RAFAKO S.A.

THE PBG GROUP

INTERIM CONDENSED FINANCIAL STATEMENTS TOGETHER WITH INDEPENDENT AUDITOR'S REVIEW REPORT

For the 6-month period ended 30 June 2016

31 August 2016

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(in PLN thousand)

Interim condensed statement of comprehensive income

For the 6-month period ended 30 June 2016

	Note	*3-month period ended 30 June 2016 (unaudited)*	*6-month period ended 30 June 2016 (unaudited)*	*3-month period ended 30 June 2015 (unaudited)*	*6-month period ended 30 June 2015 (unaudited)*
Continuing operations					
Revenue	11.1	**218 252**	**447 041**	**285 421**	**485 004**
Revenue from sale of goods and services		217 535	445 760	284 909	483 936
Revenue from sale of materials		717	1 281	512	1 068
Cost of sales	11.1	**(205 902)**	**(416 734)**	(266 590)	**(445 945)**
Gross profit/ (loss)		**12 350**	**30 307**	**18 831**	**39 059**
Other operating income	11.1	1 928	3 318	4 448	5 538
Selling expenses	11.1	(7 887)	(14 921)	(6 753)	(13 424)
Administrative expenses		(10 672)	(20 581)	(10 969)	(17 947)
Other operating expenses	11.1	(1 537)	(1 942)	(621)	(1 086)
Operating profit/ (loss)		**(5 818)**	**(3 819)**	**4 936**	**12 140**
Finance income	11.1	1 249	1 680	7 139	9 954
Finance costs	11.1	(1 161)	(2 790)	(761)	(3 439)
Net gain/ (loss) on disposal of a subsidiary		–	–	–	11 376
Profit/ (loss) before tax		**(5 730)**	**(4 929)**	**11 314**	**30 031**
Income tax expense	11.2	995	511	(1 474)	(5 482)
Net profit/ (loss) from continuing operations	11.22	**(4 735)**	**(4 418)**	**9 840**	**24 549**
Other comprehensive income for the period		**(450)**	**(207)**	**(256)**	**(453)**
Items to be reclassified to profit or loss in subsequent reporting periods					
Exchange differences on translating foreign operations		78	73	(82)	(148)
Net other comprehensive income for the period to be reclassified to profit or loss in subsequent reporting periods		**78**	**73**	**(82)**	**(148)**
Items not to be reclassified to profit or loss in subsequent reporting periods					
Other comprehensive income due to actuarial gains/ (losses)		(651)	(345)	(214)	(376)
Tax on other comprehensive income	11.2	123	65	40	71
Net other comprehensive income not to be reclassified to profit or loss in subsequent reporting periods		**(528)**	**(280)**	**(174)**	**(305)**
Comprehensive income for the period		**(5 185)**	**(4 625)**	**9 584**	**24 096**
Weighted average number of shares	11.22	84 931 998	84 931 998	69 600 000	69 600 000
Basic earnings/ (loss) per share, PLN	11.22	(0.06)	(0.05)	0.14	0.35

Racibórz, 31 August 2016

Agnieszka Wasilewska-Semail	Krzysztof Burek	Jarosław Dusiło	Edward Kasprzak	Tomasz Tomczak	Jolanta Markowicz
President of the Management Board	Vice-president of the Management Board	Vice-president of the Management Board	Vice-president of the Management Board	Vice-president of the Management Board	Chief Accountant

(in PLN thousand)

Interim condensed statement of financial position

As at 30 June 2016

	Note	30 June 2016 (unaudited)	31 December 2015
ASSETS			
Non-current (long-term) assets			
Property, plant and equipment	11.4, 11.5	151 265	153 827
Investment properties		–	–
Intangible assets	11.5	11 326	11 488
Long-term trade receivables, other receivables and prepayments		3 119	6 392
Trade receivables	11.7	2 536	5 660
Other receivables and prepayments	11.7	583	732
Long-term financial assets		68 160	60 889
Shares in subsidiaries	11.6	29 349	25 032
Shares in other entities	11.6	227	229
Long-term loans granted	11.8, 13	–	–
Other long-term financial assets	11.8, 13	38 584	35 628
Deferred tax asset	11.2	43 314	42 738
		277 184	**275 334**
Current (short-term) assets			
Inventories	11.9	14 045	18 804
Trade receivables, other receivables and prepayments	11.12, 13	264 720	312 470
Trade receivables	11.12, 13	139 734	141 934
Current tax assets	11.12	4 963	7 095
Other receivables and prepayments	11.12	120 023	163 441
Gross amount due from customers for contract work	10	348 885	276 703
Current financial assets		37 151	103 541
Derivative financial instruments		–	–
Short-term deposits	13	–	–
Short-term loans granted	13	474	486
Other short-term financial assets	11.10, 13	5 946	5 946
Cash and cash equivalents	11.3, 11.11, 13	30 731	97 109
Other short-term non-financial assets		–	–
		664 801	**711 518**
Non-current assets held for sale		45	119
TOTAL ASSETS		**942 030**	**986 971**

Racibórz, 31 August 2016

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(in PLN thousand)

Interim condensed statement of financial position

As at 30 June 2016

	Note	*30 June 2016 (unaudited)*	*31 December 2015*
EQUITY AND LIABILITIES			
Equity			
Issued capital	11.15	169 864	169 864
Share premium	11.18	95 340	95 340
Reserve capital	11.19	131 301	104 716
Exchange differences on translating foreign operations	11.20	133	60
Retained earnings/ (Accumulated losses)	11.21	(9 440)	21 843
		387 198	**391 823**
Non-current liabilities			
Interest-bearing loans and borrowings		–	–
Finance lease liabilities	11.24, 13	2 912	3 111
Deferred tax liability		–	–
Provision for employee benefits	11.23, 17.2	23 824	23 500
Long-term trade and other payables		17 672	25 544
Trade payables	11.24, 13	11 212	20 796
Capital commitments	13, 20	83	112
Other liabilities	11.24	6 377	4 636
		44 408	**52 155**
Current liabilities			
Trade and other payables	11.25	257 836	307 537
Trade payables	13	201 505	256 803
Capital commitments	13, 20	803	1 790
Current tax liability		–	–
Other liabilities	11.25	55 528	48 944
Current portion of interest-bearing loans and borrowings	14	151 723	111 213
Other financial liabilities and finance lease liabilities	11.25, 13	1 689	1 278
Provision for employee benefits	11.23, 17.2	1 986	1 973
Amounts due to customers and provisions for contract work and deferred income	10	97 190	120 992
Amount due to customers for construction contracts	10	66 166	90 378
Provisions for construction contract work	17	30 173	29 807
Grants		851	807
		510 424	**542 993**
Total liabilities		**554 832**	**595 148**
TOTAL EQUITY AND LIABILITIES		**942 030**	**986 971**

Racibórz, 31 August 2016

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Interim condensed statement of cash flow

For the 6-month period ended 30 June 2016

(in PLN thousand)

	Note	*6-month period ended 30 June 2016 (unaudited)*	*6-month period ended 30 June 2015 (unaudited)*
Cash flow from operating activities			
Profit/ (loss) before tax		(4 929)	30 031
Adjustments for:		(92 295)	(65 419)
Depreciation and amortization		5 863	5 186
FX (gains)/ losses		(16)	–
Interest and dividends, net		1 892	2 407
(Gain)/ loss on investing activities		(472)	(13 155)
(Increase)/ decrease in receivables	11.3	46 143	41 677
(Increase)/ decrease in inventories		4 759	1 278
Increase/ (decrease) in payables, and provisions for employee benefits, except for loans and borrowings	11.3	(53 944)	(43 399)
Change in prepayments and accruals for construction contracts	11.3	(96 028)	(58 028)
Income tax (paid)/ received		(489)	(1 384)
Other		(3)	(1)
Net cash from operating activities		**(97 224)**	**(35 388)**
Cash flow from investing activities			
Proceeds from sale of property, plant and equipment and intangible assets		425	253
Purchase of property, plant and equipment and intangible assets	11.3	(3 196)	(7 225)
Sale of financial assets		–	48 000
Purchase of financial assets		(4 317)	–
Dividends and interest		4	23
Repayment of loans granted		–	–
Other		–	(1 440)
Net cash from investing activities		**(7 084)**	**39 611**
Cash flow from financing activities			
Proceeds from issue of shares		–	–
Payment of finance lease liabilities		(936)	(722)
Proceeds from loans and borrowings taken out	11.3	40 016	1 313
Repayment of loans and borrowings	11.3	–	–
Interest paid	11.3	(1 106)	(2 043)
Bank commissions		(165)	(993)
Other		49	317
Net cash from financing activities		**37 858**	**(2 128)**
Net increase (decrease) in cash and cash equivalents		(66 450)	2 095
Net FX differences		72	(148)
Cash and cash equivalents at the beginning of the period	11.11	97 109	14 348
Cash and cash equivalents at the end of the period	11.11	30 731	16 295

Racibórz, 31 August 2016

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(in PLN thousand)

Interim condensed statement of changes in equity

For the 6-month period ended 30 June 2016

	Issued capital	*Share premium*	*Reserve capital*	*Exchange differences on translating foreign operations*	*Retained earnings/ (Accumulated losses)*	*Total*
As at 1 January 2016	**169 864**	**95 340**	**104 716**	**60**	**21 843**	**391 823**
Comprehensive income for the period	–	–	–	73	(4 698)	(4 625)
Appropriation of prior year profits	–	–	26 585	–	(26 585)	–
As at 30 June 2016 *(unaudited)*	**169 864**	**95 340**	**131 301**	**133**	**(9 440)**	**387 198**
As at 1 January 2015	**139 200**	**36 778**	**81 201**	**293**	**19 025**	**276 497**
Comprehensive income for the period	–	–	–	(148)	24 244	24 096
Appropriation of prior year profits	–	–	23 515	–	(23 515)	–
Dividend	–	–	–	–	–	–
As at 30 June 2015 *(unaudited)*	**139 200**	**36 778**	**104 716**	**145**	**19 754**	**300 593**

Racibórz, 31 August 2016

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NOTES

1. General information

RAFAKO S.A. (the "Company") is a joint stock company with its registered office in Racibórz, at ul. Łąkowa 33. The Company was established based on a notarial deed dated 12 January 1993. On 24 August 2001, the Company was entered in the Register of Entrepreneurs kept by the District Court in Gliwice, X Commercial Department of the National Court Register, entry number KRS 34143. The Company was granted statistical number REGON 270217865.

The Company has an unlimited period of operation.

These interim condensed financial statements of the Company cover the period of 6 months ended 30 June 2016 and contain comparative data for the 6-month period ended 30 June 2015 and as at 31 December 2015. The interim condensed statement of comprehensive income cover the period of 3 months ended 30 June 2016 and the comparative data for the 3-month period ended 30 June 2015 – these were not subject to a review or audit by a certified auditor.

The Company's principal business activities comprise:

- Manufacture of steam generators, excluding central heating hot water boilers,
- Repair and maintenance of metal finished goods,
- Installation of industrial machinery, plant and equipment,
- Manufacture of metal structures and parts thereof,
- Other specialized construction work 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,
- Activities in the field of engineering and related technical consultancy,
- Production 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 facilities,
- 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 organization of fairs, exhibitions and congresses,
- 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,
- Production 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 pipelines and distribution systems,
- Construction of telecommunications lines and power lines,
- Construction of other civil engineering objects 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 installation,
- 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,
- Specialized design activities,
- Renting and leasing of cars and vans,
- Renting and leasing of other motor vehicles, except motorcycles,
- Renting and leasing of construction machinery and equipment,
- Renting and leasing of office machinery and equipment including computers,
- Renting and leasing of other machinery, equipment and tangible goods n.e.c.,
- Repair and maintenance of computers and peripheral equipment,
- Operation of sports facilities,
- Other sports activities,
- Other business and management consultancy activities.

