RAFAKO S.A.

PBG GROUP

INTERIM CONDENSED FINANCIAL STATEMENTS

for the six months ended June 30th 2018

September 6th 2018

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(PLN '000)

Interim condensed statement of comprehensive income

for the six months ended June 30th 2018

	Note	*Six months ended Jun 30 2018*	*Six months ended Jun 30 2017 (restated)*	*Three months ended Jun 30 2018*	*Three months ended Jun 30 2017 (restated)*
Continuing operations					
Revenue	11.1	**314,301**	**286,734**	**162,732**	**152,532**
Revenue from sale of products and services		313,178	285,424	162,201	151,934
Revenue from sale of materials		1,123	1,310	531	598
Cost of products and services sold	11.1	(277,762)	(251,582)	(152,431)	(137,867)
Cost of materials sold		(754)	(584)	(92)	(452)
Gross profit/(loss)		**35,785**	**34,568**	**10,209**	**14,213**
Other income	11.1	9,633	3,144	7,545	1,395
Distribution costs	11.1	(12,690)	(16,583)	(5,804)	(8,850)
Administrative expenses		(21,055)	(20,870)	(10,739)	(10,241)
Other expenses	11.1	(2,489)	(5,989)	(1,191)	(4,642)
Operating profit/(loss)		**9,184**	**(5,730)**	**20**	**(8,125)**
Finance income	11.1	5,559	305	4,411	164
Finance costs	11.1	(2,307)	(6,676)	(1,247)	(1,441)
Profit/(loss) before tax		**12,436**	**(12,101)**	**3,184**	**(9,402)**
Income tax expense	11.2	(10,771)	(6,409)	(3,918)	(339)
Net profit/(loss) from continuing operations		**1,665**	**(18,510)**	**(734)**	**(9,741)**

(PLN '000)

Interim condensed statement of comprehensive income
for the six months ended June 30th 2018

	Note	*Six months ended Jun 30 2018*	*Six months ended Jun 30 2017 (restated)*	*3 months ended Jun 30 2018*	*3 months ended Jun 30 2017 (restated)*
Other comprehensive income for period		**(510)**	**(52)**	**(263)**	**(97)**
Items to be reclassified to profit/(loss) in subsequent reporting periods					
Exchange differences on translating foreign operations		(124)	(133)	(59)	(35)
Other net comprehensive income to be reclassified to profit/(loss) in subsequent reporting periods		**(124)**	**(133)**	**(59)**	**(35)**
Items that will not be reclassified to profit/(loss) in subsequent reporting periods					
Other comprehensive income from actuarial gains/(losses)		(475)	100	(250)	(77)
Tax on other comprehensive income	11.2	89	(19)	46	15
Other net comprehensive income that will not be reclassified to profit/(loss) in subsequent reporting periods		**(386)**	**81**	**(204)**	**(62)**
Total comprehensive income for period		**1,155**	**(18,562)**	**(997)**	**(9,838)**
Weighted average number of shares		127,431,998	84,931,998	127,431,998	84,931,998
Basic/diluted earnings/(loss) per share (in PLN)	11.21	0.01	(0.22)	(0.01)	(0.11)

Racibórz, September 6th 2018

Agnieszka Wasilewska-Semail	Jarosław Dusiło	Edward Kasprzak	Karol Sawicki	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

(PLN '000)

Interim condensed statement of financial position
as at June 30th 2018

	Note	*Jun 30 2018*	*Dec 31 2017 (restated)*	*Jun 30 2017 (restated)*
ASSETS				
Non-current assets				
Property, plant and equipment	11.4	137,764	140,364	145,100
Goodwill		1,774	1,774	1,774
Intangible assets		8,219	8,739	8,999
Long-term trade and other receivables	11.6	8,160	5,389	3,424
Shares	11.7	36,486	35,333	29,630
Non-current financial assets	11.8	35,950	33,945	38,971
Deferred tax asset	11.2	27,763	38,444	44,405
Long-term prepayments and accrued income		2,421	1,689	–
		258,537	**265,677**	**272,303**
Current assets				
Inventories	11.9	27,640	26,320	13,367
Short-term trade and other receivables	11.12	241,614	289,002	177,662
Gross amount due from customers for contract work	10	199,341	137,583	118,195
Derivative instruments		–	479	–
Other current financial assets	11.10	8,054	4,747	5,903
Short-term loans advanced		416	396	422
Cash and cash equivalents	11.11	69,283	158,921	68,713
Short-term prepayments and accrued income	11.13	16,146	20,669	21,115
		562,494	**638,117**	**405,377**
Non-current assets held for sale		90	108	7
TOTAL ASSETS		**821,121**	**903,902**	**677,687**

Racibórz, September 6th 2018

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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

(PLN '000)

