31st 2015

(PLN '000)

Interim condensed consolidated statement of comprehensive income

for the six months ended June 30th 2015

	Note	*Three months ended Jun 30 2015 (unaudited)*	*Six months ended Jun 30 2015 (unaudited)*	*Three months ended Jun 30 2014 (unaudited, restated)*	*Six months ended Jun 30 2014 (unaudited, restated)*
Other comprehensive income for the period					
Items to be reclassified to profit/(loss) in subsequent reporting periods					
Exchange differences on translating foreign operations		(85)	(164)	21	(2)
Exchange differences on translating foreign operations attributable to non-controlling interests		2	(3)	(2)	(2)
Other net comprehensive income to be reclassified to profit/(loss) in subsequent reporting periods		**(83)**	**(167)**	**19**	**(4)**
Items not subject to reclassification to profit/(loss) in subsequent reporting periods					
Other comprehensive income due to actuarial gains/(losses)		(214)	(376)	(102)	200
Tax on other comprehensive income	12.2	40	71	19	(38)
Other comprehensive income not subject to reclassification to profit/(loss) in subsequent reporting periods		**(174)**	**(305)**	**(83)**	**162**
Total comprehensive income for the period		**11,537**	**13,554**	**10,278**	**13,976**
Net profit/(loss) attributable to:		**11,794**	**14,026**	**10,342**	**13,818**
Owners of the Parent	12.21	11,730	13,925	9,920	13,288
Non-controlling interests		64	101	422	530
Comprehensive income attributable to:		**11,537**	**13,554**	**10,278**	**13,976**
Owners of the Parent		11,471	13,456	9,858	13,448
Non-controlling interests		66	98	420	528
Earnings/(loss) per share:					
Basic earnings/(loss) per share, PLN	12.22	0.17	0.20	0.14	0.19
Profit/(loss) per share from continuing operations					
Basic earnings/(loss) per share, PLN	12.22	0.17	0.20	0.12	0.16

Racibórz, August 31st 2015

(PLN '000)

Interim condensed consolidated statement of financial position

as at June 30th 2015

	Note	*Jun 30 2015 (unaudited)*	*Dec 31 2014*
ASSETS			
Non-current (long-term) assets			
Property, plant and equipment	12.5, 12.6	173,979	172,199
Investment property		–	–
Intangible assets	12.6	8,718	9,310
Trade receivables	12.8	35,991	29,706
Non-current financial assets	12.8	31,712	33,770
Shares in other entities	12.7	339	388
Non-current loans advanced	0, 14	38	38
Other non-current financial assets	0, 14, 25	31,335	33,344
Deferred tax asset	12.2	60,021	49,536
		310,421	**294,521**
Current (short-term) assets			
Inventories	12.10	20,452	21,730
Trade receivables, other receivables and prepayments	12.13, 14	538,580	459,451
Trade receivables		311,816	248,399
Income tax receivable		2,958	13,852
Other receivables and prepayments		223,806	197,200
Gross amount due from customers for contractwork	11	251,588	257,803
Current financial assets		39,043	38,919
Derivative instruments	15	–	–
Current deposits	14	–	–
Current loans advanced	14	51	70
Other current financial assets	0, 14, 25	3,979	–
Cash and cash equivalents	12.3, 12.12, 14	35,013	38,849
Other current non-financial assets		–	–
		849,663	**777,903**
Non-current assets held for sale	9	**942**	**74,138**
TOTAL ASSETS		**1,161,026**	**1,146,562**

Racibórz, August 31st 2015

(PLN '000)

Interim condensed consolidated statement of financial position

as at June 30th 2015

	Note	*Jun 30 2015 (unaudited)*	*Dec 31 2014*
EQUITY AND LIABILITIES			
Equity (attributable to owners of the Parent)			
Share capital	12.15	139,200	139,200
Share premium	12.18	36,778	36,778
Reserve funds	12.19	112,715	114,393
Exchange differences on translating foreign operations	12.20	26	190
Retained earnings / (Accumulated losses)	12.21	25,998	10,700
		314,717	**301,261**
Equity (attributable to non-controlling interests)		839	12,193
Total equity		**315,556**	**313,454**
Non-current liabilities			
Interest-bearing borrowings		–	–
Finance lease liabilities	12.24, 14	3,681	2,254
Deferred tax liability	12.2	96	397
Provision for employee benefits	12.23, 16.2	25,456	24,907
Trade and other payables	12.24	22,674	24,459
Trade payables	12.24, 14	19,975	20,504
Capital commitments	12.24, 14, 22	1,241	1,762
Other liabilities	12.24	1,458	2,193
		51,907	**52,017**
Current liabilities			
Trade and other payables	12.25	431,986	394,443
Trade payables	14	328,261	304,226
Capital commitments	14, 22	2,754	8,619
Income tax payable		1,423	901
Other liabilities	12.25	99,548	80,697
Current portion of interest-bearing borrowings	12.25, 14, 17, 18	129,185	128,527
Other financial liabilities and finance lease liabilities	12.25, 14	1,425	776
Provision for employee benefits	12.23, 16.2	2,174	1,896
Gross amount due to customers for contract work and provisions for contract work and deferred income	11	228,793	240,609
Amounts due to customers for construction contract work	11	197,336	207,271
Provisions for construction contract work	11, 16	30,070	32,267
Grants		1,387	1,071
		793,563	**766,251**
Liabilities directly related to assets classified as held for sale		–	**14,840**
Total liabilities		**845,470**	**833,108**
TOTAL EQUITY AND LIABILITIES		**1,161,026**	**1,146,562**

Racibórz, August 31st 2015

(PLN '000)

Interim condensed consolidated statement of cash flows

for the six months ended June 30th 2015

	Note	*Six months ended Jun 30 2015 (unaudited)*	*Six months ended Jun 30 2014 (unaudited, restated)*
Cash flows from operating activities			
Profit/(loss) before tax from continuing operations		**19,937**	**13,739**
Profit/(loss) before tax from discontinued operations		(66)	2,851
Profit/(loss) before tax		19,871	16,590
Adjustments for:		**(57,530)**	**139,369**
Depreciation and amortisation		6,329	6,317
Foreign exchange gains/(losses)		112	100
Interest and dividends, net		2,185	4,071
(Gain)/loss from investing activities		(2,501)	(605)
Increase/(decrease) in liabilities/assets from valuation of derivative instruments		(89)	(55)
(Increase)/decrease in receivables	12.4	(98,411)	102,719
Change in inventories		1,769	(2,154)
Increase/(decrease) in employee benefit provisions and obligations, excluding borrowings	12.4	54,294	85,272
Change in prepayments and accruals for construction contracts	12.4	(4,664)	(51,946)
Income tax (paid)/received		(16,583)	(5,669)
Other		29	1,319
Net cash from operating activities		**(37,659)**	**155,959**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment and intangible assets		1,074	606
Purchase of property, plant and equipment and intangible assets	12.4	(11,575)	(2,081)
Dividends and interest received		292	153
Loans advanced		–	(193)
Repayment of loans advanced		20	–
Interest on loans advanced		–	–
Sale of financial assets	12.4	21,430	1,181
Purchase of financial assets		–	(901)
Other		(1,440)	–
Net cash from investing activities		**9,801**	**(1,235)**
Cash flows from financing activities			
Proceeds from issue of shares		–	190
Payment of finance lease liabilities		(924)	(420)
Proceeds from borrowings	12.4	1,313	–
Repayment of borrowings	12.4	–	(132,064)
Dividend paid to non-controlling interests		–	(605)
Interest paid	12.4	(2,105)	(3,957)
Bank fees		(1,026)	(1,020)
Other		(116)	529
Net cash from financing activities		**(2,858)**	**(137,347)**
Net increase/(decrease) in cash and cash equivalents		**(30,716)**	**17,377**
Net foreign exchange differences		(170)	(13)
Cash at the beginning of the period	12.12	65,899	54,720
Cash at the end of the period, of which:	12.12	**35,013**	**72,084**
- restricted cash	12.12	1,434	1,560

Racibórz, August 31st 2015

(PLN '000)

Interim condensed consolidated statement of changes in equity

for the six months ended June 30th 2015

	Share capital	*Share premium*	*Reserve funds*	*Exchange differences on translating foreign operations*	*Retained earnings/ Accumulated losses*	*Total*	*Non-controlling interests*	*Total equity*
As at Jan 1 2015	**139,200**	**36,778**	**114,393**	**190**	**10,700**	**301,261**	**12,193**	**313,454**
Total comprehensive income for the period	–	–	–	(164)	13,620	13,456	98	13,554
Distribution of prior year profits	–	–	25,674	–	(25,674)	–	–	–
Dividend	–	–	–	–	–	–	–	–
Change due to loss of control over subsidiary	–	–	(27,352)	–	27,352	–	(11,452)	(11,452)
As at Jun 30 2015 *(unaudited)*	**139,200**	**36,778**	**112,715**	**26**	**25,998**	**314,717**	**839**	**315,556**
As at Jan 1 2014	**139,200**	**36,778**	**252,821**	**134**	**(145,980)**	**282,953**	**11,136**	**294,089**
Total comprehensive income for the period	–	–	–	(2)	13,450	13,448	528	13,976
Coverage of accumulated losses	–	–	(138,428)	–	138,428	–	–	–
Dividend	–	–	–	–	–	–	(605)	(605)
Change due to loss of control over subsidiary	–	–	–	–	–	–	190	190
As at Jun 30 2014 *(unaudited)*	**139,200**	**36,778**	**114,393**	**132**	**5,898**	**296,401**	**11,249**	**307,650**

Racibórz, August 31st 2015

NOTES

1. General information

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

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

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

These interim condensed consolidated financial statements of the Group cover the six months ended June 30th 2015 and contain consolidated comparative data for the six months ended June 30th 2014 and as at December 31st 2014. The interim condensed statement of comprehensive income contains data for the three months ended June 30th 2015 and the comparative data for the three months ended June 30th 2014, which have not been audited or reviewed by an auditor.

The Group's principal business activities are as follows:

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

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

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

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

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

These interim condensed consolidated financial statements for the six months ended June 30th 2015 were authorised for issue by the Parent's Management Board on August 31st 2015.