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

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

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

These interim condensed financial statements of the Company for the 6-month period ended 30 June 2016 were authorized for issue by the Company’s Management Board on 31 August 2016.

The Company has also prepared interim condensed consolidated financial statements for the 6-month period ended 30 June 2016, which were authorised for issue by the Company's Management Board on 31 August 2016.

2. Basis of preparing interim condensed financial statements

These interim condensed financial statements have been prepared in accordance with International Financial Reporting Standards authorised for use in the EU („IFRS"), in particular in accordance with the International Accounting Standard No. 34.

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

The interim condensed financial statements of the Company have been prepared on the assumption that the Company will continue as a going concern in the period of at least 12 months after the reporting date i.e. after 30 June 2016.

To be able to continue as a going concern, the Company must maintain its financial liquidity i.e. its ability to secure sufficient financing for the current contracts. In view of the above, the Management Board of the Company has prepared financial projections covering the period of 12 months from 30 June 2016 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 Company's current order book, including in particular the timely generation of cash flows from the contracts,

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

- continuation with the activities aimed at maintaining and extending the Company's order book – these activities also comprise the process of acquisition of significant contracts, about which the Company informed in its recent current reports,

- continued financing of the Company's operations with a credit facility after 30 June 2017 and fulfilment of all liabilities and obligations arising from signed contract (with annexes) – pursuant to the annex dated 30 June 2016, the maturity date of the RAFAKO S.A.'s loan referred to below was extended until 30 June 2017,

- release of cash locked in performance bonds against delivery of appropriate bank guarantees to the Company's trading partners. As at the date of these interim condensed financial statements, RAFAKO S.A. had PLN 186m available in open guarantee lines provided by several financial institutions with approx. 58% 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 Company to perform new contracts it expects to be awarded during the 12 months subsequent to 30 June 2016 (about which the Company informed in its current reports).

With respect to the first half of 2016, attention should be paid to the facts relating to the Company's assumptions regarding sources of financing made while preparing the financial statements for the year ended 31 December 2015. On 30 June 2016, RAFAKO S.A., in accordance with the assumptions made, effected signing with PKO BP S.A. an annex which prolonged the maturity date for the bank loan of PLN 150m to 30 June 2017, signing with mBank an agreement on issuing by this bank guarantees relating to the Jaworzno Project performance, as well as signing with TAURON Wytwarzanie S.A. an annex on bringing forward the milestones on this project (which resulted in settlement of a significant part of work performed by the Company in 2016). All these activities were carried out according to the plans of the Management Board and had positive impact on the liquidity position of the Company.

In addition, after 30 June 2016 the Company was notified about selecting by UAB Verslo Aptarnavimo Centras of the RAFAKO S.A.'s proposal filed in the public procurement procedure for the award of a contract „Construction of a biomass-powered cogeneration unit composed of the CFB boilers (Circulating Fluidized Bed boilers) and biomass storage and administration system", realised as part of the construction of a new cogeneration (heat and power) plant in Vilnius (Lithuania) with a value of EUR 150m. On 3 August 2016, RAFAKO S.A. was also notified by ENEA Wytwarzanie Sp. z o.o. in Swierże Górne about selecting, as the most favourable, of the RAFAKO S.A.'s proposal, filed in an open-end public procurement procedure, for the award of the contract „Delivery and assembly of a Catalytic De-nitriding System or the SCR (selective catalytic removal) system for AP-1650 boilers No. 9 and 10 and modernization of electro-filters at ENEA Wytwarzanie sp. z o.o" with a net value of PLN 289m. As at the date of these interim condensed financial statements, contracts for said projects were not yet signed due to the appeal proceedings in progress in the so-called standstill period. However, according to the best knowledge of the Company's Management Board, the outcome of these proceedings will be favourable to the Company. The above indicates that the activities undertaken by the Management Board to acquire new contracts have continued to be intensified and should have positive impact on the positon of RAFAKO S.A. in the future.

The Management Board of the Company believes that the above key assumptions underlying the financial projections will materialize and will materially improve the Company's liquidity during at least the 12 months subsequent to the reporting date.

Given the circumstances described above, the Management Board of the Company believes that the financial projections for the ensuing financial year will materialize and thus these interim condensed financial statements were prepared on the going concern basis.

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

The Company applied the IFRSs applicable to financial statements prepared for the year beginning on 1 January 2016.

3. Significant accounting policies

The accounting policies applied in preparing these interim condensed financial statements are consistent with the policies applied in preparing the Company's annual financial statements for the year ended 31 December 2015, save for the effect of application of the following new or amended Standards and Interpretations effective for annual reporting periods beginning on or after 1 January 2016:

- *Annual Improvements 2010-2012 Cycle* including:
  - Amendments to IFRS 2 *Share-based payment*
    These amendments are applied prospectively. They clarify the definition of a market and a vesting condition by separately defining and introducing the definition of a service condition and a performance condition.
    The Company does not operate any share-based programs and thus these amendments had no effect on the financial standing or performance of the Company.

  - Amendments to IFRS 3 *Business Combinations*
    The amendments are applied prospectively and clarify that the contingent consideration which is not classified as element of equity is measured at fair value through profit or loss, irrespective of whether or not it falls within the scope of IAS 39.
    The application of these amendments had no effect on the financial standing or performance of the Company.

  - Amendments to IFRS 8 *Operating Segments*
    The amendments are applied retrospectively and clarify that:
    - an entity should disclose the judgment made by the Management Board in the process of applying the criteria of operating segments aggregation described IFRS 8.12, including a brief description of the operating segments that have been aggregated and of the economic characteristics of segments used to assess whether the segments are 'similar',
    - the reconciliation of segment assets to total entity's assets is required to be disclosed only, if the reconciliation data is reported to the chief operating decision maker.

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

  - Amendments to IAS 16 *Property, Plant and Equipment and IAS 38 Intangible assets*
    The amendments are applied retrospectively and clarify that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value, or by determining the gross carrying amount of the asset proportionately, so that the thus determined asset's carrying amount matches market value. Additionally, the accumulated depreciation or amortization is the difference between the gross and the carrying amount of an asset.
    The amendments relate to valuation of property, plant and equipment and intangible assets in accordance with the revalued model. The Company does not use this model and therefore the application of these amendments had no effect on the financial standing or performance of the Company.

  - Amendments to IFRS 13 *Fair value measurement*
    The amendments clarify that deleting the paragraph B5.4.12 from IFRS 9 *Financial instruments: recognition and measurement* was not aimed at changing the requirements of valuation of short – term receivables and liabilities. Accordingly, entities still have the right to measure the short-term non-interest-bearing liabilities and receivables at their nominal value, if the effect of discounting does not have any significant effect on the presented financial data.
    The application of these amendments had no effect on the financial standing or performance of the Company.

- Amendments to IAS 24 *Related Party Disclosures*
  The amendments are applied retrospectively and clarify that a managing company (an entity that provides key management services) is treated as a related entity subject to the required related party disclosures. In addition, an entity that uses the services of a managing company is required to disclose the costs incurred for such management services.
  The Company does not use the services of a managing company.

- *Annual Improvements 2012-2014 Cycle, including:*
  - Amendments to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*
    Assets (or disposal groups) are usually disposed of by way of sale or issue to owners. The amendments clarify that change of one method to another is not treated as a new disposal plan, but rather as a continuation of the original plan.
    The application of these amendments had no effect on the financial standing or performance of the Company.

  - Amendments to IAS 34 *Interim financial reporting*
    The amendments clarify that the requirements regarding interim disclosures may be fulfilled both by including appropriate disclosures in the interim financial statements or by incorporating cross-references between the interim financial statements and other reports (e.g. Directors' Report on activities). The disclosures presented in other reports must be available to the users on the same terms and at the same time as the interim financial statements.
    The application of these amendments had no effect on the financial standing or performance of the Company.

- Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortization*
  The amendments clarify the methods included in IAS 16 and IAS 38 stating that the depreciation/ amortization method based on revenues reflects the pattern in which an entity generates economic benefits from an item of assets rather than the expected pattern of using future economic benefits from that asset. As a result, the revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. These amendments must be applied prospectively.
  The application of these amendments had no effect on the financial standing or performance of the Company.

- Amendments to IAS 27 *Equity Method in Separate Financial Statements*
  The amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The entities that are already applying IFRSs and electing to change the equity method to account for its investments will have to apply that change retrospectively.
  In the attached interim condensed financial statements, the Company did not use the option proposed by the amendments.

- Amendments to IFRS 1 *Disclosure Initiative*
  The amendments clarify the existing IAS 1 requirements, concerning:
  - materiality,
  - aggregation and subtotals,
  - order of the notes,
  - aggregation of information on the share in other comprehensive income of associates and joint ventures accounted for using the equity method - as a single item disclosure.

  Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position, statement(s) of profit or loss and in the statement of other comprehensive income.
  The application of these amendments had no effect on the financial standing or performance of the Company.

Also, the following new or amended Standards and Interpretations are applicable to annual reporting periods beginning on or after 1 January 2015, but do not concern the information presented and disclosed in the Company's financial statements:

- Amendments to IAS 16 and IAS 41 *Agriculture: Bearer Plants*
  The amendment relates to accounting for bearer plants.
- Amendments to IFRS 11 *Accounting for Acquisitions of Interests in Joint Operations*

The amendment relates to accounting for acquisitions of interests in joint operations by the acquirer.

- Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions*

  The amendment relates to accounting for contributions made by employees or third parties when accounting for defined benefit plans.

- *Annual Improvements to IFRSs 2012-2014 Cycle, comprising:*
  - Amendments to IFRS 7 *Financial instruments: Disclosure*
    I. *Servicing contracts* – the amendment clarifies that a servicing contract that includes a fee can constitute a continuing involvement in a financial asset.
    II. Applicability of the amendments to IFRS 7 (issued in December 2011) to condensed interim financial statements
  - *Amendments to IAS 19 Defined Benefit Plans*

    The amendment relates to evaluation of discount rate.