Interim condensed statement of financial position
as at June 30th 2018

	Note	Jun 30 2018	Dec 31 2017 (restated)	Jun 30 2017 (restated)
EQUITY AND LIABILITIES				
Equity				
Share capital	11.16	254,864	254,864	169,864
Share premium	11.19	165,119	173,708	95,340
Reserve funds		11,600	69,061	69,061
Translation reserve		(462)	(337)	(202)
Retained earnings/accumulated losses, including:		(36,716)	(104,046)	(35,768)
Profit/(loss) brought forward		(38,381)	(37,997)	(17,258)
Net profit/(loss) for period		1,665	(66,049)	(18,510)
		394,405	**393,250**	**298,295**
Non-current liabilities				
Finance lease liabilities		1,508	1,046	1,760
Employee benefit obligations and provisions	11.23	20,742	21,096	23,199
Long-term trade and other payables	11.22	12,132	14,674	12,471
Other long-term provisions	11.25	19,038	16,567	6,022
		53,420	**53,383**	**43,452**
Current liabilities				
Short-term portion of interest-bearing borrowings	15	114,756	98,568	51,132
Finance lease liabilities		1,434	1,696	1,803
Short-term trade and other payables	11.26	212,760	280,712	163,668
Employee benefit obligations and provisions	11.27	24,939	21,465	26,357
Gross amount due to customers for contract work		4,872	16,543	59,946
Other short-term provisions	11.28	13,778	37,930	32,329
Short-term accruals and deferred income		142	75	145
Grants		615	280	560
		373,296	**457,269**	**335,940**
Total liabilities		**426,716**	**510,652**	**379,392**
TOTAL EQUITY AND LIABILITIES		**821,121**	**903,902**	**677,687**

Racibórz, September 6th 2018

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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

(PLN '000)

Interim condensed consolidated statement of cash flows

for the six months ended June 30th 2018

	Note	*Six months ended Jun 30 2018*	*Six months ended Jun 30 2017 (restated)*
Cash flows from operating activities			
Profit/(loss) before tax		12,436	(12,101)
Adjustments for:		(113,289)	113,898
Depreciation and amortisation		5,314	5,289
Foreign exchange gains/(losses)		(8)	20
Interest and dividends, net		1,845	1,963
(Gain)/loss from investing activities		(2,385)	235
Increase/(decrease) in liabilities under FX contracts		479	–
(Increase)/decrease in receivables	11.3	41,522	96,433
(Increase)/decrease in inventories		(1,320)	(328)
Increase/(decrease) in liabilities and provisions, excluding borrowings	11.3	(67,488)	(3,686)
Change in provisions, accruals and deferrals	11.3	(17,823)	(7,966)
Change in gross amounts due to and from customers for contract work	11.3	(73,429)	22,769
Income tax (paid)/received		–	(857)
Other		4	26
Net cash from operating activities		**(100,853)**	**101,797**
Cash flows from investing activities			
Sale of property, plant and equipment and intangible assets		312	188
Purchase of property, plant and equipment and intangible assets		(1,074)	(2,007)
Purchase of financial assets		(1,209)	–
Sale of financial assets		–	3,685
Dividends and interest		–	4
Other		(1)	16
Net cash from investing activities		**(1,972)**	**1,886**
Cash flows from financing activities			
Payment of finance lease liabilities		(1,423)	(912)
Proceeds from borrowings		16,590	–
Repayment of borrowings		–	(98,282)
Interest paid		(1,146)	(1,529)
Bank fees		(1,049)	(47)
Other		340	44
Net cash from financing activities		**13,312**	**(100,726)**
Net increase/(decrease) in cash and cash equivalents		**(89,513)**	**2,957**
Net foreign exchange gains (losses)		(125)	(126)
Cash at beginning of period		158,921	65,882
Cash at end of period	11.11	**69,283**	**68,713**

Racibórz, September 6th 2018

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(PLN '000)

Interim condensed statement of changes in equity
for the six months ended June 30th 2018

	Share capital	*Share premium*	*Reserve funds*	*Translation reserve*	*Retained earnings/ accumulated losses*	*Total equity*
As at Jan 1 2018	**254,864**	**173,708**	**69,061**	**(337)**	**(71,222)**	**426,074**
Adjustment to opening balance	–	–	–	–	(32,824)	(32,824)
As at Jan 1 2018 *(restated)*	**254,864**	**173,708**	**69,061**	**(337)**	**(104,046)**	**393,250**
Profit/(loss) from continuing operations	–	–	–	–	1,665	1,665
Other comprehensive income	–	–	–	(125)	(385)	(510)
Distribution of retained earnings	–	(8,589)	(57,461)	–	66,050	–
As at Jun 30 2018	**254,864**	**165,119**	**11,600**	**(462)**	**(36,716)**	**394,405**
As at Jan 1 2017	**169,864**	**95,340**	**131,301**	**(69)**	**(67,676)**	**328,760**
Adjustment to opening balance	–	–	–	–	(11,903)	(11,903)
As at Jan 1 2017 *(restated)*	**169,864**	**95,340**	**131,301**	**(69)**	**(79,579)**	**316,857**
Profit/(loss) from continuing operations	–	–	–	–	(18,510)	(18,510)
Other comprehensive income	–	–	–	(133)	81	(52)
Distribution of retained earnings	–	–	(62,240)	–	62,240	–
As at Jun 30 2017 *(restated)*	**169,864**	**95,340**	**69,061**	**(202)**	**(35,768)**	**298,295**

Racibórz, September 6th 2018

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NOTES

1. General information

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

The Company was established for an indefinite term.