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

2. Basis of preparation

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

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

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

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

- timely delivery and execution of the contracts in the Group's current order book, including in particular the timely generation of cash flows from the contracts and renegotiation of selected contracts to optimise cash flows,
- timely delivery and execution of the contracts in the Group's current order book on the assumption that the target margins would be achieved and the loss already recognised on some contracts would not increase,
- continued financing of the Group's operations with a credit facility subsequent to May 31st 2016 – pursuant to the annex executed on May 29th 2015, the repayment date for the credit facility used by the Group was extended until May 31st 2016,
- release of cash locked in performance bonds against delivery of appropriate bank guarantees to the Group's trading partners. As at the date of these interim condensed consolidated financial statements, the Group had PLN 145m available in open guarantee lines provided by several financial institutions, with half of the limit currently used. Availability of the unused portion of the facilities and success in negotiations with financial institutions concerning further bank/insurance guarantees will enable the Group to perform new contracts it expects to be awarded during the 12 months subsequent to June 30th 2015.

During the first seven months of 2015, the Group signed an Annex with PKO BP S.A. whereby repayment of the PLN 150m facility was extended until May 31st 2016. The Group also sold shares of FPM S.A. for approximately PLN 48m, and issued shares worth approximately PLN 93.5m to finance contractual security arrangements in building the Group's order book, and to increase research and development expenditure. All these efforts have significantly improved the Group's liquidity.

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

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

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

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

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

3. Significant accounting policies

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

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

- Amendments to IFRS 3 *Business Combinations*

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

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

- Amendments to IFRS 13 *Fair Value Measurement*

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

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

- Amendments to IAS 40 *Investment Property*

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

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

- IFRIC 21 *Levies*

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

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

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

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

4. New standards and interpretations issued but not yet effective

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

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

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

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

5. Significant judgements and estimates

5.1. Professional judgement

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

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

Classification of leases where the Group is the lessee

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

Discontinued operations

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

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

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

Identification of embedded derivatives

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

Syndicated agreements

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

5.2. Uncertainty of estimates

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

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

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

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

Impairment of assets

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

The amounts of impairment losses on other assets at the end of the reporting period are presented in Note 12.14 to these interim condensed consolidated financial statements.

Measurement of provision for employee benefits

Provisions for employee benefits were estimated with actuarial methods.

The assumptions adopted for this purpose are presented in Note 12.23, and they do not differ from assumptions adopted as at December 31st 2014. The change in provisions for employee benefits in the period was caused by the recognition of current service costs, interest expense and benefits paid.

Fair value of financial instruments

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

Revenue recognition

In accounting for its long-term contracts, the Group uses the percentage of completion method. The use of the method requires the Group to estimate the percentage of completion. If the estimated total cost of contract execution increased by 10% in relation to the Group's original estimate, the revenue would decrease by approximately PLN 62.8m.

Depreciation and amortisation rates

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

Deferred tax asset

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

Provision for expected losses on contracts

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

Provision for costs due to late performance of contracts

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

Impairment of financial assets

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

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

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

(PLN '000)

Valuation of receivables from related parties under arrangement proceedings

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

Functional currency and presentation currency

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

Exchange rates used to determine carrying amounts:

	Jun 30 2015	*Dec 31 2014*	*Jun 30 2014*
USD	3.7645	3.5072	3.0473
EUR	4.1944	4.2623	4.1609
GBP	5.9180	5.4648	5.1885
CHF	4.0412	3.5447	3.4246
SEK	0.4558	0.4532	0.4532
TRY	1.3993	1.5070	1.4338

6. Change in estimates

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

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

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

	Revenue from sale of goods and services	*Profit/(loss) before tax*	*Income tax expense*	*Net profit*
Before change in estimates	690,031	15,764	(5,063)	10,701
Measurement of contracts in accordance with IAS 11	4,173	4,173	(793)	3,380
After change in estimates	**694,204**	**19,937**	**(5,856)**	**14,081**

(PLN '000)

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

	Prepayments relating to accounting for construction contracts	*Amounts due to customers for construction contract work*	*Deferred tax asset*	*Retained earnings / Accumulated losses*
Before change in estimates	250,256	200,177	60,814	22,618
Measurement of contracts in accordance with IAS 11	1,332	(2,841)	-793	3,380
After change in estimates	**251,588**	**197,336**	**60,021**	**25,998**

7. Operating segments

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

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

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

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

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

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

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

(PLN '000)

For the six months ended June 30th 2015 or as at Jun 30 2015 (unaudited)	*Power and environmental protection facilities*	*Other segments*	*Segments – total*	*Furnaces and mills – discontinued operations*	*Eliminations and unallocated items*	*Total*
Revenue						
Sales to external customers	693,688	5,349	699,037	8,542	(12,307)	695,272
Inter-segment sales	251	6,710	6,961	–	(6,961)	–
Total revenue	693,939	12,059	705,998	8,542	(19,268)	695,272
Costs of sales	(637,738)	(9,482)	(647,220)	(7,023)	11,161	(643,082)
Total						
Gross profit (loss)	56,201	2,577	58,778	1,519	(8,107)	52,190
Other income (expenses)	(31,200)	(1,701)	(32,901)	(1,594)	(2,534)	(37,029)
Operating profit (loss)	25,001	876	25,877	(75)	(10,641)	15,161
Finance income (costs)	7,537	91	7,628	(57)	(2,795)	4,776
Profit (loss) before tax	32,538	967	33,505	(132)	(13,436)	19,937
Income tax expense	(8,135)	(338)	(8,473)	11	2,606	(5,856)
Net profit (loss) from continuing operations	24,403	629	25,032	(121)	(10,830)	14,081
Depreciation and amortisation	5,604	498	6,102	265	(38)	6,329
Share of profit of associates	–	–	–	–	–	–
Assets and liabilities as at June 30th 2015 (unaudited)						
Assets	1,171,299	46,561	1,217,860	–	(56,834)	1,161,026
Liabilities	858,027	9,732	867,759	–	(22,289)	845,470
Other information						
Investments in associates	–	–	–	–	–	–
Capital expenditure	7,290	233	7,523	1,020	–	8,543

(PLN '000)

For the three months ended June 30th 2015 or as at Jun 30 2015 (unaudited)	*Power and environmental protection facilities*	*Other segments*	*Segments – total*	*Furnaces and mills – discontinued operations*	*Eliminations and unallocated items*	*Total*
Revenue						
Sales to external customers	419,439	3,550	422,989	–	(7,809)	415,180
Inter-segment sales	95	2,777	2,872	–	(2,872)	–
Total revenue	419,534	6,327	425,861	–	(10,681)	415,180
Costs of sales	(391,216)	(4,831)	(396,047)	–	9,830	(386,217)
Total						
Gross profit (loss)	28,318	1,496	29,814	–	(851)	28,963
Other income (expenses)	(16,623)	(789)	(17,412)	–	(4,138)	(21,550)
Operating profit (loss)	11,695	707	12,402	–	(4,989)	7,413
Finance income (costs)	8,420	10	8,430	–	(2,245)	6,185
Profit (loss) before tax	20,115	717	20,832	–	(7,234)	13,598
Income tax expense	(2,974)	(217)	(3,191)	–	1,387	(1,804)
Net profit (loss) from continuing operations	17,141	500	17,641	–	(5,847)	11,794
Depreciation and amortisation	2,859	243	3,102	–	6,348	9,450
Share of profit of associates	–	–	–	–	–	–
Assets and liabilities as at June 30th 2015 (unaudited)						
Assets	1,171,299	46,561	1,217,860	–	(56,834)	1,161,026
Liabilities	858,027	9,732	867,759	–	(22,289)	845,470
Other information						
Investments in associates	–	–	–	–	–	–
Capital expenditure	2,158	178	2,336	–	–	2,336

(PLN '000)

For the six months ended June 30th 2014 or as at Jun 30 2014 (unaudited)	*Power and environmental protection facilities*	*Other segments*	*Segments – total*	*Furnaces and mills – discontinued operations*	*Eliminations and unallocated items*	*Total*
Revenue						
Sales to external customers	454,803	3,917	458,720	39,060	(39,064)	458,716
Inter-segment sales	38,478	13,030	51,508	4	(51,512)	–
Total revenue	493,281	16,947	510,228	39,064	(90,576)	458,716
Costs of sales	(431,657)	(13,839)	(445,496)	(31,533)	82,878	(394,151)
Total						
Gross profit (loss)	61,624	3,108	64,732	7,531	(7,698)	64,565
Other income (expenses)	(47,266)	(1,802)	(49,068)	(4,808)	4,838	(49,038)
Operating profit (loss)	14,358	1,306	15,664	2,723	(2,860)	15,527
Finance income (costs)	1,074	66	1,140	128	(3,056)	(1,788)
Profit (loss) before tax	15,432	1,372	16,804	2,851	(5,916)	13,739
Income tax expense	(2,063)	(206)	(2,269)	(553)	603	(2,219)
Net profit (loss) from continuing operations	13,369	1,166	14,535	2,298	(5,313)	11,520
Depreciation and amortisation	5,138	432	5,570	785	(38)	6,317
Share of profit of associates	–	–	–	–	–	–
Assets and liabilities as at June 30th 2014 (unaudited)						
Assets	1,299,550	50,279	1,349,829	77,885	(351,446)	1,076,268
Liabilities	1,029,048	14,250	1,043,298	15,081	(289,761)	768,618
Other information						
Investments in associates	–	–	–	–	–	–
Capital expenditure	2,688	383	3,071	295	–	3,366

(PLN '000)