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

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

4. New standards and interpretations that have been issued but are not yet effective

The following standards and interpretations were issued by the International Accounting Standards Board (IASB) or the International Financial Reporting Interpretations Committee (IFRIC) but are not yet effective:

- **IFRS 9 *Financial Instruments*** (issued on 24 July 2014) – at the date of authorization of these interim condensed financial statements, not endorsed by the EU; effective for annual periods beginning on or after 1 January 2018;
- **IFRS 14 *Regulatory Deferral Accounts*** (issued on 30 January 2014) – the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard. At the date of authorization of these interim condensed financial statements, not endorsed by the EU; effective for annual periods beginning on or after 1 January 2016;
- **IFRS 15 *Revenue from Contracts with Customers*** (issued on 28 May 2014) - including amendments to IFRS 15 *Effective date of IFRS 15* (issued on 11 September 2015) - at the date of authorization of these interim condensed financial statements, not endorsed by the EU; effective for annual periods beginning on or after 1 January 2018;
- **Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*** (issued on 11 September 2014) – works relating to the authorization of these amendments were postponed by the EU for an indefinite period of time; and the effective date was postponed by the IASB for an indefinite period of time;
- **Amendments to IFRS 10, IFRS 12 and IAS 28 *Investment Entities - Applying the Consolidation Exception*** (issued on 18 December 2014) – at the date of authorization of these interim condensed financial statements, not endorsed by the EU; effective for annual periods beginning on or after 1 January 2016;
- **IFRS 16 *Leases*** (issued on 13 January 2016) - at the date of authorization of these interim condensed financial statements, not endorsed by the EU; effective for annual periods beginning on or after 1 January 2019;
- **Amendments to IAS 12 *Recognition of Deferred Tax Assets for Unrealised Losses*** (issued on 19 January 2016) - at the date of authorization of these interim condensed financial statements, not endorsed by the EU; effective for annual periods beginning on or after 1 January 2017;
- **Amendments to IAS 7 *Disclosure Initiative*** (issued on 29 January 2016) - at the date of authorization of these interim condensed financial statements, not endorsed by the EU; effective for annual periods beginning on or after 1 January 2017;
- **Explanations to IFRS 15 *Revenue from Contracts with Customers*** (issued on 12 April 2016) - at the date of authorization of these interim condensed financial statements, not endorsed by the EU; effective for annual periods beginning on or after 1 January 2018;
- **Amendments to IFRS 2 *Classification and measurement of share-based payment transactions*** (issued on 20 June 2016) – at the date of authorization of these interim condensed financial statements, not endorsed by the EU; effective for annual periods beginning on or after 1 January 2018.

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

As at the date of the preparation of these interim condensed financial statements, the adoption of the above standards or interpretations and the impact of their first time application on the financial information have been analysed by the Management Board of the Company.

5. Significant judgments and estimates

5.1 Professional judgments

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

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

Classification of leases where the Company is the lessee

The Company is a party to lease agreements. The Company classifies its lease agreements as finance leases or operating leases based on the assessment of the extent to which the risks and rewards incidental to ownership of leased assets have been transferred from the lessor to the lessee. The assessment is based on economic substance of each transaction.

Identification of embedded derivatives

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

Syndicated agreements

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

5.2 Uncertainty of estimates

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

Estimates relating to the following items had a critical impact on the net result for the 6 months ended 30 June 2016 and the amounts of assets and liabilities as at 30 June 2016.

- budgeted revenue from and costs of execution of construction contracts, based on which the executed contracts are measured in accordance with IAS 11,
- estimated amount of contractual penalties for late performance of contracts,
- estimated amount of provisions for employee benefits (the Company incurs costs of jubilee bonuses and post-employment benefits),
- impairment of assets, including financial assets (e.g. receivables under arbitration and arrangement proceedings),
- depreciation and amortization rates applied,
- utilisation of 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 within the next reporting period are discussed below.

Impairment of assets

At the end of the reporting period, the Company conducts a test for impairment of goodwill and an analysis of the impairment of property, plant and equipment and intangible assets with defined useful lives for which indications of impairment have been identified. This requires an estimation of the value in use of a cash-generating unit to which these assets belong. Estimating the value in use requires making an estimate of the expected future cash flows from the cash-generating unit and determining a suitable discount rate in order to calculate the present value of those cash flows. The Company made an assessment of whether there are any indications of impairment of assets. The analysis showed that during the 6-month period ended 30 June 2016 there were no such indications.

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

Revenue recognition

In accounting for its long-term contracts, the Company used the percentage of completion method. The use of this method requires the Company to estimate the percentage of completion. If the estimated total cost of contract execution increased by 10% in relation to the Company's original estimate, the revenue would decrease by approx. PLN 35.3 million. Revenue recognition incurs the risk of estimates which was described in more detail in Note 10.

Valuation of provisions for employee benefits

Provisions for employee benefits were estimated with actuarial methods.

The actuarial assumptions adopted for this purpose are presented in Note 11.23 and do not differ from the assumptions made as at 31 December 2015. The change in provisions for employee benefits 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 valuation techniques. In selecting appropriate valuation methods and assumptions, the Company relies on professional judgment. For information on the fair value measurement method for individual financial instruments, see Note 13.

Depreciation rates

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

Deferred tax asset

The Company recognizes deferred tax assets based on the assumption that taxable profits will be available in the future against which the deferred tax asset can be utilized. 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 financial statements.

Provision for expected losses on contracts

At the end of each reporting period, the Company re-measures total estimated revenues and costs of construction contracts accounted for using the percentage of completion method. Any expected loss on the contract is recognized as an expense in accordance with IFRS. Details of accounting for construction contract revenue and costs for the reporting period are presented in Note 10 to these interim condensed financial statements.

Provision for costs due to late performance of contracts

The Company recognizes a provision for contractual penalties arising from late performance of contracts if the probability of being charged for the delay in the performance of the contract is significant and the delay is due to the fault of the Company as a contractor. The amount of the provision reflects the amount of the contractual penalty that may be charged for a given period of delay. Details of provisions estimated in this manner are presented in Note 10 to these interim condensed financial statements.

(in PLN thousand)

Impairment of financial assets

At the end of the reporting period, the Company makes an assessment of whether there is any objective evidence of impairment of a receivable or a group of financial assets. Where the recoverable amount of the asset is less than its carrying amount, the entity recognizes 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 the bankruptcy, see Note 23.

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

As a result of the loss of control of a subsidiary as discussed in detail in Note 23, the Company recognized in the statement of financial position for the year 2012 a receivable, initially recognized at fair value i.e. the present value of the expected inflows. This valuation was performed based on a set of assumptions, such as the estimated discounting period, estimated amount of the inflow, estimated discount rate. Given the uncertainty as to the Company's ability to claim a refund of the price paid for the shares of ENERGOMONTAŻ - POŁUDNIE S.A., the estimation of the parameters for measurement of the receivable, in particular at its initial recognition, is difficult and subject to uncertainty.

Valuation of receivables from related parties under arrangement proceedings

As at the date of these interim condensed financial statements, the Judge Commissioner confirmed that voluntary arrangement, consistent with the arrangement proposals, had been reached between PBG and its creditors (for more details, see Note 23). The Company's Management Board re-measured the related receivable as discussed in the subsection called *"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 recognized) and the expected timing of the first inflow of cash in the 5-year repayment period, which according to the reached arrangement was assessed by the Management Board of RAFAKO S.A. at 15 September 2016.

Functional currency and presentation currency

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

For the purpose of period-end valuation, the following exchange rates were used:

	30 June 2016	*31 December 2015*	*30 June 2015*
USD	3.9803	3.9011	3.7645
EUR	4.4255	4.2615	4.1944
GBP	5.3655	5.7862	5.9180
CHF	4.0677	3.9394	4.0412
SEK	0.4696	0.4646	0.4558
TRY	1.3791	1.3330	1.3993

6. Change in estimates

In the 6-month period ended 30 June 2016 and as at 30 June 2016, no changes were made to the accounting estimates in the significant areas of the Company's business.

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

In the 6-month period ended 30 June 2016 a number of changes occurred in the Group's structure.

On 29 April 2016, the Extraordinary General Shareholder's Meeting of RAFAKO Engineering Sp. z o.o. resolved to increase the company's issued share capital from PLN 1 959 000.00 to PLN 3 555 500 i.e. by PLN 1 596 500.00 by way of creation of 3 193 new shares with a nominal value of PLN 500.00 each. The newly created shares were taken up by the current shareholders of the company in the amount proportionate to the number of shares already held i.e.:

- RAFAKO S.A. took up 1 630 shares with a nominal value of PLN 500 each and a total value of PLN 815 000, which were covered by cash contribution of PLN 4 317 thousand;
- PBG Oil & Gas Sp. z o.o. took up 1 563 shares with a nominal value of PLN 500 each and a total value of PLN 781 500, which were covered by non-monetary contribution with a total value of PLN 4 140 thousand in the form of an organized part of enterprise.

After registration of the increase in RAFAKO Engineering Sp. z o. o.'s issued share capital, the share of RAFAKO S.A. in the issued capital of this entity will not change and will be 51.05%, while the share of PBG oil and gas Sp. z o.o. – will be 48.95%. As at the date of these financial statements, the increase in the issued capital of the subsidiary was not yet registered.

On 30 June 2016, PGL DOM Sp. z o.o., the subsidiary company, acquired from a minority shareholder 100 shares in ENERGOTECHNIKA ENGINEERING Sp. z o.o., the subsidiary, of PLN 137 thousand thus increasing its percentage share in the issued capital of this company to 34.16%.

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

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

9. Operating segments

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

(in PLN thousand)

10. Construction contracts

Revenue from construction contracts is recognised using the percentage of completion method. The percentage of completion is determined as the relation of costs incurred to the 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 30 June 2016, 31 December 2015 and 30 June 2015, 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.

	30 June 2016 (unaudited)	*31 December 2015*	*30 June 2015 (unaudited)*
Contract cost incurred to date (cumulative)	2 681 927	2 678 101	2 234 488
Recognised profits less recognised losses to date (cumulative)	197 929	188 963	155 748
Contract revenue recognised by reference to the contract stage of completion (cumulative)	2 879 856	2 867 064	2 390 236
Progress billings (cumulative)	2 568 974	2 676 106	2 268 206
Gross amount due to customers for contract work (liabilities), of which:	**(66 166)**	**(90 378)**	**(104 849)**
- advances received (liabilities arising from advances received)	(59 147)	(56 955)	(49 864)
- adjustment to advances received arising from amounts due from customers	52 702	56 861	11 896
- gross amount due to customers for contract work	(59 721)	(90 284)	(66 881)
Prepayments relating to accounting for construction contracts, of which:	**348 885**	**276 703**	**232 872**
- gross amount due from customers for contract work (asset)	330 036	254 188	206 754
- contract acquisition cost and other accrued contract costs	18 849	22 515	26 118
Provision for penalties due to late contract performance or failure to meet guaranteed technical specifications	(12 135)	–	–
Provision for losses on construction contracts	(18 038)	(29 807)	(29 739)

The Company analyses each contract for potential losses, which are immediately recognised as an expense in accordance with IAS 11.36. In accordance with IAS 11.11-15, in its accounting for construction contracts the Company recognises estimated penalties arising from delays in the completion of contracts or failure to meet guaranteed technical specifications. Penalty estimates are made based on source documentation concerning delays in contract performance or issues relating to guaranteed 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.

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

Key contracts executed by the Company

10.1. Opole Project

In February 2012, the Company, acting as the Leader of the Consortium (RAFAKO S.A., Polimex-Mostostal S.A., 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 No. 6 at Elektrownia Opole, together with equipment and devices as well as all related buildings and structures.

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 Power Sp. z o.o., SPV-Rafako appointed Alsom 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 30 June 2016, Alstom signed with ENERGOTECHNIKA ENGINEERING Sp. z o.o., the subsidiary, an agreement for delivery of project documentation.

Rules of accounting for the Opole Project:

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

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

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

10.2. Jaworzno Project

RAFAKO S.A. in Consortium with RAFAKO S.A. (Consortium Leader) and MOSTOSTAL WARSZAWA S.A. has performed the contract „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 contract value is approx. PLN 5.4bn (VAT inclusive). On 4 August 2013, the project consortium agreement was amended, with RAFAKO S.A. taking over 99.99% of the Project scope deliveries (with Mostostal Warszawa taking the remaining 0.01%); consequently the distribution of consideration due to consortium members changed to reflect the members' actual shares in the work executed under the Project.

Rules of accounting for the Jaworzno Project:

For the purposes of Project execution, a special purpose vehicle (E003B7 Sp. z o.o.) was established, to which RAFAKO S.A. subcontracted approximately 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; the scope includes the design of the boiler island, as well as delivery of boiler pressurized parts and a dust removal unit).