These interim condensed financial statements of the Company cover the six months ended June 30th 2018 and contain comparative data for the six months ended June 30th 2017 and as at December 31st 2017. The statement of comprehensive income and notes to the statement of comprehensive income contain data for the three months ended June 30th 2018 and the comparative data for the three months ended June 30th 2017 and have not been audited or reviewed by an auditor.

The Company's principal business activity includes:

- Production of steam generators, excluding hot water central heating boilers;
- Metalworking and coating;
- Manufacture of industrial cooling and ventilation equipment;
- Repair and maintenance of finished metal goods;
- Installation of industrial machinery, plant and equipment;
- Other specialist construction activities n.e.c.;
- Wholesale of hardware, plumbing and heating equipment and supplies;
- Wholesale of waste and scrap;
- Engineering activities and related technical consultancy;
- Other technical testing and analyses.

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 for the six months ended June 30th 2018 were authorised for issue by the Company's Management Board on September 6th 2018.

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

The Company has also prepared interim condensed consolidated financial statements for the six months ended June 30th 2018, which were authorised for issue by the Company's Management Board on September 6th 2018.

2. Basis of preparation

These interim condensed financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*, as endorsed by the European Union ("IAS 34").

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 currency of these interim condensed financial statements is the Polish złoty ("PLN"), and all amounts are stated in thousands of złoty unless indicated otherwise.

The Company applied the IFRSs as effective for the year beginning on January 1st 2018

These interim condensed financial statements of the Company have been prepared on the assumption that the Company will continue as a going concern for at least 12 months after the reporting date.

To continue as a going concern, the Company must secure an appropriate order book (including, first of all, securing sufficient financing to perform the contracts in the order book) and maintain financial liquidity.

An analysis of the Company's financial position should take into consideration the following factors: in the six months ended June 30th 2018, the Company recognised revenue of PLN 314m and a net profit of PLN 1.6m; furthermore, as at June 30th 2018, RAFAKO S.A.'s net current assets were PLN 189m (including cash of PLN 69m). The year-on-year increase in revenue in the first six months of 2018 was primarily a consequence of further progress in the performance of major contracts secured in the second half of 2016 (the contract to construct a biomass-fired co-generation unit and the contract to deliver and install an SCR system and upgrade electrostatic precipitators).

In 2018, in line with its new strategy, the Company took steps to expand into new markets, which led to the following developments:

- On February 21st 2018, the Company procured the successful execution of a credit facility agreement between Bank Gospodarstwa Krajowego (BGK) and PT. PLN (PERSERO), secured with an insurance policy from Korporacja Ubezpieczeń Kredytów Eksportowych S.A. (KUKE) (both BGK and KUKE S.A. are part of the Polski Fundusz Rozwoju (Polish Development Fund) Group), thus satisfying one of the two conditions precedent of the contract with PT. PLN (PERSERO) for construction of two steam units in Indonesia;
- On March 29th 2018, the Company signed a contract for the design, delivery and assembly of an LNG tank in Finland. The value of the contract is EUR 13.4m;
- On April 27th 2018, the Company was notified that the Company's bid was selected as the best bid in the tender procedure for construction work to be carried out as part of the project to build the Goleniów-Płoty section of the DN 700 Szczecin-Gdańsk gas pipeline. The total value of the Company's bid is close to PLN 124.9m.

In addition, on April 27th 2018, the Company and HSBC Bank Polska S.A. entered into a bank guarantee facility agreement whereby the Company may request guarantees for the financing of contracts performed by the Company up to a guarantee limit of EUR 20.5m.

In line with the Management Board's assumptions, these measures have a positive effect on the Company's liquidity.

An important part of the analysis of the Company's financial condition is a forecast of profit or loss and cash flows for the 12 months following March 31st 2018 (and for subsequent periods), prepared by the Management Board. The key assumptions of the forecast are as follows:

- Revenue increase − the assumption is based on the current value of the order book (which to a significant extent supports the revenue forecast) and significant new contract acquisition. The Management Board is taking steps to deliver a net profit in 2018 and to further improve the Company's liquidity position. These plans assume that the existing contracts (which account for a significant portion of the forecast revenue) will be performed in line with original budgets, and that in the coming 12 months Company will acquire new contracts to fully deliver the budgeted revenue;
- Timely delivery and execution of the contracts in the Company's current order book, including in particular timely generation of cash flows from the contracts;
- Delivery of budgeted margins on the contracts in the Company's current order book, and the Company's ability to prevent any further increase in losses already recognised on some of the contracts;
- Continued efforts to maintain and expand the order book;
- No material limitations imposed by financial institutions with respect to the Company's access to financial guarantees necessary to acquire and perform contracts and with respect to extending the financing of the Company's operations with bank borrowings after June 30th 2018.