For the three months ended June 30th 2014 or as at Jun 30 2014 (unaudited)	*Power and environmental protection facilities*	*Other segments*	*Segments – total*	*Furnaces and mills – discontinued operations*	*Eliminations and unallocated items*	*Total*
Revenue						
Sales to external customers	272,676	434	273,110	22,278	(20,480)	274,908
Inter-segment sales	38,165	8,426	46,591	(1,799)	(44,792)	–
Total revenue	310,841	8,860	319,701	20,479	(65,272)	274,908
Costs of sales	(266,126)	(6,953)	(273,079)	(15,432)	60,172	(228,339)
Total						
Gross profit (loss)	44,715	1,907	46,622	5,047	(5,100)	46,569
Other income (expenses)	(32,489)	(1,082)	(33,571)	(2,419)	2,439	(33,551)
Operating profit (loss)	12,226	825	13,051	2,628	(2,661)	13,018
Finance income (costs)	(670)	26	(644)	33	(2,965)	(3,576)
Profit (loss) before tax	11,556	851	12,407	2,661	(5,626)	9,442
Income tax expense	(1,070)	(203)	(1,273)	(519)	548	(1,244)
Net profit (loss) from continuing operations	10,486	648	11,134	2,142	(5,078)	8,198
Depreciation and amortisation	2,585	221	2,806	394	(19)	3,181
Share of profit of associates	–	–	–	–	–	–
Assets and liabilities as at June 30th 2014 (unaudited)						
Assets	1,299,550	50,279	1,349,829	77,885	(351,446)	1,076,268
Liabilities	1,029,048	14,250	1,043,298	15,081	(289,761)	768,618
Other information						
Investments in associates	–	–	–	–	–	–
Capital expenditure	1,301	317	1,618	177	–	1,795

(PLN '000)

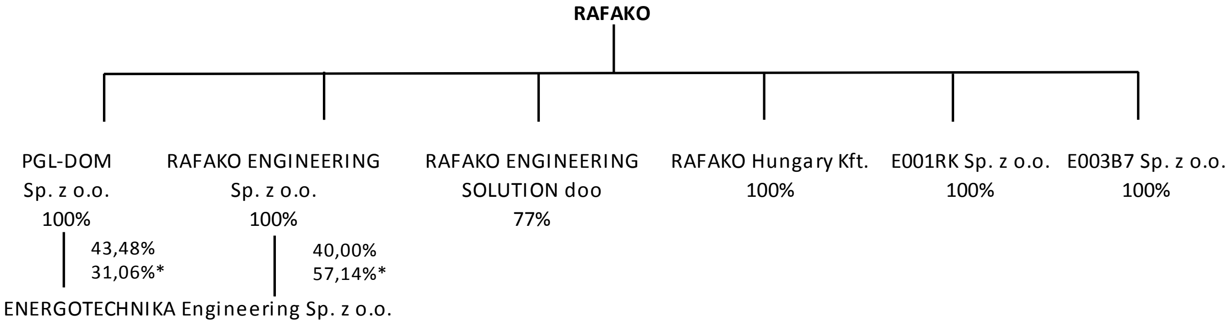
8. Scope of consolidated financial statements

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

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

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



* % share of voting rights at the General Meeting.

The table below lists the consolidated RAFAKO Group companies.

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

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

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

In the 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.

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

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

(PLN '000)

11. Construction contracts

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

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

	Jun 30 2015 (unaudited)	*Dec 31 2014*	*Jun 30 2014 (unaudited)*
Contract costs incurred to date (cumulative)	2,487,439	2,853,112	2,239,686
Recognised profits less recognised losses to date (cumulative)	180,535	171,452	99,682
Contract revenue recognised by reference to the contract stage of completion (cumulative)	2,667,974	3,024,564	2,339,368
Progress billings (cumulative)	2,569,543	2,929,213	2,167,184
Gross amount due to customers for contract work (liability), including:	**(197,336)**	**(207,271)**	**(204,262)**
advances received (liabilities arising from advances received)	(119,798)	(125,433)	(148,572)
- adjustment to advances received arising from amounts due from customers	10,888	44,258	35,307
- gross amount due to customers for contract work	(88,426)	(126,096)	(90,997)
Prepayments relating to accounting for construction contracts, including:	**251,588**	**257,803**	**271,388**
- gross amount due from customers for contract work (asset)	206,039	209,456	271,388
- contract acquisition cost and other accrued contract costs	45,549	48,347	–
Provision for penalties due to late contract performance or failure to meet guaranteed technical specifications	–	(1,946)	(9,050)
Provision for losses on construction contracts	(30,070)	(30,321)	(34,464)

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

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

Key contracts executed by the Group

Opole Project

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

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

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

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

The key provisions of the final settlement:

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

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

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

E001RK Sp. z o.o. ('SPV-Rafako') was appointed by RAFAKO S.A., its Parent, as the subcontractor in charge of 100% of work and services related to the construction of the power generating units at Elektrownia Opole. SPV-Rafako's remuneration for the performance of the works and services is PLN 3.96bn.

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

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

Rules of accounting for the Opole Contract:

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

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

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

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

Jaworzno Project

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

Rules of accounting for the Jaworzno project:

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

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

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

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

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

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

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

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

In the six months ended June 30th 2015, the Group's revenue amounted to PLN 695,272 thousand, up PLN 236,556 thousand compared with the corresponding period in 2014. This over 51% increase in revenue reported for the six months ended June 30th 2015 was driven by a rise in domestic sales, despite a drop in foreign sales. A major driver of the revenue increase was revenue from the contract for the construction of a 910 MW generating unit for the Jaworzno Power Plant (PLN 230,601 thousand, compared with PLN 12,553 thousand in H1 2014).

Cost of sales in the first six months of 2015 amounted to PLN 643,082 thousand, with the Group's gross profit at PLN 52,190 thousand. The change relative to the first six month of 2014 results mainly from lower gross operating margin on running contracts in H1 2015 relative to H1 2014.

Distribution costs disclosed by the Group mainly include expenses incurred by the cost centres allocated to distribution cost in the cost accounting model (a significant part of which consists of payroll costs and advertising expenses). Such costs also include bidding costs and impairment losses on trade receivables. Distribution costs recognised in the Group's comprehensive income for the six months ended June 30th 2015 of PLN 13,717 thousand were primarily attributable to distribution costs excluding impairment loss on trade receivables of PLN 13,287 thousand.

Other income chiefly included contractual penalties and compensations received of PLN 609 thousand (June 30th 2014: PLN 1,401 thousand) and gain on sale of property, plant and equipment of PLN 487 thousand (June 30th 2014: PLN 464 thousand).

Other expenses chiefly included donations and subsidies of PLN 430 thousand (June 30th 2014: PLN 245 thousand).

In the first six months of 2015, the Group's finance income was generated mainly from reversal of impairment loss on disputed receivables of PLN 3,639 thousand and interest on financial instruments of PLN 3,950 thousand (June 30th 2014: PLN 1,445 thousand), including PLN 1,330 thousand in interest on security deposits provided in respect of contracts.

Finance costs in the period chiefly included interest on financial instruments of PLN 2,074 thousand (June 30th 2014: PLN 3,553 thousand) and commissions on bank borrowings and bank guarantees granted of PLN 378 thousand (June 30th 2014: PLN 911 thousand).

(PLN '000)

12.2. Income tax

Income tax expense

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

Continuing operations	*Three months ended Jun 30 2015 (unaudited)*	*Six months ended Jun 30 2015 (unaudited)*	*Three months ended Jun 30 2014 (unaudited, restated)*	*Six months ended Jun 30 2014 (unaudited, restated)*
Consolidated statement of profit or loss				
Current income tax	(5,804)	(16,571)	1,107	(681)
Current income tax expense	(5,804)	(16,571)	1,107	(681)
Adjustments to current income tax from previous years	–	–	–	–
Deferred tax	4,000	10,715	(2,351)	(1,538)
Related to recognition and reversal of temporary differences	4,000	10,715	(2,351)	(1,538)
Adjustments to deferred tax from previous years	–	–	–	–
Income tax expense in the consolidated statement of profit or loss	**(1,804)**	**(5,856)**	**(1,244)**	**(2,219)**
Deferred tax on other comprehensive income	40	71	19	(38)
Related to recognition and reversal of temporary differences	40	71	19	(38)
Income tax expense recognised in other comprehensive income	**40**	**71**	**19**	**(38)**

(PLN '000)

Discontinued operations	*Three months ended Jun 30 2015 (unaudited)*	*Six months ended Jun 30 2015 (unaudited)*	*Three months ended Jun 30 2014 (unaudited, restated)*	*Six months ended Jun 30 2014 (unaudited, restated)*
Consolidated statement of profit or loss				
Current income tax	–	(21)	(309)	(377)
Current income tax expense	–	(21)	(309)	(377)
Adjustments to current income tax from previous years	–	–	–	–
Deferred tax	–	32	(210)	(176)
Related to recognition and reversal of temporary differences	–	32	(210)	(176)
Adjustments to deferred tax from previous years	–	–	–	–
Income tax expense in the consolidated statement of profit or loss	**–**	**11**	**(519)**	**(553)**
Deferred tax on other comprehensive income	–	–	–	–
Related to recognition and reversal of temporary differences	–	–	–	–
Income tax expense recognised in other comprehensive income	**–**	**–**	**–**	**–**

(PLN '000)

Deferred income tax calculated as at June 30th 2015

Deferred income tax calculated as at June 30th 2015 relates to the following:

	Statement of financial position		*Statement of comprehensive income*	
	Jun 30 2015 (unaudited)	*Dec 31 2014*	*Jun 30 2015 (unaudited)*	*Jun 30 2014 (unaudited, restated)*
- investment reliefs	(3)	(4)	1	–
difference between tax base and carrying amount of property, plant and equipment and intangible assets	(15,206)	(17,897)	(494)	(354)
difference between tax base and carrying amount of assets measured at fair value through profit or loss	1,516	1,818	(302)	145
difference between tax base and carrying amount of loans and receivables	1,328	598	771	(1,922)
- different timing of recognition of revenue from sale of goods and services for tax purposes	(29,757)	(27,165)	(2,768)	(839)
difference between tax base and carrying amount of inventories	1,605	1,516	127	77
provisions	21,628	22,823	(785)	(5,981)
difference between tax base and carrying amount of financial liabilities measured at fair value through profit or loss	–	17	(17)	–
difference between tax base and carrying amount of liabilities under guarantees, factoring and excluded from the scope of IAS 39	11	55	(7)	–
different timing of recognition of cost of sales for tax purposes	64,307	50,687	13,621	8,294
tax asset related to tax loss	169	338	(3)	(578)
adjustment to costs of unpaid invoices	15,313	12,127	3,186	520
other	(986)	1,685	(2,512)	(1,114)
Deferred tax expense			**10,818**	**(1,752)**
Net deferred tax asset/(liability)	**59,925**	**46,598**		
Deferred tax expense – continuing operations			**10,786**	**(1,764)**
Net deferred tax asset/liability, including:	**59,925**	**46,598**	`	
Deferred tax asset	60,021	49,536		
Deferred tax liability	(96)	(397)		
Deferred tax liability – discontinued operations	–	(2,541)		

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

(PLN '000)

12.3. Discontinued operations

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

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

As of February 19th 2015, FPM S.A. was excluded from the RAFAKO Group, and its results in the period January 1st−February 19th 2015 are presented under discontinued operations.