For the purposes of the execution of the Project, RAFAKO S.A. and E003B7 Sp. z o.o. concluded agreements with financial institutions, whereby they obtained bank/ insurance guarantees with an aggregate amount of PLN 689m, required for the Project execution; under the same agreements, security for the guarantees was established on the assets of RAFAKO S.A. and E003B7 Sp. z o.o.

As a result of the arrangement with the financial institutions which issued guarantees for the Jaworzno Project, RAFAKO S.A., does not plan for E003B7 sp. z o. o. to pay dividend during the term of the guarantee agreements i.e. to April 2020 as this could bring about negative consequences from the institutions that issued guarantees.

In the consolidated financial statements, RAFAKO S.A. offsets Project-related income, expenses and settlements between RAFAKO S.A. and the special purpose vehicle. In its separate financial statements, RAFAKO S.A. recognises only income and expenses related to its own scope of work i.e. 11.5% of the total scope of work to be performed on the Jaworzno Project. In its separate financial statements, the Company does not recognise income and expenses related to the portion of work performed by the special purpose vehicle, E003B7 Sp. z o.o. – these are reported in the separate financial statements of E003B7 Sp. z o.o. and the consolidated financial statements of the RAFAKO Group.

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

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

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

In the 6-month period ended 30 June 2016, the Company's revenue amounted to PLN 447 041 thousand, less PLN 37 963 thousand compared with the corresponding period in 2015, mainly as a result of the drop in the value of RAFAKO S.A.'s order book. Revenue decrease was recorded on the domestic market with sales increase in international market.

Cost of sales of products and materials in the first 6 months of 2016 amounted to PLN 416 734 thousand, with the Company's gross profit at PLN 30 307 thousand. The change, compared to the corresponding period in 2015, results mainly from sales revenue decrease with a simultaneous increase in provisions for contractual penalties and in provisions for guarantee liabilities relating to executed sales contracts.

Distribution costs disclosed by the Company mainly include expenses incurred by the cost centres allocated to distribution cost in the cost accounting model (a significant part of which consists of payroll costs and advertising expenses). Such costs also include bidding costs and impairment losses on trade receivables. Distribution costs recognised in the Company's comprehensive income for the period of 6 months ended 2016 of PLN 14 921 thousand were primarily attributable to distribution costs excluding impairment losses on trade receivables of PLN 14 775 thousand (30 June 2015: PLN 13 071 thousand).

Administrative expenses for the period of 6 months ended 30 June 2016 amounted to PLN 20 581 thousand. Compared to the corresponding prior period, these costs were higher and this higher result was due, among others, to higher costs of legal and consultancy services, including the costs of business support services and costs of restructuring.

Other operating income chiefly included revenue from surety issued to the subsidiary company of PLN 2 402 thousand and revenue from disposal of the potential to gain profits of PLN 355 thousand.

Other operating expenses chiefly included recognized provision for penalty of PLN 700 thousand imposed on RAFAKO S.A. by the Polish Financial Supervision Authority and the costs of granted donations of PLN 539 thousand (30 June 2015: PLN 428 thousand).

In the first 6 months of 2016, the Company's finance income was generated mainly from FX gains of 1 119 thousand and interest on paid security deposit of PLN 541 thousand (30 June 2015: PLN 1 330 thousand).

Finance costs for the period chiefly included interest on financial instruments of PLN 1 380 thousand (30 June 2015: PLN 2 104 thousand) and interest on employee-related liabilities of PLN 639 thousand (30 June 2015: PLN 330 thousand) as well as commissions on bank borrowings and bank guarantees and insurance of PLN 540 thousand (30 June 2015: PLN 378 thousand).

(in PLN thousand)

11.2 Income tax

Income tax expense

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

	6-month period ended 30 June 2016 (unaudited)	*6-month period ended 30 June 2015 (unaudited)*
Current tax	–	(729)
Current income tax expense	–	(729)
Adjustment to current income tax from previous years	–	–
Deferred tax	511	(4 753)
Related to recognition and reversal of temporary differences	511	(4 753)
Adjustments to deferred tax from previous years	–	–
Income tax expense in the statement of profit or loss	**511**	**(5 482)**
Deferred tax on other comprehensive income		
Related to recognition and reversal of temporary differences	65	71
Income tax expense recognised in other comprehensive income	**65**	**71**

(in PLN thousand)

Deferred income tax calculated as at 30 June 2016

Deferred income tax calculated as at 30 June 2016 relates to the following:

	Statement of financial position		*Statement of comprehensive income for the period ended*	
	30 June 2016 (unaudited)	*31 December 2015*	*30 June 2016 (unaudited)*	*30 June 2015 (unaudited)*
- investment reliefs	(3)	(3)	–	1
- difference between tax base and carrying amount of property, plant and equipment and intangible assets	(15 567)	(15 214)	(353)	(481)
- difference between tax base and carrying amount of assets measured at fair value through profit or loss	1 372	1 433	(61)	(302)
- difference between tax base and carrying amount of loans and receivables	984	604	380	321
- different timing of recognition of revenue from sale of goods and services for tax purposes	(61 840)	(42 673)	(19 167)	(8 463)
- difference between tax base and carrying amount of inventories	2 295	1 967	328	117
- provisions	17 006	16 511	495	(1 508)
- difference between tax base and carrying amount of financial liabilities measured at amortised cost	43	21	22	(3)
- difference between tax base and carrying amount of financial liabilities measured at fair value through profit or loss	–	–	–	(4)
- difference between tax base and carrying amount of liabilities under guarantees, factoring and excluded from the scope of IAS 39	2	6	(4)	4 976
- different timing of recognition of cost of sales for tax purposes	70 669	60 609	10 060	–
- deferred tax asset relating to tax loss	17 083	602	16 481	–
- adjustment to costs of unpaid invoices	11 317	18 419	(7 102)	2 264
- other	(47)	456	(503)	(1 600)
Deferred tax expense			**576**	**(4 682)**
Net deferred tax asset/ (liability), of which:	**43 314**	**42 738**		
Deferred tax asset	43 314	42 738		
Deferred tax liability	–	–		

In the 6-month period ended 30 June 2016, the Company recognised a deferred tax asset on carry-forward of unused tax losses of PLN 89 911 thousand.

11.3 Significant items disclosed in the statement of cash flows

The PLN 46 143 thousand decrease in receivables reported in the statement of cash flows for the 6-month period ended 30 June 2016 resulted mainly from:

- PLN 5 324 thousand decrease in trade receivables,
- PLN 3 027 thousand decrease in receivables from the state budget (including VAT),
- PLN 10 888 thousand decrease in prepayments made,
- PLN 36960 thousand decrease in security deposits receivable,
- PLN (3 717) thousand increase in disputed receivables,
- PLN (2 500) thousand increase in sureties,
- PLN (624) thousand increase in receivables from the Company's Social Fund,
- PLN (3 215) thousand increase in other receivables.

For a detailed description of changes in security deposits and disputed receivables in the first 6 months of 2016, see Note 11.12.

The PLN (53 944) thousand decrease in liabilities disclosed in the statement of cash flows was mainly caused by:

- PLN (64 882) thousand decrease in trade payables,
- PLN 3 270 thousand increase in the provision for warranty repairs,
- PLN (1 441) thousand decrease in the provision for bonuses,
- PLN 1 623 thousand increase in the provision for unused annual leave ,
- PLN 4 767 thousand increase in the provision for delayed cost collection,
- PLN 2 693 thousand increase in other liabilities.

The PLN 96 028 thousand change in accruals and deferrals relating to accounting for construction contracts as shown in the statement of cash flows was mainly caused by:

- PLN (72 182) thousand increase in receivables relating to accounting for construction contracts and in gross amount due from customers for contract work,
- PLN (24 212) thousand decrease in gross amount due to customers for contract work, of which:
- PLN 6 351 thousand increase in prepayments,
- PLN 366 thousand increase in provisions for contract work.

The PLN 6 351 thousand change in prepayments resulted mainly from the recognition of part of prepayments under revenues in accordance with the methodology of accounting for contract costs (IAS 11).

The amount of PLN 3 196 thousand related to the acquisition of property, plant and equipment and intangible assets comprises capital expenditure on property, plant and equipment of PLN 2 479 thousand and intangible assets of PLN 717 thousand.

The PLN 40 016 thousand increase in borrowings disclosed under financing activities in the statement of cash flows was attributable to an overdraft facility contracted with PKO BP S.A. The Company's cash from financing activities was also affected by interest paid on bank borrowing at PKO BP S.A. in the amount of PLN 1 106 thousand.

(in PLN thousand)

11.4 Property, plant and equipment

30 June 2016 *(unaudited)*	*Land*	*Buildings*	*Plant and equipment*	*Vehicles*	*Other*	*Assets under construction*	*Total*
Net carrying amount as at 1 January 2016	9 295	83 125	52 413	7 012	–	1 982	153 827
Acquisitions	–	–	–	1 045	–	1 464	2 509
Liquidation/ sale	–	–	(137)	(25)	–	–	(162)
Transfers from assets under construction	–	371	1 595	219	–	(2 185)	–
Exchange differences on translating foreign operations	–	–	1	–	–	–	1
Depreciation charge for the period	–	(1 249)	(3 019)	(717)	–	–	(4 985)
Revaluation for the period	–	–	–	–	–	–	–
Other, including reclassification of property, plant and equipment to/ from assets held for sale	–	–	108	(33)	–	–	75
Net carrying amount as at 30 June 2016 *(unaudited)*	**9 295**	**82 247**	**50 961**	**7 501**	**–**	**1 261**	**151 265**

* assets pledged as security for Company's liabilities as at the reporting date are presented in Note 11.14.1

30 June 2015 *(unaudited)*	*Land*	*Buildings*	*Plant and equipment*	*Vehicles*	*Other*	*Assets under construction*	*Total*
Net carrying amount as at 1 January 2015	9 288	81 066	44 095	5 349	–	3 008	142 806
Acquisitions	–	–	559	2 290	–	3 870	6 719
Liquidation/ sale	(2)	–	(13)	(379)	–	–	(394)
Transfers from assets under construction	–	638	2 048	–	–	(2 686)	–
Exchange differences on translating foreign operations	–	–	(1)	–	–	–	(1)
Depreciation charge for the period	–	(1 193)	(2 713)	(453)	–	–	(4 359)
Revaluation for the period	–	–	–	–	–	–	–
Other, including reclassification of property, plant and equipment to/ from assets held for sale	2	–	(1)	230	–	–	231
Net carrying amount as at 30 June 2015 *(unaudited)*	**9 288**	**80 511**	**43 974**	**7 037**	**–**	**4 192**	**145 002**

(in PLN thousand)

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

	6-month period ended 30 June 2016 (unaudited)	*6-month period ended 30 June 2015 (unaudited)*
Purchase of property, plant and equipment and intangible assets*	3 225	3 870
Proceeds from sale of property, plant and equipment and intangible assets	177	253

* 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 to purchase intangible assets

The Company's capital expenditure on property, plant and equipment involved chiefly expenditure for the purchase of construction infrastructure production plant and equipment and computer hardware. The expenditure was financed with internally generated funds and in the form of lease.

11.6 Shares in subsidiaries and other entities

	30 June 2016 (unaudited)	*31 December 2015*
Shares in listed subsidiaries	–	–
Shares in non-listed subsidiaries	29 349	25 032
Shares in other listed companies	208	210
Shares in other non-listed companies	19	19
	29 576	**25 261**

* shares pledged as security for Company's liabilities at the reporting date are presented in Note 11.14.3

In the first half of 2016, the Company, in connection with issued capital increase in a subsidiary company, recorded an increase of PLN 4 317 thousand in the value of shares. Detailed description of the transaction was presented in Note 7 to these interim condensed financial statements.