In view of the year-on-year increase in revenue, net profit recorded in the six months ended June 30th 2018, the structure of the Company's net current assets, the available cash balance, the secured order book, and cash-flow projections for the coming 12 months, as at the date of these financial statements the Management Board did not identify any material threats to the Company's ability to continue as a going concern in the foreseeable future. Accordingly, these financial statements of RAFAKO S.A. have been prepared on the assumption that the Company will continue as a going concern in the foreseeable future.

3. Significant accounting policies

In 2018, the Group made changes to the applied accounting policies as well as presentation adjustments, and therefore it restated the comparative data for the year ended December 31st 2017, the six months ended June 30th 2017 and as at January 1st 2017 in accordance with the revised accounting policies as described below.

3.1. Changes to accounting policies applicable to recognition of provisions for warranty repairs

The Company recognised provisions for warranty repairs based on estimates of expected and measurable costs of oversight, repairs and warranty works related to contractual commitments of the Company arising from completed construction contracts. During the implementation of IFRS 15, the Company reviewed its practices in this respect and concluded that to more accurately reflect the actual financial result on a contract and the Company's equity, provisions should be recognised over time in accordance with the percentage-of-completion method rather than on completion of the contract.

3.2. IFRS 15

International Financial Reporting Standard 15 *Revenue from Contracts with Customers* ("IFRS 15"), issued in May 2014 and amended in April 2016, introduces a five-step model for recognition of revenue from contracts with customers. Under IFRS 15, an entity recognises revenue in an amount of the consideration to which the entity expects to be entitled in exchange for transferring promised goods or services to a customer.

The Company adopted IFRS 15 as of its effective date, using the modified retrospective method, that is with the cumulative effect of initially applying the standard recognised at the date of its initial application, being January 1st 2018.

The Company provides general contracting services for turn-key construction projects and subcontractor services for power generating units, steam generators, air pollution control systems, power equipment, machinery and components, and structures.

a) Revenue from sale of products

Contracts with customers provide for the design, manufacture, delivery, construction, installation, commissioning and maintenance of power generation facilities and equipment. If the contract provides for only one performance obligation (sale of goods), revenue is recognised when the customer obtains control of the goods.

The Company considered the following aspects in its IFRS 15 impact assessment:

i. Variable consideration

Under IFRS 15, if the consideration promised in a contract includes a variable amount, an entity estimates the amount of consideration to which it will be entitled in exchange for transferring the promised goods or services to the customer; the estimated amount of variable consideration will be included in the transaction price only to the extent that it is highly probable that no significant reversal in the amount of cumulative revenue recognised will occur when the uncertainty associated with the variable consideration is subsequently resolved.

- Right of return

  As the Company performs contracts that mainly comprise the delivery of products installed at the customer's site or the construction of complete assets for the customer, it does not account for the right of return.

- Price adjustments

  The Company performs contracts containing inflation price adjustment clauses.

- Post-completion settlement of the price depending on the actual weight of delivered components

  The Company performs contracts where the final amount of consideration depends on the weight of delivered components. The consideration is typically settled upon completion of deliveries.

- Liquidated damages

  Liquidated damages paid by the Company to customers are recognised as a reduction of revenue. No losses on contracts were identified by the Company that would necessitate the recognition of additional provisions.

ii. Warranties

The Group provides warranties for the goods sold. As a rule, a warranty is an assurance provided to the customer that a product complies with the specifications agreed upon by the parties, and does not constitute an additional service. Accordingly, the majority of existing warranties will continue to be recognised in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets.* No non-standard extended warranties were identified by the Company in contracts with customers, therefore the Company did not recognise any such warranties as a separate service that would have to be accounted for as a performance obligation requiring allocation of part of the transaction price.

b) Sale of bundles of goods or services delivered or rendered in different periods

The Company performs contracts for the sale of bundles of goods and services delivered or rendered in different periods, comprising the delivery of a series of similar process units generating economic benefits consumed by the customer in different periods.

Under IFRS 15, the transaction price of each performance obligation is allocated on the basis of the relative stand-alone selling price. Following the adoption of IFRS 15, the allocation of the transaction price to goods and services within a bundle and the recognition of related revenue has changed. The Company believes that the customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs. Consequently, the Company transfers control of a good or service and satisfies a performance obligation over time. Considering the above, the Company continues to recognise revenue from the sale of services over time, in accordance with IFRS 15.

The Company recognises revenue in accordance with the percentage-of-completion method, with a corresponding entry in contract asset and related accruals and deferrals. In accordance with IFRS 15, if an entity performs an obligation by transferring goods or services to a customer before the customer pays consideration or before payment is due, the entity must present a contract asset , excluding any amounts presented as amounts due from customers.

c) Advance payments received from customers

The Company presents advance payments received from customers under trade and other payables.