As at December 31st 2014, FPM S.A. was classified as a group held for sale and as discontinued operations.

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

	Period ended Feb 19 2015 (unaudited)	*For the six months ended Jun 30 2014 (unaudited, restated)*
Revenue	8,574	39,073
Expenses	(8,649)	(36,350)
Profit/(loss) before tax	**(75)**	**2,723**
Finance income	27	265
Finance costs	(84)	(137)
Impairment of assets held for sale	66	–
Profit/(loss) before tax from discontinued operations	**(66)**	**2,851**
Income tax, including:	(11)	553
- current income tax	20	377
- deferred income tax	(31)	176
Profit/(loss) for the year from discontinued operations	**(55)**	**2,298**

Net cash flows of FPM S.A.:

	Period ended Feb 19 2015 (unaudited)	*For the six months ended Jun 30 2014 (unaudited, restated)*
From operating activities	531	(7,583)
From investing activities	(848)	(4)
From financing activities	(134)	(3,708)
Total net cash inflow/(outflow)	**(451)**	**(11,295)**

Earnings per share

	Period ended Feb 19 2015 (unaudited)	*For the six months ended Jun 30 2014 (unaudited, restated)*
Earnings/(loss) per share from discontinued operations		
Basic earnings/(loss) per share from discontinued operations	0.00	0.03

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

12.4. Significant items disclosed in the statement of cash flows

The PLN 98,411 thousand increase in receivables disclosed in the consolidated statement of cash flows for the six months ended June 30th 2015 resulted mainly from:

- PLN (69,702) thousand increase in trade receivables,
- PLN 2,966 thousand decrease in receivables from the state budget (including VAT),
- PLN (17,018) thousand increase in prepayments made,
- PLN (5,501) thousand increase in security deposits receivable,
- PLN (962) thousand increase in Company Social Benefits Fund receivables,
- PLN 10 thousand decrease in receivables from sale of debt,
- PLN (6,101) thousand increase in other receivables.
- PLN (2,103) increase attributable to discontinued operations.

For a detailed description of changes in security deposits and disputed receivables in the six months ended June 30th 2015, see Note 12.13.

The PLN 54,294 thousand increase in liabilities disclosed in the statement of cash flows was mainly caused by:

- PLN 23,506 thousand increase in trade payables,
- increase in the provision for retirement benefits, (net of actuarial gains/(losses)) of PLN 827 thousand,
- PLN (3,668) thousand decrease in the provision for warranty repairs,
- PLN (1,496) thousand decrease in the provision for bonuses,
- PLN 1,765 thousand increase in the provision for leaves,
- PLN 22,552 thousand increase in the provision for delayed cost collection,
- PLN 106 thousand increase in the provision for balance sheet audit,
- PLN (376) thousand decrease in actuarial gains/(losses),
- PLN 840 thousand increase attributable to discontinued operations,
- PLN 11,381 thousand set-off of income tax liabilities,
- PLN (1,143) thousand decrease in other liabilities.

The PLN (4,664) thousand change in accruals and deferrals relating to accounting for construction contracts as shown in the statement of cash flows was mainly caused by:

- decrease in receivables relating to accounting for construction contracts and in gross amount due from customers for contract work of PLN 6,215 thousand,
- PLN (9,935) thousand decrease in gross amount due to customers for contract work, including: PLN 27,735 thousand increase in prepayments,
- PLN (2,197) thousand decrease in provisions for contract work,
- PLN 1,253 increase attributable to discontinued operations.

The PLN 27,735 thousand change in prepayments recorded in the first six months of 2015 resulted primarily from:

- PLN 23m change in prepayments received from TAURON Wytwarzanie S.A. in connection with performance of the contract for 'Construction of a power unit at the Jaworzno Power Plant';
- Receipt of a PLN 1.8m prepayment in connection with the execution of the contract for delivery of pressurised parts for VALMET Power OY;
- Receipt of a PLN 1.3m prepayment in connection with the execution of the contract for delivery of spare parts for VALMET Technologies Inc.

The amount of PLN 11,575 thousand related to the acquisition of property, plant and equipment and intangible assets comprises capital expenditure on property, plant and equipment of PLN 11,274 thousand and capital expenditure on intangible assets of PLN 301 thousand. The expenditure on property, plant and equipment was primarily related to the modernisation of the Group's buildings and structures as well as purchase of plant and equipment.

(PLN '000)

The PLN 1,313 thousand increase in borrowings disclosed under financing activities in the statement of cash flows was attributable to a credit facility contracted with PKO BP S.A.

The Group's cash from financing activities was also affected by interest of PLN 2,105 thousand paid on bank borrowings (June 30th 2014: PLN 3,957 thousand).

In the six months ended June 30th 2015, the Group recognised proceeds of PLN 21,430 thousand from the sale of financial assets after accounting for the sale of a subsidiary (net of cash of the subsidiary).

12.5. Property, plant and equipment

As at Jun 30 2015 *(unaudited)*	*Land*	*Buildings*	*Plant and equipment*	*Vehicles*	*Other*	*Property, plant and equipment under construction*	*Total*
Net carrying amount as at Jan 1 2015	**23,773**	**89,529**	**46,140**	**6,370**	**358**	**6,029**	**172,199**
Transfers from property, plant and equipment under construction	–	1,504	4,761	55	–	(6,320)	–
Acquisitions	3	97	853	2,358	77	4,849	8,237
Liquidation/sale	(3)	(44)	(17)	(386)	–	–	(450)
Exchange differences on translating foreign operations	–	–	(1)	(1)	–	–	(2)
Depreciation for the period	–	(1,410)	(3,383)	(602)	(35)	–	(5,430)
Loss of control of a subsidiary	–	(410)	(110)	(34)	–	(194)	(748)
Other, including reclassification of property, plant and equipment to/from assets held for sale	–	(45)	–	231	(13)	–	173
Net carrying amount as at Jun 30 2015 *(unaudited)*	**23,773**	**89,221**	**48,243**	**7,991**	**387**	**4,364**	**173,979**

As at Jun 30 2014 (unaudited)	*Land*	*Buildings*	*Plant and equipment*	*Vehicles*	*Other*	*Property, plant and equipment under construction*	*Total*
Net carrying amount as at Jan 1 2014	**28,371**	**107,438**	**56,297**	**4,172**	**325**	**1,324**	**197,927**
Transfers from property, plant and equipment under construction	–	222	1,924	622	–	(2,768)	–
Acquisitions	20	26	84	255	14	2,967	3,366
Liquidation/sale	(1)	(13)	(23)	(11)	–	–	(48)
Exchange differences on translating foreign operations	–	–	–	(1)	–	–	(1)
Depreciation for the period	–	(1,553)	(3,370)	(383)	(22)		(5,328)
Impairment loss for the reporting period	–	–	–	–	–	–	–
Other, including reclassification of property, plant and equipment to/from assets held for sale	(2)	(37)	3	(2)	–	–	(38)
Net carrying amount as at Jun 30 2014 *(unaudited)*	**28,388**	**106,083**	**54,915**	**4,652**	**317**	**1,523**	**195,878**

(PLN '000)

As at June 30th 2015, property, plant and equipment pledged as security for the Group's liabilities amounted to PLN 140,361 thousand. Property, plant and equipment with the value of PLN 135,115 serve as security in respect of liabilities under the multi-purpose credit facility agreement between the Parent and PKO BP S.A. (the mortgage) and in respect of the repayment of BGK's, PKO BP's and PZU's claims towards RAFAKO S.A. under the Surety Agreement executed in order to secure the liabilities of E003B7 Sp. z o.o. arising in connection with the agreement providing for issuance of guarantees for the benefit of TAURON Wytwarzanie S.A. in connection with implementation of the Jaworzno III 910 MW unit Project (a registered pledge over a set of movables and rights).

As at June 30th 2014, property, plant and equipment with a net carrying amount of PLN 91,101 thousand served as security in respect of a mortgage with PKO BP S.A.

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

	Six months ended Jun 30 2015 (unaudited)	*Six months ended Jun 30 2014 (unaudited, restated)*
Purchase of property, plant and equipment and intangible assets*	8,543	2,081
Proceeds from sale of property, plant and equipment and intangible assets	726	602

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

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

12.7. Shares in other entities

	Jun 30 2015 (unaudited)	*Dec 31 2014*
Shares in other listed companies	321	369
Shares in other non-listed companies	18	19
	339	**388**

As at June 30th 2015 and December 31st 2014, shares in all other companies held by the Parent and worth PLN 25,371 thousand were encumbered with a registered pledge under the Surety Agreement executed in order to secure the liabilities of E003B7 Sp. z o.o. arising in connection with the agreement providing for issuance of guarantees for the benefit of TAURON Wytwarzanie S.A. in connection with implementation of the Jaworzno III 910 MW unit Project (a registered pledge over a set of movables and rights).