11.7 Long-term trade receivables, other receivables and prepayments

	30 June 2016 (unaudited)	*31 December 2015*
Trade receivables, of which:	2 536	5 660
Trade receivables from related entities	–	–
Trade receivables from other entities	2 536	5 660
Other receivables and prepayments, of which:	583	732
Receivables under sale of property, plant and equipment and intangible assets	341	494
Security deposits	242	238
Total receivables (net)	**3 119**	**6 392**
Impairment loss on receivables	–	–
Gross receivables	**3 119**	**6 392**

(in PLN thousand)

11.8 Other long-term financial assets

	30 June 2016 (unaudited)	*31 December 2015*
Long-term loans granted	–	–
Long-term deposits, of which:	–	–
- deposits securing bank guarantees provided to the Company	–	–
Other long-term financial assets, of which:	38 584	35 628
Receivables from PBG S.A. w upadłości układowej [in voluntary arrangement] related to the return of shares in ENERGOMONTAŻ – POŁUDNIE S.A.	25 234	24 854
Receivables from PBG S.A. w upadłości układowej [in voluntary arrangement] under the loan advanced to HYDROBUDOWA S.A. w upadłości likwidacyjnej [in bankruptcy by liquidation]	5 122	5 046
Receivables under sureties provided to related entities	8 228	5 728
	38 584	**35 628**

In the 6-month period ended 30 June 2016, the Company re-measured the receivable from the return of shares to ENERGOMONTAŻ – POŁUDNIE S.A. and the receivable under the loan advanced to HYDROBUDOWA S.A. due to changes in estimates and assumptions, as described in detail in Note 23.

The change in the receivables compared to the amount disclosed as at 31 December 2015 results from the re-measurement of the receivables at amortised cost, taking into account the assumptions and estimates presented in Note 23. In the period of 6 months ended 30 June 2016, based on the adopted assumptions, the Company recognised, under other financial assets, the current portion of the receivable from the return transfer of shares in ENERGOMONTAŻ POŁUDNIE and the receivable under the loan advanced to HYDROBUDOWA S.A., as described in Note 11.10.

11.9 Inventories

	30 June 2016 (unaudited)	*31 December 2015*
Materials (at net realisable value)		
At cost	26 123	29 157
At net realisable value	14 045	18 804
Total inventories, at the lower of cost and net realisable value	**14 045**	**18 804**

* inventories pledged as security for Company's liabilities at the reporting date are presented in Note11.14.4

Inventory write-downs

	6-month period ended 30 June 2016 (unaudited)	*12-month period ended 31 December 2015*
At the beginning of the period	(10 353)	(7 792)
Write-down recognised	(2 354)	(2 731)
Write-down reversed	629	170
At the end of the period	**(12 078)**	**(10 353)**

(in PLN thousand)

11.10 Other short-term financial assets

	30 June 2016 (unaudited)	*31 December 2015*
Other short-term financial assets, of which:		
Additional payment to the issued capital of a subsidiary	–	–
Advance payment to acquire the right to the loan	10 500	10 500
Impairment write-down against advance payment to acquire the right to the loan	(10 500)	(10 500)
Receivables from PBG S.A. w upadłości układowej [in voluntary arrangement] related to the return of shares in ENERGOMONTAŻ – POŁUDNIE S.A.	4 943	4 943
Receivables from PBG S.A. w upadłości układowej [in voluntary arrangement] under the loan advanced to HYDROBUDOWA S.A. w upadłości likwidacyjnej [in bankruptcy by liquidation]	1 003	1 003
	5 946	**5 946**

In the period of 6 months ended 30 June 2016, based on the adopted assumptions, the Company recognised, under other financial assets, the current portion of the receivable from the return transfer of shares in ENERGOMONTAŻ POŁUDNIE and the receivable under the loan advanced to HYDROBUDOWA S.A.

The change in the receivables compared to the amount disclosed as at 31 December 2015 results from the re-measurement of the receivables at amortised cost, taking into account the assumptions and estimates presented in Note 23. In the period of 6 months ended 30 June 2016, based on the adopted assumptions, the Company recognised, under other financial assets, the current portion of the receivable from the return transfer of shares in ENERGOMONTAŻ POŁUDNIE and the receivable under the loan advanced to HYDROBUDOWA S.A.

On 18 April 2012, the Company and Olenia Ltd entered into a preliminary agreement for the purchase of 50% of shares in Bioelektrownia Szarlej sp. z o.o. and assignment of rights to receivables in the form of a loan granted to that company. The total value of a prepayment paid by the Company 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 - as other financial assets). Bioelektrownia Szarlej sp. z o.o. is a special purpose vehicle established for the purpose of construction of 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 Szarley Sp. z o.o.'s efforts to resume the project were unsuccessful.

Due to the status of the project as described above, the Company's Management Board concluded that the risk of non-recoverability of the assets is significant and upheld its decision to recognise an impairment loss for the full value of the project i.e. PLN 16 176 thousand.

11.11 Cash and cash equivalents

	30 June 2016 (unaudited)	*31 December 2015*	*30 June 2015 (unaudited)*
Cash on hand and cash at bank	6 439	14 766	16 194
Short-term deposits for up to 3 months, of which:	24 292	82 343	101
- deposits securing contingent liabilities	–	–	–
	30 731	**97 109**	**16 295**

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

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

(in PLN thousand)

11.12 Short-term trade receivables, other receivables and prepayments

	30 June 2016 (unaudited)	*31 December 2015*
Trade receivables, of which:	139 734	141 934
Trade receivables from related entities	664	1 695
Trade receivables from other entities	139 070	140 239
Current tax asset	4 963	7 095
Other receivables and prepayments, of which:	119 586	163 441
Advance payments made to related parties	241	52
Advance payments made to other parties	13 457	24 534
Receivables from the state budget	10 256	13 283
Settlement of property insurance costs	221	726
Settlements with the Company's Social Fund	924	299
Disputed receivables	4 017	300
Prepaid expenses	4 260	1 032
Receivables from disposal of property, plant and equipment and intangible assets	332	426
Security deposits	85 726	122 686
Factoring (receivables sold)	–	–
Other	152	103
Other receivables from related entities	437	–
Total receivables (net)	**264 720**	**312 470**
Impairment write-down against receivables	31 939	31 636
Gross receivables	**296 659**	**344 106**

* trade receivables pledged as security for the Company's liabilities as at the reporting date are presented in Note 11.14.5

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 payments are set by way of individual arrangements and fall between one and three months of the invoice date.

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

Short-term trade receivables of PLN 139 734 thousand recognised in the statement of financial position as at 30 June 2016 relate to trading contracts with domestic and foreign contractors:

The PLN 36 960 thousand change in security deposit receivables as at 30 June 2016 was caused by the following business operations:

- return of cash security deposit under the contract for construction of oil-gas steam boiler; in the period of 6 months ended 30 June 2016, cash deposit returned amounted to PLN 9 080 thousand;
- payment of cash security deposit under the contract for a component replacement at B2 boiler's furnace chamber; in the period of 6 months ended 30 June 2016, cash deposit paid amounted to PLN 7 413 thousand;
- payment of cash security deposit due to participation in public procurement procedure for the award of a public contract for construction of a new power plant in Vilnius; in the period of 6 months ended 30 June 2016, cash deposit paid amounted to PLN 13 277 thousand;
- return of cash security deposit under the contract for construction of the 910 MW supercritical power unit; in the period of 6 months ended 30 June 2016, cash deposit returned amounted to PLN 40 000 thousand.

A significant item of other receivables were prepayments with a total value of PLN 13 698 thousand as at 30 June 2016 which included:

- PLN 4 914 thousand prepayment for the contract for a component replacement at B2 boiler's furnace chamber;
- PLN 4 134 thousand prepayment for the contract for construction of a housing for catalytic de-nitriding system or the SCR for the OP boiler;
- PLN 2 161 thousand prepayment for the contract for development of membrane walls for the OP-380b boiler.

(in PLN thousand)

11.13 Impairment losses on assets

	*Shares**	*Other financial assets*	*Other non-financial assets*	*Inventories***	*Receivables****
1 January 2016	(24 361)	(164 557)	(5 676)	(10 353)	(31 636)
Recognition	(12)	–	–	(2 354)	(562)
Utilisation/ reversal	10	154 057	–	629	259
30 June 2016 (unaudited)	**(24 363)**	**(10 500)**	**(5 676)**	**(12 078)**	**(31 939)**
1 January 2015	(24 230)	(164 557)	(5 676)	(7 792)	(40 294)
Recognition	(49)	–	–	(789)	(1 153)
Utilisation/ reversal	–	–	–	170	4 579
30 June 2015 *(unaudited)*	**(24 279)**	**(164 557)**	**(5 676)**	**(8 411)**	**(36 868)**

* impairment losses on shares in entities declared bankrupt and in connection with re-measurement of shares
** recognition and reversal of inventory impairment write-downs are charged to cost of products and services sold
*** impairment write-downs against short- and long-term trade and other receivables, including contractual penalties

In the period of 6 months ended 30 June 2016, in connection with the arrangement with creditors of PBG S.A. w upadłości układowej [in voluntary arrangement] becoming legally valid, the Company utilised the impairment write-downs against receivables from entities in voluntary arrangement in the amount of PLN 154 057 thousand.

11.14 Assets pledged as security for the Company's liabilities

11.14.1. Fixed assets pledged as security

As at 30 June 2016, the value of fixed assets pledged as security for the Company's liabilities was PLN 143 493 thousand. These fixed assets serve as security for the Company's liabilities under Multi-Purpose Facility Agreement with PKO BP S.A. (a mortgage was established for a total amount of PLN 300m on the properties owned or leased by RAFAKO S.A. under perpetual usufruct, except for the residential property; a first-ranking registered pledge was established on set of movables and rights) and for the financial obligations of RAFAKO S.A. to BGK S.A., PKO BP S.A., mBank S.A. and PZU S.A. under the Guarantee Agreement concluded to provide guarantee for the E003B7 Sp. z o.o.'s liabilities arising from Guarantee Agreement on guarantees issued to TAURON Wytwarzanie S.A. in connection with the 910 MW Jaworzno III Project performance (second-ranking registered pledge on set of movables and rights).

	30 June 2016 (unaudited)	*31 December 2015*
Fixed assets under mortgage security, of which:	91 349	92 225
land	9 273	9 273
buildings and structures	82 076	82 952
Fixed assets under registered pledge, of which:	52 144	53 566
plant and machinery	50 469	50 793
vehicles	1 675	2 773
	143 493	**145 791***

* the reported amount includes PLN 45 thousand of fixed assets classified as held for sale (31 December 2015: PLN 119 thousand)

11.14.2. Intangible assets pledged as security

As at 30 June 2016, the value of intangible assets pledged as security for the Company's liabilities was PLN 10 638 thousand (31 December 2015: PLN 11 449 thousand). These intangible assets serve as security for the Company's liabilities under Multi-Purpose Facility Agreement with PKO BP S.A. (first-ranking registered pledge on set of movables and rights) and for the financial obligations of RAFAKO S.A. to BGK S.A., PKO BP S.A., mBank S.A. and PZU S.A. under the Guarantee Agreement concluded to provide guarantee for the E003B7 Sp. z o.o.'s liabilities arising from Guarantee Agreement on guarantees issued to TAURON Wytwarzanie S.A. in connection with the 910 MW Jaworzno III Project performance (second-ranking registered pledge on set of movables and rights).