In accordance with IFRS 15, the Company assesses whether a contract includes a significant financing component. The Company does not adjust the promised amount of consideration for the effect of a significant financing component if the Company expects, at contract inception, that the period between when the Company transfers a promised good or service to the customer and when the customer pays for that good or service will be one year or less. The Company does not include a significant financing component for short-term advance payments.

d) Other adjustments

In addition to the adjustments discussed above, changes were made to other items of the statement of financial position, including deferred tax assets.

Following the application of IFRS 15 as of January 1st 2018, the Company's retained earnings as at January 1st 2018 decreased by PLN 4.5m.

3.3. IFRS 9

The Company adopted IFRS 9 from its effective date, i.e. January 1st 2018, without restating comparative data.

The Company did not identify any material impact of IFRS 9 on its statement of financial position or equity, except the standard's effect on impairment. The Company recognised additional impairment losses with an adverse effect on equity. The classification of some financial instruments also changed as a result of application of IFRS 9.

a) Classification and measurement

The Company did not identify any material impact on its statement of financial position or equity as a result of the application of IFRS 9 with respect to the classification and measurement of financial assets. All financial assets previously measured at fair value continue to be measured at fair value.

As the Company used the option to recognise movements in the fair value of shares in non-listed companies through other comprehensive income, IFRS 9 had no major impact on the Company's profit or loss.

Debt securities held by the Company (corporate bonds) are measured at amortised cost through profit or loss as the Company's business objective is to collect cash flows representing payments of principal.

Trade receivables are held to collect contractual cash flows and are not sold under factoring agreements. The Company continues to measure trade receivables at amortised cost through profit or loss. As a practical expedient, the Company presumes that trade receivables maturing in less than 12 months do not contain a significant financing component.

b) Impairment

The Company carries expected impairment losses on loans at amounts equal to expected 12-month credit losses or credit losses expected over the life of the financial instrument. In the case of trade receivables, the Company applies a simplified approach and measures the impairment loss on expected credit losses in the amount equal to expected credit losses over the full lifetime of the instrument.

c) Hedge accounting

As IFRS 9 does not change the general principles governing the Company's hedge accounting, the application of IFRS 9 does not have a material effect on the Company's financial statements.

d) Other adjustments

External bank ratings and publicly available information from rating agencies' websites were used for the purpose of credit risk assessment.

Following the application of IFRS 9 as of January 1st 2018, the Company's retained earnings as at January 1st 2018 decreased by PLN 18.4m.

3.4. Adjustment to the presentation of certain items in the statement of financial position

The Company reviewed the method of financial data presentation under assets, equity and liabilities in the statement of financial position. It decided to change the presentation method by separating accruals and deferrals, aggregating amounts due to and from employees, and separately presenting liabilities and provisions. These changes are expected to make the statement easier to comprehend.

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3.5. Effect of changes on financial data in the Company's statement of financial position

The comparative data in the statement of financial position as at January 1st 2018 the presentation of which was changed compared with their presentation in the financial statements for 2017 has been adjusted as follows:

	Non-current financial assets	*Long-term trade and other receivables*	*Long-term prepayments and accrued income*	*Deferred tax assets*	*Inventories*	*Short-term trade and other receivables*	*Short-term accruals and deferred income*	Gross amount due from customers for contract work	*Other current financial assets*
Before adjustment	**41,014**	**7,078**	–	**31,141**	**12,057**	**303,552**	–	**158,785**	**5,201**
Adjustments to opening balance									
IFRS 15	–	–	–	661	14,263	–	–	(1,561)	–
IFRS 9 (impairment due to expected credit losses)	(7,069)	–	–	4,306	–	(12,181)	–	(1,341)	(454)
Provisions for warranty repairs	–	–	–	2,336	–		–	–	–
Presentation adjustments									
Long-term accruals and deferrals	–	(1,689)	1,689	–	–	–	–	–	–
Short-term accruals and deferrals	–	–	–	–	–	(2,369)	20,669	(18,300)	–
Adjusted	**33,945**	**5,389**	**1,689**	**38,444**	**26,320**	**289,002**	**20,669**	**137,583**	**4,747**

(PLN '000)