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

	Jun 30 2015 (unaudited)	*Dec 31 2014*
Trade receivables, including:	35,991	29,706
Trade receivables from related entities	–	–
Trade receivables from other entities	35,991	29,706
Total receivables (net)	**35,991**	**29,706**
Impairment loss on receivables	–	–
Gross receivables	**35,991**	**29,706**

(PLN '000)

12.9. Other non-current financial assets

	Jun 30 2015 (unaudited)	*Dec 31 2014*
Non-current loans advanced	38	38
Non-current deposits, including:	–	–
- deposits securing bank guarantees provided to the Group	–	–
Other non-current financial assets, including:	31,335	33,344
Receivables from PBG S.A. w upadłości układowej (in company voluntary arrangement) related to the return of shares in ENERGOMONTAŻ – POŁUDNIE S.A.	26,048	27,717
Receivables from PBG S.A. w upadłości układowej (in company voluntary arrangement) in connection with a loan advanced to HYDROBUDOWA S.A. w upadłości likwidacyjnej (in bankruptcy by liquidation)	5,287	5,627
Other non-current financial assets	–	–
	31,373	**33,382**

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

The change in the receivables relative to the amount disclosed as at December 31st 2014 follows from the measurement of the receivables at amortised cost, taking into account the assumptions and estimates specified in Note 6. In the six months ended June 30th 2015, based on the adopted assumptions, the Group recognised, under other financial assets, the current portion of the receivable from the return transfer of shares in ENERGOMONTAŻ–POŁUDNIE S.A. and current portion of the receivable under the loan advanced to HYDROBUDOWA S.A. (see Note 12.11).0

12.10. Inventories

	Jun 30 2015 (unaudited)	*Dec 31 2014*
Materials (at net realisable value)	20,452	21,730
At cost	28,864	29,523
At net realisable value	20,452	21,730
Total inventories, at the lower of cost and net realisable value	**20,452**	**21,730**
- including: inventories pledged as security for liabilities	20,437	21,715

As at June 30th 2015, inventories worth PLN 20,437 thousand served as security in respect of the Group's liabilities. Inventories secure repayment of BGK's, PKO BP's and PZU's claims towards RAFAKO S.A. under the Surety Agreement executed in order to secure the liabilities of E003B7 Sp. z o.o. arising in connection with the agreement for issuance of guarantees for the benefit of TAURON Wytwarzanie S.A. in connection with execution of the Jaworzno III 910 MW unit Project (a registered pledge over a set of movables and rights). As at December 31st 2014: PLN 21,715 thousand.

Inventory write-downs

	Six months ended Jun 30 2015 (unaudited)	*12 months ended Dec 31 2014*
At the beginning of the period	(7,793)	(6,571)
Write-down recognised	(789)	(1,751)
Write-down reversed	170	331
Transfer to assets held for sale	–	198
Balance at end of period	**(8,412)**	**(7,793)**

(PLN '000)

12.11. Other current financial assets

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

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

Due to the status of the project as described above, the Parent's Management Board concluded that the risk of non-recoverability of the assets is significant and upheld its decision to recognise an impairment loss for the full value of the project.

In the six months ended June 30th 2015, the Group remeasured the receivable arising from the return of shares in ENERGOMONTAŻ-POŁUDNIE S.A. and the receivable arising from a loan granted to HYDROBUDOWA S.A. due to changes in estimates and assumptions, as described in detail in Note 25.25

The change in the receivables relative to the amount disclosed as at December 31st 2014 follows from the measurement of the receivables at amortised cost, taking into account the assumptions and estimates specified in Note 6.

12.12. Cash and cash equivalents

	Jun 30 2015 (unaudited)	*Dec 31 2014*	*Jun 30 2014 (unaudited)*
Cash in hand and at banks	31,447	26,891	58,291
Current deposits for up to 3 months, including:	3,566	11,958	13,793
- deposits securing contingent liabilities	–	–	–
	35,013	**38,849**	**72,084**
including: restricted cash	1,434	1,317	1,560
Cash in hand and at banks allocated to discontinued operations (Note 12.3)	–	13,353	–
Current deposits for up to 3 months, allocated to discontinued operations (Note 12.3, including:	–	13,697	–
- securing contingent liabilities, allocated to discontinued operations	–	53	–
Cash in hand and at banks allocated to discontinued operations (Note 12.3)	–	**27,050**	–
including: restricted cash allocated to discontinued operations	–	53	–
Total cash	**35,013**	**65,899**	**72,084**

(PLN '000)

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

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

12.13. Current trade receivables, other receivables and prepayments

	Jun 30 2015 (unaudited)	*Dec 31 2014*
Trade receivables, including:	311,816	248,399
Trade receivables from related entities	367	–
Trade receivables from other entities	311,449	248,399
Income tax receivable	2,958	13,852
Other receivables and prepayments, including:	223,806	197,200
Receivables under prepayments made	38,009	20,991
Receivables from the state budget	6,346	9,312
Settlement of property insurance costs	299	975
Settlements with the Company Social Benefits Fund	1,122	160
Disputed receivables	6,494	300
Prepaid expenses	1,525	1,351
Security deposits	167,778	162,277
Receivables sold	673	683
Other	1,560	1,151
Total receivables (net)	**538,580**	**459,451**
Impairment loss on receivables	37,512	40,862
Gross receivables	**576,092**	**500,313**

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

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

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

Current trade receivables of PLN 311,816 thousand recognised in the statement of financial position as at June 30th 2015 relate to trading contracts with domestic and foreign contractors. The largest items in this group of receivables include receivables from:

- TAURON Wytwarzanie S.A. – PLN 137,971 thousand,
- Mostostal Warszawa S.A. – PLN 35,638 thousand,
- Grupa Azoty Zakłady Azotowe Kędzierzyn S.A. – PLN 23,616 thousand,
- EDF Polska S.A. – PLN 20,535 thousand.

In the six months ended June 30th 2015, the Group recorded a PLN 5,501 thousand increase in security deposit receivables. The amount of security deposit receivables as at June 30th 2015 changed mostly in connection with payments and repayments of security deposits under the following contracts:

- cash security deposit paid under the contract for modernisation of electrostatic precipitators signed with ENERGA Elektrownie Ostrołęka; the value of security deposits paid and accounted for in the six months ended June 30th 2015 was PLN 3,151 thousand,
- cash security deposit paid under contracts performed by the Company; the value of security deposits paid to PKO Bank Polski S.A. and accounted for in the six months ended June 30th 2015 was PLN 2,848 thousand.

A significant item of other receivables was prepayments, which amounted to PLN 38,009 thousand as at June 30th 2015 and included:

- prepayments to Siemens s.r.o. – PLN 5,870 thousand,
- prepayments to Wallstein Ingenieur Gesellschaft GmbH – PLN 2,357 thousand,
- prepayments to Termokimik Corporation SPA – PLN 2,224 thousand.

12.14. Impairment losses on consolidated assets

	*Shares**	*Other non-financial assets*	*Inventories***	*Receivables****
Jan 1 2015	(24,230)	(5,676)	(7,793)	(40,862)
Impairment loss recognised	(49)	–	(789)	(1,260)
Impairment loss utilised/reversed	–	–	170	4,610
Jun 30 2015 (unaudited)	(24,279)	(5,676)	(8,412)	(37,512)
Jan 1 2014	(24,280)	(5,676)	(6,571)	(58,253)
Impairment loss recognised	(6)	–	(506)	(17,578)
Impairment loss utilised/reversed	64	–	18	23,872
Jun 30 2014 (unaudited)	(24,222)	(5,676)	(7,059)	(51,959)

* Impairment losses on shares in companies are recognised for shares in companies declared bankrupt and in connection with remeasurement of shares in companies which are in a company voluntary arrangement process

** inventory write-downs and write-down reversals are charged to cost of products and services sold

*** impairment losses on non-current and current trade and other receivables, including contractual penalties

12.15. Share capital

In the six months ended June 30th 2015 and in the corresponding period of the previous year, the Parent's share capital did not change. It amounted to PLN 139,200 thousand and was divided into 69,600,000 ordinary shares with a par value of PLN 2.00 per share, of the following series:

Share capital	*Number of shares pcs.*	*Value of shares PLN '000*
Series A shares	900,000	1,800
Series B shares	2,100,000	4,200
Series C shares	300,000	600
Series D shares	1,200,000	2,400
Series E shares	1,500,000	3,000
Series F shares	3,000,000	6,000
Series G shares	330,000	660
Series H shares	8,070,000	16,140
Series I shares	52,200,000	104,400
	69,600,000	**139,200**

12.16. Par value per share

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

12.17. Shareholders' rights

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

12.18. Share premium

The share premium comprises the excess of issue price over the par value of the shares, amounting to PLN 77,947 thousand. On May 15th 2000, RAFAKO S.A.'s General Meeting resolved to allocate PLN 41,169 thousand to cover accumulated loss brought forward from previous years. In the six months ended June 30th 2015 and the twelve months ended December 31st 2014, there were no events which would result in any changes in the share premium, which amounted to PLN 36,778 thousand at June 30th 2015 (December 31st 2014: PLN 36,778 thousand).

12.19. Reserve funds

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

12.20. Translation reserve

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

12.21. Retained earnings and dividends paid

Following the recognition of a PLN 13,925 thousand in net profit for the six months ended June 30th 2015, recognition of PLN -305 thousand in actuarial losses, disposal of a subsidiary for PLN 27,352 thousand, and transfer of prior year profits of PLN 25,674 thousand to statutory reserve funds, as at June 30th 2015 the Group's retained earnings amounted PLN 25,998 thousand.

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

(PLN '000)

12.22. Earnings /(loss) per share

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

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

	Six months ended Jun 30 2015 (unaudited)	*Six months ended Jun 30 2014 (unaudited, restated)*
Net profit/(loss) from continuing operations	14,081	11,520
Profit/(loss) from discontinued operations	(55)	2,298
Net profit/(loss)	14,026	13,818
Net profit/(loss) attributable to ordinary shareholders, applied to calculate earnings/(loss) per share	13,925	13,288
Weighted average number of outstanding ordinary shares, applied to calculate basic earnings/(loss) per share	69,600,000	69,600,000
Dilutive effect:	–	–
Stock options	–	–
Cancellable preference shares	–	–
Adjusted weighted average number of ordinary shares applied to calculate diluted earnings/(loss) per share	69,600,000	69,600,000
Earnings/(loss) per share, PLN		
– basic earnings from profit attributable to ordinary shareholders for the period	0.20	0.19
Earnings/(loss) per share from discontinued operations, PLN		
– basic earnings from profit attributable to ordinary shareholders for the period	0.00	0.03

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

	Six months ended Jun 30 2015 (unaudited)	*Six months ended Jun 30 2014 (unaudited, restated)*
Profit/(loss) from discontinued operations	(55)	2,298
Net profit/(loss) from discontinued operations, attributable to ordinary shareholders, applied to calculate earnings per share	(45)	1,889

During the period from the end of the reporting period to the date of these consolidated financial statements, the Parent issued new shares, as described in detail in Note 20.