11.14.3. Shares pledged as security

As at 30 June 2016, shares with a value of PLN 29 576 thousand (31 December 2015: PLN 25 261 thousand) serve as security for the Company's liabilities under Multi-Purpose Facility Agreement with PKO BP S.A. (first-ranking registered pledge on set of movables and rights) and for the financial obligations of RAFAKO S.A. to BGK S.A., PKO BP S.A., mBank S.A. and PZU S.A. under the Guarantee Agreement concluded to provide guarantee for the E003B7 Sp. z o.o.'s liabilities arising from Guarantee Agreement on guarantees issued to TAURON Wytwarzanie S.A. in connection with the 910 MW Jaworzno III Project performance (second-ranking registered pledge on set of movables and rights, registered pledge and financial pledge on shares in E003B7 Sp. z o.o.).

11.14.4. Inventories pledged as security

As at 30 June 2016, the value of inventories pledged as security for the Company's liabilities was PLN 14 045 thousand (31 December 2015: PLN 18 726 thousand). These inventories serve as security for the Company's liabilities under Multi-Purpose Facility Agreement with PKO BP S.A. (first-ranking registered pledge on set of movables and rights) and for the financial obligations of RAFAKO S.A. to BGK S.A., PKO BP S.A., mBank S.A. and PZU S.A. under the Guarantee Agreement concluded to provide guarantee for the E003B7 Sp. z o.o.'s liabilities arising from Guarantee Agreement on guarantees issued to TAURON Wytwarzanie S.A. in connection with the 910 MW Jaworzno III Project performance (second-ranking registered pledge on set of movables and rights).

11.14.5. Trade receivables pledged as security

Trade receivables with a carrying amount of PLN 26 076 thousand served as security for guarantees and loan collaterals as at 30 June 2016 (31 December 2015: PLN 26 137 thousand).

11.15 Issued capital

In the 6-month period ended 30 June 2016 the issued capital of RAFAKO S.A. did not change. Due to the issue of J series 15 331 998 shares with a nominal value of PLN 2.00 each, the issued capital of the Company increased by PLN 30 664 thousand and as at 30 June 2016 was PLN 169 864 thousand

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

11.16 Par value per share

All shares have a par value of PLN 2.00 and have been taken up for cash contribution.

11.17 Shareholder's rights

Shares of all series rank *pari passu* as regards dividend payment and return on equity.

11.18 Share premium

The share premium of PLN 77 947 thousand comprises the excess of issue price over the par value of the shares. On 15 May 2000, RAFAKO S.A.'s General Meeting resolved to allocate PLN 41 169 thousand to cover accumulated losses brought forward from previous years. In addition, in 2015 following recognition of PLN 58 562 thousand of share premium from the issue of J series shares, reduced by issue costs, the share premium amounted to PLN 95 340 thousand (31 December 2015: 95 340 thousand).

11.19 Reserve capital

Reserve capital has been created from statutorily required transfers from profits generated by the Company in previous years and from profit appropriation in excess of statutory amounts. In the period of 6 months ended 30 June 2016, following the appropriation of the 2015 net profit and transfer to reserve capital of PLN 26 585 thousand, reserve capital amounted as at 30 June 2016 to PLN 131 301 thousand (31 December 2015: PLN 104 716 thousand).

11.20 Translation reserve (Cumulative translation differences)

The balance of translation reserve is adjusted for exchange differences arising from translation of the financial statements of a foreign subsidiary of the Company. As at 30 June 2016, translation reserve (cumulative translation differences) amounted to PLN 133 thousand (31 December 2015: PLN 145 thousand).

11.21 Retained earnings and dividends paid

Following the recognition of the net loss for the 6-month period ended 30 June 2016 in the amount of PLN 4 418 thousand, recognition of actuarial gains/ losses in the amount of PLN 280 thousand and distribution of prior year profits in the amount of PLN 26 585 thousand, as at 30 June 2016 the value of the retained earnings of the Company amounted to minus PLN 9 440 thousand (31 December 2015: PLN 21 843 thousand).

In the 6-month period ended 30 June 2016, the Company did not pay dividends nor did the Management Board declare such payment.

(in PLN thousand)

11.22 Earnings/ (loss) per share

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

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

	6-month period ended 30 June 2016 (unaudited)	*6-month period ended 30 June 2015 (unaudited)*
Net profit/ (loss) from continuing operations	(4 418)	24 549
Profit/ (loss) from discontinued operations	–	–
Net profit/ (loss)	(4 418)	24 549
Net profit/ (loss) attributable to ordinary shareholders, used to calculate earnings/ (loss) per share	**(4 418)**	**24 549**
Weighted average number of outstanding ordinary shares, used to calculate basic earnings/ (loss) per share	84 931 998	69 600 000
Dilutive effect:	–	–
Share options	–	–
Redeemable preference shares	–	–
Adjusted weighted average number of ordinary shares used to calculate diluted earnings/ (loss) per share	**84 931 998**	**69 600 000**
Earnings/ (loss) per share		
– basic earnings/ (loss) from profit/ (loss) for the period	(0,05)	0,35

The Company does not present diluted earnings per share for the 6-month period ended 30 June 2016 as it does not have any dilutive financial instruments.

11.23 Post-employment and other employee benefits

Based on a valuation forecast made at the end of the accounting period by a professional actuary, the Company recognises a provision for the present value of its obligation related to payment of retirement benefits, jubilee bonuses and contributions to the Company's Social Fund. The amount of this provision and a reconciliation showing movements in the provision during the accounting period is presented in the table below:

	30 June 2016 (unaudited)	*31 December 2015*
As at 1 January	25 473	26 803
Interest expense	637	670
Current service costs	264	403
Actuarial gains/ (losses)	345	314
Benefits paid	(909)	(2 717)
Closing balance	**25 810**	**25 473**
Long-term provisions	23 824	23 500
Short-term provisions	1 986	1 973

(in PLN thousand)

The main assumptions adopted by the actuary as at 30 June and for the six months ended 30 June 2016 and in the 12 month period ended 31 December 2015 to determine the amount of the obligation were as follows:

	30 June 2016 (unaudited)	*31 December 2015*
Discount rate (%)	2.8	2.8
Expected inflation rate (%)*	–	–
Employee turnover rate	5	5
Expected salary growth rate (%)**	2	2

* No data in the actuarial report
** 2% in 2016 and in the subsequent years

11.24 Long-term trade and other payables

	30 June 2016 (unaudited)	*31 December 2015*
Trade payables		
Trade payables to related entities	–	55
Trade payables to other entities	11 212	20 741
	11 212	**20 796**
Capital commitments	83	112
	83	**112**
Employee benefits payable	23 824	23 500
	23 824	**23 500**
Financial liabilities		
Finance lease liabilities	2 912	3 111
	2 912	**3 111**
Other liabilities		
Unpaid bonus accrual	503	311
Provision for warranty repairs	5 874	4 325
	6 377	**4 636**

(in PLN thousand)

11.25 Short-term provisions, trade and other payables

	30 June 2016 (unaudited)	*31 December 2015*
Trade payables		
Trade payables to related entities	17 187	9 235
Trade payables to other entities	184 318	247 568
	201 505	**256 803**
Other financial liabilities		
Valuation of derivatives	–	–
Finance lease liabilities	1 689	1 278
	1 689	**1 278**
Capital commitments	803	1 790
	803	**1 790**
Other liabilities		
VAT	1 438	1 418
Personal income tax	2 121	2 116
Social security liabilities	7 723	7 537
Other taxes, customs duties and insurance payable	59	72
Salaries and wages payable	6 865	6 952
Provision for unused annual leave	4 699	3 076
Unpaid bonus accrual	5 151	6 784
Provision for warranty repairs	9 321	7 600
Provision for un-invoiced services and materials	9 595	4 828
Provision for audit fee	145	111
Provision for other liabilities and disputed claims	7 222	7 000
Other amounts payable to employees	621	279
Security deposits	176	144
Settlements with the Company's Social Fund	–	–
Other	392	235
	55 528	**48 944**

12. Financial risk management objectives and policies

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

(in PLN thousand)

13. Financial instruments

The following tables show the carrying amounts of various classes and categories of financial instruments as at 30 June 2016 and 31 December 2015:

Classes and categories of financial assets	*Carrying amount*	
	30 June 2016 (unaudited)	*31 December 2015*
Assets at fair value through profit or loss	–	–
Investment fund units	–	–
Derivative financial instruments	–	–
Available-for-sale financial assets	**208**	**210**
Long-term shareholdings	208	210
Loans and receivables	**273 361**	**314 295**
Trade receivables	142 270	147 594
Investment receivables	341	920
Other receivables	85 746	123 721
Loans granted	474	486
Long-term deposits	–	–
Short-term deposits	–	–
Other long-term financial assets	38 584	35 628
Other short-term financial assets	5 946	5 946
Cash and cash equivalents	**30 731**	**97 109**
	304 300	**411 614**

Classes and categories of financial liabilities	*Carrying amount*	
	30 June 2016 (unaudited)	*31 December 2015*
Financial liabilities at fair value through profit or loss	–	–
Derivative financial instruments	–	–
Financial liabilities at amortised cost	**365 326**	**390 714**
Loans and borrowings	151 723	111 213
Trade payables (including capital commitments)	213 603	279 501
Other financial liabilities	–	–
Liabilities under guarantees, factoring and excluded from the scope of IAS 39	**4 601**	**4 389**
Liabilities under leases and lease agreements with a purchase option	4 601	4 389
	369 927	**395 103**

(in PLN thousand)

14. Loans and borrowings

Short-term loans and borrowings	*Security/ collateral*	*Other*	*Currency*	*Effective interest rate*	*Maturity date*	*Liabilities under bank loans and borrowings*	
						30 Jun 2016 (unaudited)	*31 Dec 2015*
Short-term loans:							
PKO BP S.A.	Blank promissory note with 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 on set of movables and rights comprising the entire business of the Company.	Revolving overdraft facility in the amount of PLN 100m***	PLN	1M WIBOR + margin	30.06.2017****	100 203	109 208
PKO BP S.A.	registered pledge on set of movables and rights comprising the entire business of RAFAKO, all receivables that may arise under Limit granted.	Revolving working capital loan in credit account in the amount of PLN 50m	PLN	1M WIBOR + margin	30.06.2017****	49 515	–
						149 718	**109 208**

* the facility is collateralised by receivables under contracts performed by the Company;
** As at the date of these interim condensed financial statements, the Company established mortgages on its properties (other than flats and residential buildings) for a total amount of PLN 300m, serving as additional security for the credit facility from PKO BP S.A.;
*** As at the date of these interim condensed financial statements, in accordance with the annex of 30 June 2016 to the credit facility agreement, the multi-credit facility limit amounted to PLN 200 000 000.00, including an overdraft facility of up to PLN 100 000 000.00;
**** As at the date of these interim condensed financial statements, in accordance with the annex of 30 June 2016 to the credit facility agreement, the term of facility availability and its maturity date were extended until 30 June2017.

Short-term loans and borrowings	*Security/ collateral*	*Other*	*Currency*	*Effective interest rate*	*Maturity date*	*Liabilities under bank loans and borrowings*	
Short-term borrowings :							
PGL - DOM Sp. z o.o.*****	Blank promissory note with promissory note declaration	Cash borrowing for current business operations	PLN	1M WIBOR + margin	31.12.2016	2 005	2 005
						2 005	**2 005**

***** subsidiary company.

The Company expects to prolong this borrowing agreement for the subsequent reporting periods. The RAFAKO S.A.'s credit standing should be analysed taking into account the information included in Note 2 relating to the Company's ability to continue as a going concern.