	Retained earnings / accumulated losses	*Long-term trade and other payables*	*Long-term employee benefit obligations and provisions*	*Other long-term provisions*	*Short-term trade and other payables*	*Amount due to customers for contract work*	*Employee benefit obligations and provisions*	*Other short-term provisions*	*Short-term accruals and deferred income*
Before adjustment	**(71,222)**	**19,594**	**20,448**	–	**276,752**	**57,747**	**2,737**	–	–
Adjustments to opening balance									
IFRS 15	(4,509)	–	–	–	22,291	(4,356)	–	(63)	–
IFRS 9 (impairment due to expected credit losses)	(18,356)	–	–	–	1,617	–	–	–	–
Provisions for warranty repairs	(9,959)	–	–	12,295	–	–	–	–	–
Presentation adjustments									
Provision for voluntary redundancy programme	–	(153)	153	–	(1,443)	–	1,443	–	–
Provision for bonuses	–	(495)	495	–	(621)	–	621	–	–
Provision for holiday entitlements	–	–	–	–	(3,875)	–	3,875	–	–
Provision for warranty repairs	–	(4,272)	–	4,272	(13,216)	–	–	13,216	–
Advance payments received from customers	–	–	–	–	12,071	(12,071)		–	–
Accrued salaries and wages	–	–	–	–	(6,224)	–	6,224	–	–
Accrued social security	–	–	–	–	(6,565)	–	6,565	–	–
Provisions for losses	–	–	–	–	–	(15,844)	–	15,844	–
Provision for liquidated damages	–	–	–	–	–	(8,069)	–	8,069	–
Audit provision	–	–	–	–	(75)	–	–	–	75
Provision for future costs	–	–	–	–	–	(864)	–	864	–
Adjusted	**(104,046)**	**14,674**	**21,096**	**16,567**	**280,712**	**16,543**	**21,465**	**37,930**	**75**

(PLN '000)

Had IAS 18 and IAS 11 been applied to recognise revenue in the first six months of 2018, the items reported in these financial statements would increase or decrease as follows:

Assets	
Deferred tax asset	338
Inventories	(11,908)
Contract asset and related accruals and deferrals	7,515
Equity and liabilities	
Retained earnings / accumulated losses, including:	(1,539)
profit/(loss) brought forward	4,509
net profit/(loss)	(6,048)
Trade and other payables	(13,457)
Gross amount due to customers for contract work	25,140
Provisions for contract work	(1,630)
Statement of comprehensive income	
Revenue	(13,057)
Cost of sales	6,009
Profit/(loss) before tax	(7,047)
Income tax expense	999
Net profit/(loss)	(6,048)
Earnings/(loss) per share from continuing operations	(0.05)

3.6. Implementation of IFRS 16

In January 2016, the International Accounting Standards Board issued International Financial Reporting Standard 16 *Leases* ("IFRS 16"), which replaced IAS 17 *Leases*, IFRIC 4 *Determining Whether an Arrangement Contains a Lease*, SIC 15 *Operating Leases – Incentives*, and SIC 27 *Evaluating the Substance of Transactions in the Legal Form of a Lease*. IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases.

IFRS 16 provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. At the inception date, the lessee recognises the right-of-use asset and a lease liability that reflects the lessee's obligation to make lease payments.

The lessee separately recognises amortisation/depreciation of the right-of-use asset and interest on lease liabilities.

The lessee remeasures the lease liability after the occurrence of certain events (e.g. changes in the lease term, changes in future lease payments resulting from a change in an index or rate used to determine lease payments). As a rule, the lessee recognises the remeasurements of the lease liability as adjustments to the right-of-use asset.

The Company is a lessee under lease contracts concerning office space, vehicles, and equipment.

Lessor accounting in accordance with IFRS 16 remains substantially unchanged from its predecessor, IAS 17: lessors will continue to classify all leases as operating or finance leases.

Compared with IAS 17, IFRS 16 requires both the lessee and the lessor to make broader disclosures.

The lessee may choose whether it wants to use the full retrospective or modified retrospective method, with the transitional provisions offering certain practical expedients.

IFRS 16 is effective for annual periods beginning on or after January 1st 2019. Early application is permitted for entities that applied IFRS 15 on or before the date of first application of IFRS 16. The Company has not elected to early adopt IFRS 16.

3.7. Adjustment to the presentation of income and expenses related to impairment losses on trade receivables in the statement of comprehensive income

The Company has changed the presentation of impairment losses on trade receivables. Impairment losses on trade receivables, previously recognised under distribution costs, are now presented under other income or other expenses. The Company believes that the change will improve the clarity of data and help market participants analyse it.

The comparative data in the statement of comprehensive income for the six months ended June 30th 2017 the presentation of which was changed compared with its presentation in the interim condensed financial statements for the six months ended June 30th 2017 has been adjusted as follows:

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	Distribution costs	*Other expenses*	*Cost of products and services sold*	*Costs of merchandise and materials sold*
Before adjustment	**(19,690)**	**(2,882)**	**(250,950)**	–
Adjustment to presentation of impairment losses on trade receivables	3,107	(3,107)	–	–
Adjustment to presentation of cost of merchandise and materials sold	–	–	584	(584)
Provisions for warranty repairs	–	–	(1,216)	–
Adjusted	**(16,583)**	**(5,989)**	**(251,582)**	**(584)**

4. Material judgements and estimates

4.1. Professional judgement

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

When applying the accounting policies, the Management Board made the following judgements which most significantly affect the presented carrying amounts of assets and liabilities.