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

(PLN '000)

12.23. Post-employment and other employee benefits

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

	Jun 30 2015 (unaudited)	*Dec 31 2014*
As at Jan 1 2012	26,803	23,669
Interest expense	330	947
Current service costs	646	628
Actuarial (gains)/losses	376	5,048
Benefits paid	(525)	(2,515)
Presentation change in connection with discontinued operations		(974)
Closing balance	**27,630**	**26,803**
Non-current provisions	25,456	24,907
Current provisions	2,174	1,896

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

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

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

12.24. Non-current trade and other payables

	Jun 30 2015 (unaudited)	*Dec 31 2014*
Trade payables		
Trade payables to related entities	136	6
Trade payables to other entities	19,839	20,498
	19,975	**20,504**
Financial liabilities		
Finance lease liabilities	3,681	2,254
	3,681	**2,254**
Other liabilities		
Unpaid bonus accrual	243	333
Capital commitments	1,241	1,762
Provisions for warranty repairs	1,215	1,860
	2,699	**3,955**

(PLN '000)

12.25. Current provisions, trade and other payables

	Jun 30 2015 (unaudited)	*Dec 31 2014*
Trade payables		
Trade payables to related entities	4,157	4,813
Trade payables to other entities	324,104	299,413
	328,261	**304,226**
Capital commitments	2,754	8,619
	2,754	**8,619**
Other liabilities		
VAT	2,248	4,580
Personal income tax	2,620	2,414
Social security liabilities	8,959	9,522
Amounts payable to the Tax Office	–	220
Other taxes, customs duties and insurance payable	194	349
Settlements with the Company Social Benefits Fund	117	3
Salaries and wages payable	10,088	8,842
Accrued holiday entitlements	5,545	3,780
Unpaid bonus accrual	7,715	9,121
Provisions for warranty repairs	6,965	9,988
Provision for uninvoiced services and materials	44,123	21,571
Audit provision	219	113
Liabilities under financial guarantees and sureties issued	811	745
Other current accruals and deferred income	2,907	1,525
Provisions for other liabilities and disputed claims	4,987	5,667
Security deposits	43	613
Other amounts payable to employees	805	–
Other	1,202	1,644
	99,548	**80,697**
Other financial liabilities		
Finance lease liabilities	1,425	776
	1,425	**776**

(PLN '000)

13. Objectives and policies of financial risk management

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

14. Financial instruments

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

	Carrying amount	
	Jun 30 2015 (unaudited)	*Dec 31 2014*
Assets at fair value through profit or loss	–	–
Investment fund units	–	–
Derivative instruments	–	–
Available-for-sale financial assets	**320**	**369**
Long-term shareholdings	320	369
Loans and receivables	**557,576**	**474,134**
Trade receivables	347,807	278,105
Other receivables	174,366	162,577
Loans advanced	89	108
Non-current deposits	–	–
Current deposits	–	–
Other non-current financial assets	31,335	33,344
Other current financial assets	3,979	–
Cash and cash equivalents	**35,013**	**38,849**
	592,909	**513,352**

	Carrying amount	
	Jun 30 2015 (unaudited)	*Dec 31 2014*
Financial liabilities at fair value through profit or loss	–	–
Derivative instruments	–	–
Financial liabilities at amortised cost	**481,416**	**463,638**
Borrowings	129,185	128,527
Trade payables (including capital commitments)	352,231	335,111
Other financial liabilities		
Liabilities under guarantees, factoring and excluded from the scope of IAS 39	**5,106**	**3,030**
Liabilities under leases and lease agreements with a purchase option	5,106	3,030
	486,522	**466,668**

15. Derivative instruments

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

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

(PLN '000)

16. Provisions for costs

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

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

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

	*Provision for expected losses on contracts**	*Provision for length-of-service awards and retirement gratuity*	*Provision for unused holiday entitlement***	*Provision for warranty repairs***	*Provision for costs of contractual penalties****	*Provision for bonuses***	*Provision for other costs***	*Provision for costs under bank guarantees and sureties issued*	*Other provisions***
Jan 1 2015	30,321	26,803	3,780	11,848	1,946	9,454	5,667	745	113
Provision recognised	17,483	827	1,881	1,581	–	1,356	20	66	219
Provision reversed/ utilised	(17,734)	–	(116)	(5,249)	(1,946)	(2,852)	(700)	–	(113)
Jun 30 2015 (unaudited)	**30,070**	**27,630**	**5,545**	**8,180**	**–**	**7,958**	**4,987**	**811**	**219**
Jan 1 2014	35,707	23,669	2,397	11,502	50,192	1,706	2,745	882	126
Provision recognised	2,451	273	3,243	6,625	7,267	846	2,242	427	143
Provision reversed/ utilised	(3,694)	–	(55)	(5,199)	(48,409)	(941)	(848)	–	(125)
Jun 30 2014 (unaudited)	**34,464**	**23,942**	**5,585**	**12,928**	**9,050**	**1,611**	**4,139**	**1,309**	**144**

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

(PLN '000)

17. Borrowings

In the six months ended June 30th 2015, liabilities under bank borrowings recognised by Group companies amounted to PLN 129,185 thousand.

Current borrowings	*Security*	*Other*	*Currency*	*Effective interest rate*	*Maturity date*	*Liabilities under borrowings*	
						Jun 30 2015 (unaudited)	*Dec 31 2014*
Current borrowings:							
PKO BP S.A.	blank promissory note with a promissory note declaration, assignment of receivables under contracts,* clause providing for debt set-off against RAFAKO S.A.'s cash held in bank accounts, mortgage**, statement of submission to enforcement, registered pledge over a set of movables and rights comprising the entire business of the Company	Renewable overdraft agreement of PLN 150 million***	PLN	1M WIBOR + margin	31.05.2016****	128,785	128,127
DZIERŻAWCA SP. Z O.O.*****	a blank promissory note with a 'protest waived' clause		PLN	3.5% per annum	31.12.2015	400	400
PBS Dębica Branch	Promissory note for PLN 700 thousand	Overdraft facility	PLN	7,25%	09.09.2015	–	–
						129,185	**128,527**

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

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

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

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

***** Entity related through personal links.

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

18. Capital management

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

	Jun 30 2015 (unaudited)	*Dec 31 2014*
Share of debt in equity		
Equity attributable to owners of the Parent	314,717	301,261
External capital (bank credit facility and loan)	129,185	128,527
Total equity and liabilities	1,161,026	1,146,562
Capitalisation ratio	**0.27**	**0.26**

19. Disposal of subsidiary

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

Details of the subsidiary disposal are presented below.

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

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

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

(PLN '000)

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

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

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

On June 9th 2015, the Company received representations from Eligible Shareholders in which each of them declared having no intention to participate in the Private Placement irrespective of the final terms and conditions thereof.

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

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

21. Dividends paid or declared

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

22. Capital commitments

As at June 30th 2015, RAFAKO Group companies had commitments related to purchase of property, plant and equipment of PLN 3,995 thousand. Group companies also had signed agreements envisaging capital expenditure to be made in 2015, which was not disclosed in the accounting books at the end of the reporting period for a total of PLN 7,834 thousand. The agreements related mainly to capital expenditure on buildings and structures as well as production plant and equipment.

(PLN '000)

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

	Jun 30 2015 (unaudited)	*Dec 31 2014*
Receivables under bank guarantees received mainly as security for performance of contracts, including:	580,051	505,928
- from related entities	–	–
Receivables under sureties received, including:	7,600	7,600
- from related entities	–	–
Promissory notes received as security, including:	17,373	14,208
- from related entities	4,012	980
Letters of credit	–	19,180
	605,024	**546,916**

	Jun 30 2015 (unaudited)	*Dec 31 2014*
Commitments under bank guarantees issued mainly as security for performance of contracts, including:	225,919	243,232
- to related entities	–	–
Liabilities under sureties, including:	1,046,000	1,046,000
- to related entities	–	–
Promissory notes issued as security, including:	28,749	27,612
- to related entities	–	–
Letters of credit	–	–
	1,300,668	**1,316,844**

In the first six months of 2015, the Group recorded a PLN 16,176 thousand drop in contingent liabilities, including a PLN 17,313 thousand decrease in liabilities under guarantees, and a PLN 1,137 thousand increase in promissory notes issued as security. 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 this category of liabilities, the largest item is a PLN 1,046m surety issued by the Parent for the benefit of financial institutions. The surety relates to bank and insurance guarantees of PLN 523m granted to E003B7 Sp. z o.o. in connection with the project 'Development of new coal-fired generation capacities at TAURON Wytwarzanie S.A. – Construction of supercritical 910 MW generating unit at the Jaworzno III Power Plant – Power Plant II'. The Group presents this liability in the maximum amount of potential claim of PLN 1,046m. In this category of liabilities, a material item was a performance bond of PLN 3,918 thousand issued in April 2015. The largest item among guarantees which expired in the first six months of 2015 was a performance bond of PLN 8,472 thousand.

Over the first six months of 2015, the Group recorded an increase in contingent receivables, including mainly performance bonds, of PLN 58,108 thousand, and an increase in receivables under promissory notes of PLN 3,165 thousand. In the first six months of 2015, receivables under received bank and insurance guarantees grew by PLN 74,123 thousand. The largest item among guarantees received in the first six months of 2015 was a performance bond of EUR 10,041 thousand. However, in that period, the Group also recorded a PLN 19,180 thousand fall in receivables under letters of credit opened for the Group. The largest item among guarantees expired in the first six months of 2015 was a performance bond of PLN 2,264 thousand.

24. Litigations and disputes

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

On November 3rd 2009, the Parent brought an action for payment with the Regional Court of Warsaw, 20th Commercial Division, against ING Bank Śląski S.A. ("ING"). In the action, RAFAKO S.A. demanded a refund of approximately PLN 9m unlawfully enforced from its accounts by ING Bank Śląski S.A. On November 29th 2010, the court of first instance issued a ruling in which it awarded PLN 8,996,566.00, plus statutory interest and litigation costs, to be paid by ING Bank Śląski S.A. to RAFAKO S.A. The attorney of ING Bank Śląski S.A. filed an appeal against the ruling of the court of first instance. On October 12th 2011, the Court of Appeals in Warsaw, having completed hearings, did not find the claims raised in the appeal by ING Bank Śląski S.A. justified, but resolved ex officio that the court of first instance failed to consider the substance of the dispute, reversed the ruling and remanded the case for re-examination by the court of first instance. In its ruling of April 1st 2014, the Regional Court of Warsaw ordered ING to pay RAFAKO S.A. PLN 3,646,699.59 plus statutory interest for the period from November 3rd 2009 until the payment date. The court dismissed the remaining part of the claim. Both parties lodged appeals against the ruling. The amount awarded to RAFAKO pursuant to a final ruling of the Court of Appeals, issued on May 29th 2015, was PLN 3,636,226.62 plus statutory interest from November 25th 2009. The costs of the appeal proceedings were offset. The awarded amount was credited to the account of the Parent in July 2015.