(in PLN thousand)

15. Derivative financial instruments

As at 30 June 2016, the Company did not carry any open currency forward contracts or any other derivative financial instruments.

The Company does not apply hedge accounting, but the transactions are not speculative and their purpose is to effectively hedge foreign currency purchase/ sale contracts. As a result, the Company recognizes the effects of fair-value measurement/ realization of such instruments similarly as exchange differences i.e. under operating activities (income and expenses).

16. Capital management

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

	30 June 2016 (unaudited)	*31 December 2015*
Equity	387 198	391 823
External capital (bank loan and borrowings)	151 723	111 213
Total equity and liabilities	942 030	986 971
Capitalisation ratio	**0.41**	**0.40**

17. Provisions for costs

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

In the period of 6 months ended 30 June 2016, the Company reviewed the amounts of provisions for costs due to late performance of contracts (incl. realised delays with respect to contractual obligations, in particular, penalty calculation conditions) recognised for several ongoing contracts. Using the most recent data on running contracts and based on settlements of completed contracts, the Company's Management Board decided to recognize provisions for costs due to late performance of contracts in the amount of PLN 12 135 thousand .

(in PLN thousand)

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

	*Provision for expected losses on contracts**	*Provision for jubilee bonuses and retirement benefits*	*Provision for unused annual leave***	*Provision for warranty repairs***	*Provision for costs of contractual penalties*	*Provision for bonuses ***	*Provision for other costs ***	*Other provisions*
1 January 2016	29 807	25 473	3 076	11 925	–	7 095	7 000	111
Provision recognised	1 182	337	1 623	7 719	12 135	94	837	145
Provision reversed/ utilised	(12 951)	–	–	(4 449)	–	(1 535)	(615)	(111)
30 June 2016 (*unaudited*)	**18 038**	**25 810**	**4 699**	**15 195**	**12 135**	**5 654**	**7 222**	**145**
1 January 2015	36 087	26 803	3 289	11 847	1 946	8 441	6 412	100
Provision recognised	11 337	827	1 695	1 581	–	369	86	129
Provision reversed/ utilised	(17 685)	–	–	(5 248)	(1 946)	(1 516)	(700)	(100)
30 June 2015 *(unaudited)*	**29 739**	**27 630**	**4 984**	**8 180**	**–**	**7 294**	**5 798**	**129**

* amounts resulting from accounting for construction contracts described in Note 10.
** provisions presented in the statement of financial position as other liabilities

(in PLN thousand)

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

In the 6-month period ended 30 June 2016, the Company did not issue, redeem or repay debt or equity securities.

19. Dividends paid or declared

In the 6-month period ended 30 June 2016, the Company did not pay dividends nor did the Management Board declare such payment.

20. Capital commitments

As at 30 June 2016, the Company had commitments related to purchase of property, plant and equipment of PLN 886 thousand. As at 30 June 2016, the Company also had signed agreements envisaging capital expenditure to be made in 2016, which was not disclosed in the books of account at the end of the reporting period for a total amount of PLN 178 thousand. The agreements related mainly to capital expenditure on production plant and equipment.

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

	30 June 2016 (unaudited)	*31 December 2015*
Receivables under bank guarantees received mainly as performance bond for contracts, of which:	225 210	235 544
- from related parties	–	–
Receivables under sureties received, of which:	–	7 600
- from related parties	–	–
Promissory notes received as security, of which:	24 660	26 667
- from related parties	11 734	13 204
Letters of credit	–	–
	249 870	**269 811**

	30 June 2016 (unaudited)	*31 December 2015*
Commitments under bank guarantees issued mainly as performance bond for contracts, of which:	203 712	201 181
- to related parties	–	–
Liabilities under sureties, of which:	1 394 668	1 046 000
- to related parties	1 394 668	1 046 000
Promissory notes issued as security, of which:	28 178	28 747
- to related parties	2 000	2 000
Letters of credit	–	–
	1 626 558	**1 275 928**

In the 6-month period ended 30 June 2016, RAFAKO S.A. recorded a PLN 350 630 thousand increase in contingent liabilities, which resulted mainly from an increase in liabilities under issued securities. In the period of first 6 months of 2016, guarantees (mainly performance bonds of PLN 33 118 thousand and bid bonds of PLN 25 462 thousand) were issued by banks and insurance companies to the Company's trading partners upon the Company's instruction. In this category of liabilities, the largest item is a bid bond of EUR 3 million, issued in June 2016. Liabilities under sureties of PLN 1 394 668 thousand relate to the surety of RAFAKO S.A. issued on 16 April 2014 and on 24 February 2016 in respect of E003B7 Sp. z o.o.'s liabilities, valid until 17 April 2028, in connection with the project "Development of new coal-fired generation capacities at TAURON Wytwarzanie S.A. – Construction of the supercritical 910 MW generating unit at the Jaworzno III Power Plant". Change in the sureties recorded in the first half of 2016 relates to signing an annex to the agreement of 16 April 2014 on issuance of bank and insurance guarantees to an SPV for the running project, under which mBank undertook to issue bank guarantee in the amount of PLN 348 668 thousand. The largest item among guarantees which expired in the period of first 6 months of 2016 was a performance bond of PLN 9 079 thousand.

Over the first 6 months of 2016, the Company recorded a decrease in contingent receivables, being mainly performance bonds of PLN 19 941 thousand, including decrease in receivables from received bank and insurance guarantees of PLN 10 334 thousand and decrease in receivables under promissory notes of PLN 2 007 thousand. The largest item among guarantees received in the first 6 months of 2016 was a guarantee for the return of advance payment of EUR 1,831 thousand. The largest item among guarantees which expired in the first 6 months of 2016 was the guarantee for the return of the advance payment of EUR 1,831 thousand.

22. Litigations and disputes

At the date of these interim condensed financial statements, the Company is involved in litigations and disputes both as defendant and claimant.

In a material litigation, the Company is seeking compensation from Donetskobłenergo of Ukraine following the customer's final decision to abandon the steam-generator construction project. On 6 August 2010, the Company 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 2 March 2010 and upholding the ruling of the Donetsk Commercial Court of Appeals of 23 December 2008, whereby RAFAKO was awarded UAH 56.7m (approximately USD 11.5m) in compensation, default interest, court expenses and legal representation. As the recovery of the awarded receivable is uncertain, the Company did not recognize that amount as revenue. RAFAKO S.A.'s attorney reported that in July 2012 the Commercial Court for the Donetsk region resumed the examination of the case having received Donetskobłenergo's petition to declare the agreement of 16 May 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.

On 9 December 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 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 denitrification (DeNOx) units. RAFAKO S.A.'s stance is that the fee claimed by ESPD is not due since no services have been provided. On 7 December 2015, the Court of Arbitration at the Polish Chamber of Commerce issued a verdict under which RAFAKO S.A. is required to pay the full amount of the ESPD's claim. The liability of the Company to ESPD was paid, however, RAFAKO S.A. has continued to be in dispute on this matter. On 21 January 2016, the Company filed for repealing this verdict with the Court of Appeals in Katowice; the matter will be heard in September 2016.

23. Receivables from related entities in company voluntary arrangement

At the reporting date, in the statement of financial position the Company recognised net receivables of PLN 35.8m from a related entity in company voluntary arrangement.

On 20 December 2011, RAFAKO S.A. and PBG S.A. of Wysogotowo ("higher level parent") 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 this 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 issued 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. Based on the Agreement, PBG S.A. sold the shares held for PLN 160 154 889.60 (i.e. PLN 3.48 per share). The purchase price was paid on 30 December 2011. Following an analysis and taking into account the likelihood of realization 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 Company's financial statements for the year ended 31 December 2011 under cost of an investment in a subsidiary. The carrying amount of the investment as at 31 December 2011 was PLN 160 712.3 thousand. In accordance with the Company's accounting policy, the shares in the subsidiary were recognized at historical cost (net of impairment, if any).

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

On 16 July 2012, the Management Board of the Company received a letter from the Court Supervisor of PBG S.A. w upadłości układowej [in company voluntary arrangement] addressed to that company ("PBG") informing that the sale of 46 021 520 shares in ENERGOMONTAŻ – POŁUDNIE S.A. by PBG S.A. to RAFAKO S.A. on 20 December 2011, "as a legal transaction executed by the Bankrupt (PBG) for a consideration, within 6 months before the date of submitting the bankruptcy petition (i.e. 4 June 2012), with a related party in respect of which the Bankrupt (PBG) was a parent, is ineffective against its bankruptcy estate", in accordance with Article 128.2 of the Bankruptcy and Restructuring Law ("the Letter"). The Court Supervisor requested the Management Board of PBG S.A. to immediately take steps under Article 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 7 August 2012, the Company's Management Board entered into an agreement with PBG S.A. w upadłości układowej [in company voluntary arrangement] of Wysogotowo for the transfer of shares in ENERGOMONTAŻ – POŁUDNIE Spółka Akcyjna of Katowice. The agreement provided for the transfer of 46 021 520 ordinary bearer shares in the company, with a par value of PLN 1 per share, representing 64.84% of the share capital and 64.84% of total voting rights at the General Meeting of ENERGOMONTAŻ – POŁUDNIE S.A. carrying the right to 46 021 520 votes. The share transfer was registered in the brokerage account on 7 August 2012.

In accordance with the legal analyses available to the Company's Management Board, as a result of PBG S.A.'s insolvency declared on 13 June 2012, the sale of shares in ENERGOMONTAŻ – POŁUDNIE S.A. by PBG S.A. to RAFAKO S.A. under the agreement signed on 20 December 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 13 June 2012 (the date of loss of control). This means that the Company is required to return the shares of ENERGOMONTAŻ – POŁUDNIE S.A. to PBG S.A. to include them in the PBG S.A.'s bankruptcy estate, i.e. to procure that they are recorded in the 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 of ineffectiveness of the acquisition of ENERGOMONTAŻ – POŁUDNIE S.A. shares from PBG S.A. w upadłości układowej [in company voluntary arrangement], the Company's Management Board resolved to submit to the procedure involving the return of the shares.

Given the ineffectiveness of PBG S.A.'s disposal of the shares in ENERGOMONTAŻ-POŁUDNIE S.A. to RAFAKO S.A., the Company is entitled to claim a refund of the price paid for the shares. RAFAKO S.A.'s right to the refund of the price paid for the shares of ENERGOMONTAŻ-POŁUDNIE S.A. results in the recognition, in the statement of financial position, of a receivable which was initially recognised at fair value by reference to the present value of the expected inflows. Accordingly, the fair value of the receivable was estimated taking into account the expected cash flows 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 at 30 June 2016.

In the period of 12 months ended 31 December 2014, the Company re-measured the asset based on updated arrangement proposals of 3 November 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 the period of 5 years beginning on 30 June 2016.

As at 30 June 2016, the value of the receivable determined based on the assumptions discussed above amounted to PLN 25.2m under "Other long-term financial assets" and PLN 4.9m under "Other short-term 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 4 June 2013).

In addition, on 10 January 2012, RAFAKO S.A. 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 to Hydrobudowa Polska S.A. maturing in 12 months (i.e. on 9 January 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 (in words: thirty-five million zloty). This loan bears interest at an annual rate of 1M WIBOR plus margin per annum. By the date of these interim condensed financial statements, RAFAKO S.A. has not received any amounts from Hydrobudowa Polska S.A., either as repayment of the loan principal or interest.