Classification of leases where the Company is the lessee

The Company is party to lease contracts. It classifies leases as either finance leases or operating leases based on the assessment of the extent to which risks and benefits incidental to ownership have been transferred from the lessor to the lessee. Such assessment is in each case based on the economic substance of the transaction.

Embedded derivatives

At the end of each reporting period, the Company's management makes an assessment to determine whether any contracts that have been signed have the economic characteristics and risks of an embedded derivative in a foreign currency which would be closely related to the economic characteristics and risks of the host contract.

Consortium agreements

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

4.2. 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 made the assumptions and estimates concerning the future based on its knowledge at the time of preparation of these interim condensed financial statements. The assumptions and estimates presented in these financial statements may change in the future due to market developments or factors beyond the Company's control. Such developments or factors will be reflected in the estimates or assumptions as and when they occur.

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

Impairment of assets

At the end of a 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 recoverable amount of the cash-generating unit to which these assets belong. The recoverable amount is equal to the higher of two – value in use or fair value less costs to sell. 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 six months ended June 30th 2018 there were no indications of impairment.

For further information on asset impairment as at the end of the reporting period, see Notes 11.9, 11.12 and 11.14 to these interim condensed financial statements.

Measurement of employee benefit obligations

Employee benefit obligations were estimated with actuarial methods. The underlying assumptions are presented in Note 11.24. The change in employee benefit obligations in the reporting period resulted from the recognition of current service costs, interest expense and benefits paid.

Deferred tax asset

The Company recognises deferred tax assets (including deferred tax assets on tax loss) based on the assumption that taxable profits will be available in the future against which the deferred tax asset can be realised. If future taxable profits deteriorate, this assumption may become unjustified. Deferred tax assets are measured using the tax rates that are expected to apply in the period when the asset is expected to be realised, based on tax laws in effect at the end of the reporting period.

Fair value of financial instruments

Fair value of financial instruments for which there is no active market is determined with the use of appropriate measurement techniques. In selecting appropriate valuation methods and assumptions, the Company relies on professional judgement. For information on the fair value measurement method for individual financial assets, see Note 13.

Depreciation and amortisation rates

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

Revenue recognition

The Company recognises revenue in an amount of the consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer.

The Company allocates the transaction price to each performance obligation on the basis of the relative stand-alone selling price.

The Company estimates the variable amount of consideration to which the Company will be entitled in exchange for transferring the promised goods or services to a customer; the estimated amount of variable consideration will be included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Revenue

Revenue is recognised at the fair value of payment made or due under the sale of merchandise and services, net of VAT, discounts and rebates:

a) Revenue from the sale of products and merchandise is recognised at a point in time, i.e. when the customer obtains control of the goods;

b) Revenue from the provision of construction services is recognised over time using the percentage of completion method; Revenue from construction contracts is recognised and disclosed in line with the policies discussed in Note 8.23.6 to the financial statements for 2017.

Provision for expected contract losses

At the end of each reporting period the Company remeasures total estimated revenues and costs of construction contracts accounted for using the percentage of completion method. Any expected loss is recognised as cost of core activities in accordance with IFRS. Details of accounting for construction contract revenue and expenses in the reporting period are presented in Note 10 to these interim condensed financial statements.

Provision for costs due to late contract completion

The Company recognises a provision for liquidated damages due to late contract completion if the probability of being charged for late completion 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 liquidated damages that may be charged for the delay. For details of provisions estimated in accordance with this policy, see Note 10 to these interim condensed consolidated financial statements. 10

Provision for warranty repairs

The provision for warranty repairs is estimated based on probability-weighted costs of running contracts assessed by the Company's Management Board. The provisions are maintained as long as it is probable that a warranty claim or a claim for repair work will arise, until the right to make such claim expires.

The provision for warranty repairs is charged to contract costs, based on the proportion of direct expenditures already incurred to total estimated direct costs. The costs related to accrued provision for warranty repairs are accounted for to the extent the contact has been performed to date.

Impairment of financial assets

At the end of each reporting period, the Group measures impairment losses relating to expected credit losses at amounts equal to 12-month expected credit losses or expected credit losses over the life of the financial instrument. External bank ratings and publicly available information from rating agencies' websites were used for the purpose of credit risk assessment. In the case of trade receivables, the Company applies a simplified approach and measures the impairment loss on expected credit losses in the amount equal to expected credit losses over the full lifetime of the instrument.

Uncertainty related to tax settlements

Regulations on value added tax, corporate income tax, and social security contributions are subject to frequent changes and amendments, with the effect being lack of appropriate points of reference, conflicting interpretations, and scarcity of established precedents which could be followed. Furthermore, the applicable tax laws lack clarity, which leads to differences in opinions and their diverse interpretations, both between various public authorities and between public authorities and businesses.

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Tax settlements and other regulated areas of activity (e.g. customs or foreign exchange control) are subject to inspection by administrative bodies, which are authorised to impose high penalties and fines, and any additional tax liabilities arising from such inspections must be paid with high interest. Consequently, tax risk in Poland is higher than in countries with more mature tax systems.