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

An action brought by Steinmüller Babcock Environment GmbH (formerly FISIA BABCOCK ENVIRONMENT GmbH.) against RAFAKO S.A. is pending before the International Court of Arbitration at the International Chamber of Commerce in Vienna. The proceedings were initiated following the filing of a claim for payment of ca. EUR 3.8m in connection with a licence agreement relating to a wet flue gas desulfurisation unit. The principal claim concerns payment of an allegedly outstanding licence fee. In RAFAKO S.A.'s opinion, the claim is groundless. RAFAKO S.A.'s stance is that the contract for the upgrade of four desulfurisation units, in relation to which the dispute arose, had been performed based RAFAKO's proprietary technological solutions, without any licensed know-how. In its response to the statement of claim, RAFAKO S.A. also argues that the claim has become time-barred. Pursuant to the letter from the Arbitration Court, grant or dismissal of the claim will depend on the scope of the modernisation (whether the work performed was a modernisation in the strict sense of the term or consisted in the delivery of a new unit) and the use of the plaintiff's technology in performing the contract. The parties were obliged to prepare technical documentation relevant to this issue. Letters are currently being exchanged to define the scope of the required documents.

In connection with the arbitration proceedings, the Parent has recognised a provision for arbitration costs of ca. PLN 586 thousand. The provision was partially used in 2014 and its balance as at June 30th 2015 was PLN 477 thousand. In the opinion of the Parent's Management Board, as at June 30th 2015 there were no circumstances which would justify the recognition of any provisions for the claim.

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

25. Receivables from related entities in company voluntary arrangement

At the end of the reporting period, in the statement of financial position the Group recognised net receivables of PLN 35.3m from related entities in company voluntary arrangement.

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

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

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

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

On July 16th 2012, the Parent's Management Board received a letter from the Court Supervisor of PBG S.A. w upadłości układowej (in company voluntary arrangement) addressed to that company ("PBG"), informing PBG that the sale of 46,021,520 shares in ENERGOMONTAŻ-POŁUDNIE S.A. by PBG to RAFAKO S.A. on December 20th 2011 "as a legal transaction executed by the Bankrupt (PBG) for a consideration, within six months before the date of submitting the bankruptcy petition (i.e. June 4th 2012), with a related party in respect of which the Bankrupt (PBG) was a parent, is ineffective against its bankruptcy estate", in accordance with Art. 128.2 of the Bankruptcy and Restructuring Law ("Letter"). The Court Supervisor requested the PBG Management Board to immediately take steps under Art. 134 of the Bankruptcy and Restructuring Law to effect a return transfer of 46,021,520 shares in ENERGOMONTAŻ-POŁUDNIE S.A. to PBG's account.

On August 7th 2012, the Parent's Management Board entered into an agreement with PBG S.A. w upadłości układowej (in company voluntary arrangement) of Wysogotowo for the transfer of shares in ENERGOMONTAŻ-POŁUDNIE Spółka Akcyjna of Katowice. The agreement provided for the transfer of 46,021,520 ordinary bearer shares in the company, with a par value of PLN 1 per share, representing 64.84% of the share capital and 64.84% of total voting rights at the General Meeting of ENERGOMONTAŻ-POŁUDNIE S.A., carrying the right to 46,021,520 votes. The share transfer was registered in the brokerage account on August 7th 2012.

In accordance with the legal analyses available to the Parent's Management Board, as a result of PBG S.A.'s insolvency declared on June 13th 2012, the sale of shares in ENERGOMONTAŻ-POŁUDNIE S.A. by PBG S.A. to RAFAKO S.A. under the agreement signed on December 20th 2011 has become legally ineffective against the bankruptcy estate as of the date of the court's decision to declare PBG S.A. insolvent, i.e. as of June 13th 2012 (the date of loss of control). This means that the Parent is required to return the shares in ENERGOMONTAŻ-POŁUDNIE S.A. to PBG S.A. to include them in PBG S.A.'s bankruptcy estate, i.e. to procure that they are recorded in PBG S.A.'s securities account. This requirement arose by operation of law upon the declaration of PBG S.A.'s insolvency. Considering the above, having analysed the legal opinions on the ineffectiveness of the acquisition of ENERGOMONTAŻ-POŁUDNIE S.A. shares from PBG S.A. w upadłości układowej (in company voluntary arrangement), the Parent's Management Board resolved to submit to the procedure involving the return of the shares.

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

In the six months ended June 30th 2015, the Group remeasured the asset based on updated arrangement proposals of November 3rd 2014, put forward by PBG S.A. w upadłości układowej (in company voluntary arrangement), providing with respect to the first group of creditors (which includes RAFAKO S.A.'s claim) for repayment of PLN 500 thousand and an 80% reduction of the receivable in excess of PLN 500 thousand. The receivable will be repaid in semi-annual instalments over a period of five years beginning on June 30th 2016. The Parent's Management Board estimates that the first instalment will be paid by June 30th 2016. As at June 30th 2015, the value of the receivable determined based on the assumptions discussed above amounted to PLN 26m under 'Other non-current financial assets' and PLN 3.3m under 'Other current financial assets'. The full amount of the claim, i.e. PLN 160,154,889.60, has been included in the proof of the claim to the bankruptcy estate of PBG.S.A. and is on the list of claims acknowledged by the Court Supervisor (publication in *Monitor Sądowy i Gospodarczy* official gazette of June 4th 2013).

In addition, on January 10th 2012, the Parent entered into a loan agreement with Hydrobudowa Polska S.A. of Wysogotowo, under which RAFAKO S.A. granted Hydrobudowa Polska S.A. a cash loan of PLN 32m maturing in 12 months (i.e. on January 9th 2013) to finance the company's day-to-day operations. To secure the repayment of the loan, Hydrobudowa Polska S.A. issued a blank promissory note with a 'protest waived' clause to RAFAKO S.A., guaranteed by PBG S.A. and Multaros Trading Company Ltd., together with relevant promissory note declarations. RAFAKO S.A. is entitled to fill in the note with the amount of any overdue balance of the loan with interest, up to PLN 35,000,000 (thirty-five million zloty). The loan bears interest at an annual rate of 1M WIBOR plus margin. By the date of these financial statements, RAFAKO S.A. had not received any amounts from Hydrobudowa Polska S.A., either as repayment of the loan principal or interest.

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

(PLN '000)

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

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

In the six months ended June 30th 2015, the measurement of the receivables contributed PLN 1,970 thousand (December 31st 2014: PLN 83 thousand) to the Group's net profit/(loss).

26. Related-party transactions

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

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

Related party	*Six months ended June 30:*	*Sale to related parties*	*Purchase from related parties*	*Receivables from related entities*	*Liabilities to related parties*
Parent:					
PBG S.A. w upadłości układowej (in company voluntary arrangement)*	*2015*	–	6	35,314	1
	2014	–	53	33,380	61
PBG Group companies:					
PBG oil and gas Sp. z o.o.	*2015*	301	1,954	367	3,905
	2014	–	–	–	–
PBG Avatia Sp. z o.o. w upadłości układowej (in company voluntary arrangement)	*2015*	–	2	–	–
	2014	–	2	–	2
Entities related through personal links:					
SWGK KSIĘGOWOŚĆ Sp. z o.o	*2015*	–	890	–	–
SWGK PODATKI Sp. z o.o.	*2015*	37	30	–	–
PBG Foundation	*2015*	–	72	–	–
Mostostal-Energomontaż S.A.	*2015*	–	15	–	387

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

27. Management Board and Supervisory Board of the Parent

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

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

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

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

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

- set the number of Supervisory Board Members at seven;
- appointed the Supervisory Board for the eighth term, composed of:

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

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

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

After June 18th 2015, there have been no changes in the composition of the Supervisory Board.

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

In the reporting and comparable periods, Group companies did not enter into any transactions with members of their management boards.

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

(PLN '000)

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

The remuneration paid to the members of the Management and Supervisory Boards of Group companies for the six months ended June 30th 2015 was as follows:

	Base pay	*Awards*	*Other*
RAFAKO S.A. – the Parent			
Management Board	1,560	1,309	155
Supervisory Board	522	–	692
FPM S.A. – a subsidiary*			
Management Board	102	–	6
Supervisory Board	53	–	–
Palserwis Sp. z o.o. – an indirect subsidiary*			
Management Board	16	8	–
Supervisory Board	14	–	–
PGL-DOM Sp. z o.o. – a subsidiary			
Management Board	54	20	–
Supervisory Board	79	–	–
RAFAKO ENGINEERING Sp. z o.o. – a subsidiary			
Management Board	91	–	–
Supervisory Board	58	–	–
ENERGOTECHNIKA ENGINEERING Sp. z o.o. – an indirect subsidiary			
Management Board	228	–	80
Supervisory Board	27	–	–
E001RK Sp. z o.o. – a subsidiary			
Management Board	151	–	–
Supervisory Board	–	–	–
E003B7 Sp. z o.o. – a subsidiary			
Management Board	801	780	–
Supervisory Board	552	540	–

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

(PLN '000)

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

The Group did not publish forecasts for 2015.

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

Shareholder	*Number of shares (pcs.)*	*Number of votes attached to the shares held*	*Ownership interest*	*% of total vote at GM*
PBG S.A. w upadłości układowej (in company voluntary arrangement)* including:	42,466,000	42,466,000	61.01%	61.01%
held directly:	7,665,999	7,665,999	11.01%	11.01%
- held indirectly through Multaros Trading Company Limited** (a subsidiary of PBG S.A. w upadłości układowej (in company voluntary arrangement)):	34,800,001	34,800,001	50% + 1 share	50% + 1 share
Investment Funds managed by ING Towarzystwo Funduszy Inwestycyjnych S.A.***	3,512,217	3,512,217	5.05%	5.05%

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

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

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

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

33. Events after the end of the reporting period

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

On July 3rd 2015, the Polish Financial Supervision Authority approved the issue prospectus of the Parent RAFAKO S.A., prepared for the purposes of the public offering of up to 15,331,998 new Series J ordinary shares with a par value of PLN 2.00 per share, as well as for the purposes of seeking the admission and introduction of up to 15,331,998 Series J ordinary RAFAKO shares and up to 15,331,998 rights to Series J shares to trading on the regulated market operated by the Warsaw Stock Exchange.