On 4 June 2012, PBG S.A. and Hydrobudowa Polska S.A. filed petitions with the District Court 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 13 June 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 11 June 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 Article 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 26 October 2012, the Company'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.

Taking into consideration the process of bankruptcy liquidation of Hydrobudowa Polska S.A., in order to seek the return of the loan amount, on 21 September 2012 the Management Board of Company filed the claim with the register of claims maintained as part of the PBG S.A. bankruptcy arrangement proceedings. In the period of 12 months ended 31 December 2014, taking into consideration current arrangement proposals (dated 3 November 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 recognized) and the repayment of the receivable in semi-annual instalments over the period of 5 years starting from 30 June 2016.

As at 30 June 2016, the value of the receivable determined based on the assumptions discussed above amounted to PLN 5.1m under "Other long-term financial assets" and PLN 1m under "Other short-term 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 4 June 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 recognized in the statement of financial position is PLN 35.8m. In the 6-month period ended 30 June 2016, the measurement of the receivables contributed PLN 456 thousand (as at 31 December 2015 – PLN 2 502 thousand) to the Company's net profit/ (loss).

In accordance with the information received from the Company, on 13 June 2016 the court dismissed the appeal against the Decision of the Bankruptcy Court of 8 October 2015 in the matter of validation of PBG S.A.'s voluntary arrangement with creditors and, accordingly, the court's decision on voluntary arrangement became legally valid. In addition, on 29 July 2016 PBG S.A. received a court decision of 20 July 2016 concerning termination of bankruptcy proceedings.

Since the Decision of the Bankruptcy Court of 8 October 2015 on PBG S.A.'s voluntary arrangement with creditors became legally valid on 13 June 2016, the Company utilized the impairment write-down against said receivable in the total amount of PLN 156.9m.

(in PLN thousand)

Under PBG S.A.'s voluntary arrangement, the deadline for the payment of the first instalment of cash to the Company was set at 30 June 2016. However, following the agreement of RAFAKO S.A. and PBG S.A. of 29 July 2016, this deadline was moved to 15 September 2016.

Given the PBG S.A.'s voluntary arrangement validation, the Company's Management Board stance is that at the date of these interim condensed financial statements the probability of receivables' recovery has increased although it still depends on the fulfilment of voluntary arrangement by PBG S.A. in the future.

24. Management Board and Supervisory Board of the Company

In the 6-month period ended 30 June 2016, there were no changes in the composition of the Company's Management Board.

As at the date of these interim condensed financial statements, the composition of the Company'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 6-month period ended 30 June 2016, there were no changes in the composition of the Company's Supervisory Board.

As at the date of these interim condensed financial statements, the composition of the Company's Supervisory Board was as follows:

Jerzy Wiśniewski	- Chairman of the Supervisory Board
Dariusz Sarnowski	- Deputy Chairman of the Supervisory Board
Krzysztof Gerula	- Member of the Supervisory Board (independent)
Przemysław Schmidt	- Member of the Supervisory Board (independent)
Dariusz Szymański	- Member of the Supervisory Board
Adam Szyszka	- Member of the Supervisory Board (independent)
Małgorzata Wiśniewska	- Member of the Supervisory Board

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

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

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

(in PLN thousand)

26. Related party transactions

In the 6-month period ended 30 June 2016 and 2015, the Company did not enter into any material related-party transactions on non-arm's length terms. Aggregate amounts of related-party transactions in the financial periods indicated.

Related party	*6-month period ended 30 June:*	*Sale to related parties*	*Purchase from related parties*	*Receivables from related parties*	*Liabilities to related parties*
Parent :					
PBG S.A. w upadłości układowej (in company voluntary arrangement)*	*2016*	411	1 612	36 469	396
	2015	–	6	35 314	1
PBG S.A. Group companies:					
PBG oil and gas Sp. z o.o.	*2016*	42	25 488	21	11 153
	2015	–	1 954	–	1 028
PBG Avatia Sp. z o.o. w upadłości układowej (in company voluntary arrangement)	*2016*	–	–	–	–
	2015	–	2	–	–
PBG ERIGO Sp. z o.o.	*2016*	8	–	9	–
	2015	–	–	–	–
PBG ERIGO PROJEKT Sp. z o.o. PLATAN HOTEL SKA	*2016*	38	–	8	–
	2015	–	–	–	–
Subdsidiaries:					
PGL-DOM Sp. z o.o.	*2016*	–	31	–	1
	2015	–	30	–	1
RAFAKO Engineering Sp. z o. o.	*2016*	631	3 262	1 283	2 072
	2015	25	–	15	26
ENERGOTECHNIKA Engineering Sp. z o.o.	*2016*	24	5 530	5	3 335
	2015	24	5 301	5	3 303
RAFAKO Engineering Solution z o.o.	*2016*	–	1 173	–	44
	2015	–	187	–	46
RAFAKO Hungary Sp. z o.o.	*2016*	–	–	177	–
	2015	–	–	–	–
E001RK Sp. z o.o.	*2016*	3	120	–	25
	2015	3	206	–	108
E003B7 Sp. z o.o.	*2016*	148	–	8 294	–
	2015	4 875	–	4 094	–

(in PLN thousand)

Related party	*6-month period ended 30 June:*	*Sale to related parties*	*Purchase from related parties*	*Receivables from related parties*	*Liabilities to related parties*
Entities related through personal links:					
Fundacja PBG	*2016*	–	128	–	–
	2015	–	72	–	–
Mostostal-Energomontaż Gliwice S.A.	*2016*	–	–	–	102
	2015	–	15	–	387
SWGK CONSULTING Sp. z o.o.	*2016*	–	59	–	17
	2015	–	–	–	–
Energoprojekt Katowice S.A.	*2016*	–	–	–	–
	2015	–	–	–	–
BPIL Grzegorz Kiczor	*2016*	–	75	–	18
	2015	–	–	–	–
Dwór w Smólsku	*2016*	–	80	–	25
	2015	–	–	–	–
Corporate Finance & IT Sp. z o.o.	*2016*	121	–	52	–
	2015	–	–	–	–

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

27. Events after the reporting date

After the reporting date, no events took place which could have impact on the financial result of RAFAKO S.A.

On 11 July 2016, the Supervisory Board of the Company, acting based on the authorization provided in the Company's Articles of Association, appointed Ernst & Young Audyt Polska Sp. z o.o. sp.k. with its registered office in Warsaw, entered in the list of certified auditors of the National Chamber of Certified Auditors under No. 130, as the entity authorized to audit the financial statements of the Company. Auditor selection was made in accordance with binding laws and professional standards. The contract with the selected auditor will be signed for a review and audit of the 2016 financial statements of RAFAKO S.A. and the 2016 consolidated financial statements of the RAFAKO Group.

On 13 July 2016, the Company was notified about selecting by UAB Verslo Aptarnavimo Centras, a company conducting public procurement procedure based on the authorization of UAB Vilniaus Kogeneracinë Jëgainë as the Contracting Authority, of the Company's offer filed in the public procurement procedure for the award of the contract „Construction of a biomass-powered cogeneration unit composed of the CFB boilers (Circulating Fluidized Bed boilers) and biomass storage and administration system", realised as part of the construction of a new cogeneration (heat and power) plant in Vilnius (Lithuania). The proposal value is EUR 149 650 000 (VAT exclusive). Contract may be signed not earlier than after 15-days (of standstill period) from the date of publication of public tender results, while project works may commence within maximum 9 months of contract signing, with the proviso that contract signing depends, among others, on the Contracting Authority's securing project financing.

On 13 July 2016, E003B7 Sp. z o.o. i.e. 100% subsidiary of RAFAKO S.A. and POLIMEX Energetyka Sp. z o.o. with its registered office in Warsaw, concluded an agreement for the assembly of boiler pressure parts, performance of boiler operational tests and participation in boiler start-up in connection with the project "Development of new coal-fired generation capacities at TAURON Wytwarzanie S.A. – Construction of a supercritical 910 MW generating unit at the Jaworzno III Power Plant" to be executed by Rafako and an SPV *(special purpose vehicle).* According to cost analysis, the full-scope contract value is PLN 118 750 000 (VAT exclusive), and the deadline for contract execution is April 2018. The parties agreed that the limit of contractual penalties for subcontractor default is 15% of net contract value. Contract termination for the reasons caused by the other party entails a penalty of 10% of net contract value. Contract penalty payment does not exclude the possibility of seeking compensations in excess of said values, with the maximum liability for contract non-performance or undue performance not higher than 100%.

On 14 July 2016, RAFAKO S.A. and POLIMEX Energetyka Sp. z o.o. with its registered office in Warsaw (PE) signed a letter of intent to commence cooperation in the following scope: (i) joint participation in a possible public procurement procedure for the development of generation capacities at Elektrownia Ostrołęka and (ii) performance of work under a contract, which will be concluded if the consortium of POLIMEX Energetyka Sp. z o.o. and RAFAKO S.A. is awarded, in public procurement procedure, a contract for the Project on the terms and conditions determined in such contract.

The Parties assume participation in the project in the consortium formula. In the consortium agreement, the Parties will determine detailed scope of proposal preparation and the scope of work of each Party; in addition, the principles of use by each Party of its potential will be determined as well as policies for providing credentials etc. If the Parties sign the consortium agreement, PE will act as the consortium leader, and at the stage of Project execution, it will be the contractor responsible for assembly-construction works. RAFAKO S.A. will be the consortium member, and at the stage of Project execution, it will also be the contractor in charge of technological works (with no turbine island), with detailed scope of work to be determined in the contract.

On 2 August 2016, RAFAKO S.A. received a debit note of PLN 13 491 000 from ENERGA Elektrownia Ostrołęka SA issued in connection with the contract for NOx reduction system at boilers OP_650 No. 1, 2 and 3 at Elektrownia Ostrołęka B dated 10 October 2014, realized in consortium with OMIS SA. In its debit note justification, ENERGA Elektrownia Ostrołęka stated that the reason for debit note issuance is a delayed performance of contract works. The stance of the Company's Management Board is that there are no grounds to charge contractual penalties, thus rejecting the whole line of argumentation presented in debit note justification.

On 3 August 2016, RAFAKO S.A. was notified by ENEA Wytwarzanie Sp. z o.o. in Swierże Górne about selecting, as the most favourable, of the RAFAKO S.A.'s proposal filed in an open-end public procurement procedure for the award of the contract „Delivery and assembly of a Catalytic De-nitriding System or the SCR (selective catalytic removal) system for AP-1650 boilers No. 9 and 10 and modernization of electro-filters at ENEA Wytwarzanie sp. z o.o". The proposal value is approx. PLN 289.2m (VAT exclusive) (i.e. approx. PLN 355.7m, VAT inclusive). Contract may be signed after a 10-day standstill period [envisaged by Polish law for possible appeals against contract award decision - *termin na wniesienie odwołania)* at the earliest.

(in PLN thousand)

These interim condensed financial statements were authorised for issue on 31 August 2016 based on the Resolution of the Management Board of RAFAKO S.A. dated 31 August 2016.

Signatures:

31 August 2016	Agnieszka Wasilewska-Semail	President of the Management Board	....
31 August 2016	Krzysztof Burek	Vice-president of the Management Board	....
31 August 2016	Jarosław Dusiło	Vice-president of the Management Board	....
31 August 2016	Edward Kasprzak	Vice-president of the Management Board	....
31 August 2016	Tomasz Tomczak	Vice-president of the Management Board	....
31 August 2016	Jolanta Markowicz	Chief Accountant	....