On July 3rd 2015, in connection with the public offering of up to 15,331,998 new Series J ordinary shares with a par value of PLN 2.00 per share ("Series J Shares") with the pre-emptive rights of existing shareholders waived (the "Offering"), RAFAKO S.A. concluded a share placement agreement (the "Agreement") with Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Oddział - Dom Maklerski PKO Banku Polskiego w Warszawie of Warsaw and Trigon Dom Maklerski S.A. of Kraków ("Joint Bookrunners"). On the terms specified in the Agreement, the Joint Bookrunners each undertook to provide, with due care expected of a professional organisation, RAFAKO S.A. with financial services necessary to organise and carry out the Offering and placement of Series J Shares among investors, on the terms defined in the Agreement and described in detail in the Parent's Current Report No. 19/2015.

Following the approval, on July 3rd 2015, of the issue prospectus of RAFAKO S.A. by the Polish Financial Supervision Authority (the "Prospectus"), RAFAKO S.A. published the Prospectus on July 6th 2015 in electronic form on RAFAKO S.A.'s website (www.rafako.com.pl) and, additionally, for information purposes, on the website of Dom Maklerski PKO Banku Polskiego (www.dm.pkobp.pl).

By a resolution of July 6th 2015, the Supervisory Board of RAFAKO S.A., acting in accordance with the authority afforded by the Company's Articles of Association, selected Ernst & Young Audyt Polska Sp. z o.o. s.k. of Warsaw, entered in the register of the National Chamber of Statutory Auditors under No. 130, as the auditor of the Company's financial statements. The auditor was appointed in accordance with the applicable regulations and professional standards. The agreement with the auditor will be concluded for a period of time necessary to review and audit the financial statements of RAFAKO S.A. and the consolidated financial statements of the RAFAKO Group for the financial year 2015. In the past, Ernst & Young Audyt performed reviews and audits of the financial statements of the Company and the consolidated financial statements of the RAFAKO Group for 2002−2005 and 2011−2014.

On July 15th 2015, the Management Board of RAFAKO S.A. published the issue price of the new Series J Shares and the final number of Series J Shares offered by the Parent under a public offering with the pre-emptive rights of existing shareholders waived, to be carried out on the basis of the issue prospectus approved by the Polish Financial Supervision Authority on July 3rd 2015. The Management Board of the Parent set the Final Price of Offered Shares at PLN 6.10 per Offered Share and the Final Number of Offered Shares at 15,331,998 Offered Shares (the Final Number of Offered Shares is equal to the maximum number of Offered Shares provided for in the Issue Resolution).

The Management Board of RAFAKO S.A. announced the success of the public offering and issue of 15,331,998 Series J ordinary bearer shares with a par value of PLN 2 per share ("Series J Shares"), issued under Resolution No. 48 of the Company Management Board of May 13th 2015, concerning an increase in the share capital of the Parent, within the authorised capital, by way of the issue of Series J ordinary bearer shares, waiver of all of the existing shareholders' pre-emptive rights to series J Shares, amendment to the Company's Articles of Association, as well as seeking the admission and introduction of Series J Shares to trading on the regulated market operated by the Warsaw Stock Exchange and the conversion of Series J Shares into book-entry form in connection with Resolution No. 14/2015 of the Company Supervisory Board of May 12th 2015, amended by Resolution No. 15/2015 of the Company Supervisory Board of May 13th 2015, concerning the approval of waiver by the Management Board of all existing shareholders' pre-emptive rights to series J Shares.

15,331,998 Series J Shares were duly subscribed and paid for. Accordingly, on July 21st 2015, 15,331,998 Series J Shares were allotted, which means that all offered shares were allotted.

On July 28th 2015, the Management Board of RAFAKO S.A. was notified of Resolution No. 490/15 passed by the Management Board of Krajowy Depozyt Papierów Wartościowych S.A. (Polish NDS) on July 24th 2015, under which the Polish NDS Management Board resolved to register, as of July 28th 2015, 15,331,998 (fifteen million, three hundred and thirty-one thousand, nine hundred and ninety-eight) rights to Series J ordinary bearer shares in RAFAKO S.A. in the depository of securities maintained by the Polish NDS and to assign them ISIN code PLRAFAK00067.

On July 28th 2015, the Management Board of RAFAKO S.A. was notified of Resolution No. 727/2015 passed by the Management Board of the Warsaw Stock Exchange ("WSE") on July 28th 2015, under which the WSE Management Board resolved to introduce to trading on the main market, as of July 29th 2015, by way of the ordinary procedure, 15,331,998 (fifteen million, three hundred and thirty-one thousand, nine hundred and ninety-eight) rights to Series J ordinary bearer shares in RAFAKO S.A. ("Rights to Shares"), to which the Polish NDS assigned ISIN code PLRAFAK00067. The Rights to Shares will be listed in the continuous trading system under the abbreviated name of RAFAKO-PDA and code RFKA.

Following the allotment of the rights to shares in RAFAKO S.A., on July 28th 2015 Nationale-Nederlanden Otwarty Fundusz Emerytalny (previously ING Otwarty Fundusz Emerytalny) and Nationale-Nederlanden Dobrowolny Fundusz Emerytalny (previously ING Dobrowolny Fundusz Emerytalny) (the "Funds"), managed by Nationale-Nederlanden Powszechne Towarzystwo Emerytalne S.A. (previously ING PTE S.A.) ("Funds"), came to hold rights to shares in the Company which, on conversion into shares, will give the Funds over 5% of total voting rights at the Company's General Meeting.

Before the allotment of the rights to shares, Nationale-Nederlanden OFE held 3,016,509 (three million, sixteen thousand, five hundred and nine) Company shares, representing 4.33% of the Company's share capital, and 3,016,509 (three million, sixteen thousand, five hundred and nine) votes, or 4.33% of total voting rights, at the Company's General Meeting.

On July 29th 2015, 8,048,507 (eight million, forty-eight thousand, five hundred and seven) shares and rights to shares in RAFAKO S.A. were registered in the Funds' securities accounts, representing 9.48% of the Company's share capital. Following conversion of the rights to shares into shares, the Funds will hold 8,048,507 (eight million, forty-eight thousand, five hundred and seven) votes, representing 9.48% of total voting rights, at the Company's General Meeting.

Following registration of the rights to new shares in RAFAKO S.A. by the Polish NDS on July 28th 2015, NN Investment Partners Towarzystwo Funduszy Inwestycyjnych S.A. (previously ING TFI S.A.), acting on behalf of the investment funds under its management, notified the Company that following entry of the new RAFAKO S.A. shares in the register of entrepreneurs, the holding of Company shares by NN's investment funds would fall below 5% of total voting rights at the General Meeting of RAFAKO S.A.

As at the date of the notification, the investment funds managed by NN Investment Partners Towarzystwo Funduszy Inwestycyjnych S.A. held a total of 3,512,217 RAFAKO S.A. shares, representing 5.05% of the Company's share capital, and 3,512,217 votes, representing 5.05% of total voting rights, at the General Meeting of RAFAKO S.A. Following registration of the new rights to RAFAKO S.A. shares, the investment funds managed by NN Investment Partners Towarzystwo Funduszy Inwestycyjnych S.A. will be entitled to 3,512,217 votes, representing 4.14% of total voting rights, at the Company's General Meeting, and the 3,512,217 shares held by the investment funds will represent 4.14% of the Company's share capital.

On August 3rd 2015, the Management Board of RAFAKO S.A. published details of the closed public subscription for Series J RAFAKO S.A. shares:

1. Subscription opening date: July 16th 2015
2. Subscription closing date: July 20th 2015
3. Share allotment date: July 21st 2015
4. Number of shares subscribed for: 15,331,998 Series J ordinary bearer shares in RAFAKO
5. The reduction rate in individual tranches in the event that even in one tranche the number of allotted Shares was lower than the number of Shares subscribed for:

   In accordance with the terms and conditions of the Offering set forth in the Prospectus, subscription orders covered the maximum number of Offered Shares and the Investors were allotted the maximum number of Offered Shares.
6. Number of shares subscribed for: a total of 15,331,998 Offered Shares.
7. Number of shares allotted in the subscription: a total of 15,331,998 Offered Shares.
8. Price at which the Shares were acquired: PLN 6.10 per Offered Share.
9. Number of persons who placed subscription orders for Shares offered for subscription: 145 investors.
10. Number of persons who were allotted Shares as part of the subscription: 145 investors.
11. Name(s) of the underwriter(s) which acquired shares in the performance of an underwriting agreement(s): the Company did not conclude any underwriting agreement, therefore no Offered Shares were acquired by an underwriter.
12. Value of the subscription (the product of the number of shares covered by the offering and the issue price): PLN 93,525,187.80.

13. Total costs classified as issue costs, itemised:

    As at the date of this report, the Parent had no information on the final accounting for the issue costs. Information on the costs will be published in a current report after the Parent receives their specification and all entities involved in preparing and carrying out the Offering approve all the costs.

14. Average cost of the subscription per share covered by the subscription.

    As at the date of this report, the Company had no information on the final accounting for the issue costs. Information on the costs will be published in a current report after the Company receives their specification and all entities involved in preparing and carrying out the Offering approve all the costs.

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

- the scope of Subcontractor's work will be reduced and the Subcontractor will perform the work by December 15th 2015;
- in connection with the reduction of the scope of work, the Subcontractor's remuneration will be reduced from PLN 380,000,000, VAT-exclusive, to PLN 30,000,000, VAT-exclusive.

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

(PLN '000)

These interim condensed consolidated financial statements of the RAFAKO Group were authorised for issue on August 31st 2015 by virtue of Resolution No. 90/2015 of the RAFAKO S.A. Management Board dated August 31st 2015.

Signatures:

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	....
August 31st 2015	Jolanta Markowicz	Chief Accountant	....