The amounts presented and disclosed in the financial statements may therefore change in the future as a result of a final decision by a tax inspection authority.

On July 15th 2016, the Tax Legislation was amended to reflect the provisions of the General Anti-Abuse Rule ("GAAR"). GAAR is intended to prevent the creation and use of artificial schemes to avoid paying taxes in Poland. Under GAAR, tax avoidance is an arrangement the main purpose of which is to obtain a tax advantage which is contrary to the objectives and purpose of the tax legislation. In accordance with GAAR, no tax advantage can be obtained through an arrangement if the arrangement was artificial. Any arrangements involving (i) separation of transactions or operations without a sufficient rationale, (ii) engaging intermediaries where no business or economic rationale exists, (iii) any offsetting elements, and (iv) any arrangements operating in a similar way, may be viewed as an indication of the existence of an abusive arrangement subject to GAAR. The new regulations will require much more judgement to be exercised when assessing the tax consequences of particular transactions.

The GAAR clause should be applied with respect to arrangements made after its effective date as well as arrangements that were made before its effective date but benefits of the tax advantage obtained through the arrangement continued or still continue after that date. After the new regulations are implemented, Polish tax inspection authorities will be able to challenge certain legal agreements and arrangements made by taxpayers, such as corporate restructurings.

The Company discloses and measures current and deferred tax assets and liabilities in compliance with the requirements of IAS 12 *Income Taxes*, based on the taxable income (tax loss), tax base, unused tax losses, unused tax credits, and tax rates, taking into consideration uncertainties related to tax settlements.

Whenever it is uncertain whether and to what extent a tax authority would accept accounting for individual transactions, the Company accounts for such transactions taking into consideration an uncertainty assessment.

5. Functional currency and presentation currency

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

Exchange rates used to determine carrying amounts:

	Jun 30 2018	*Dec 31 2017*	*Jun 30 2017*
USD	3.7440	3.4813	3.7062
EUR	4.3616	4.1709	4.2265
GBP	4.9270	4.7001	4.8132
CHF	3.7702	3.5672	3.8667
SEK	0.4190	0.4243	0.4379
TRY	0.8206	0.9235	1.0535

6. Change in estimates

In the six months ended June 30th 2018 and as at June 30th 2018, there were changes of estimates in significant areas of the Company's operations, discussed in Notes3 and 4.2

7. Changes in the Company structure

No changes occurred in the Company structure in the six months ended June 30th 2018.

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

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

9. Operating segments

The Company operates in a single market segment of power and environmental protection facilities.

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10. Contracts

Contract revenue is recognised with the use of the percentage of completion method. The percentage of completion is determined as the ratio of costs incurred to total estimated costs necessary to complete the contract.

The table below presents the effects of accounting for contracts, including revenue and costs of running contracts recognised in accordance with IAS 11 as at June 30th 2017, as well as gross amount due to customers for contract work and gross amount due from customers for contract work.

	*Jun 30 2017**
Contract costs incurred to date (cumulative)	2,722,242
Recognised profits less recognised losses to date (cumulative)	99,938
Contract revenue recognised by reference to the contract stage of completion (cumulative)	2,822,180
Contract revenue recognised by reference to the contract stage of completion (for the period)	238,645
Progress billings (cumulative)	2,757,189
Gross amount due to customers for contract work (liability), including:	**(76,413)**
- advance payments received (liabilities arising from advances received)	(38,787)
- adjustment to advance payments received arising from amounts due from customers	23,160
- gross amount due to customers for contract work	(60,786)
Prepayments and deferred income from construction contracts, including:	**135,848**
- gross amount due from customers for contract work (asset)	118,195
- contract acquisition cost and other contract costs accounted for over time	17,653
Provision for liquidated damages due to late contract completion or failure to meet guaranteed technical parameters	(4,676)
Provision for expected contract losses	(10,902)

The table below presents the effects of accounting for contracts, including revenue and costs of running contracts recognised in accordance with IFSR 15 as at June 30th 2018 and as at December 31st 2017, as well as gross amount due to customers for contract work and gross amount due from customers for contract work.

	Jun 30 2018	*Dec 31 2017 (restated)*
Revenue initially agreed in contract	3,009,917	2,421,422
Change in contract revenue	56,320	(1,513)
Aggregate contract revenue	**3,066,237**	**2,419,909**
Contract costs incurred as at reporting date	1,155,361	1,252,044
Costs expected to be incurred by contract completion date	1,633,632	1,016,538
Estimated aggregate contract costs	**2,788,993**	**2,268,582**
Estimated aggregate profit/(loss) on contracts, including:	**277,244**	**151,327**
profit	332,881	272,512
loss (-)	(55,637)	(121,185)

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Assets (liabilities) arising under contracts are presented in the following table:

	Jun 30 2018	*Dec 31 2017 (restated)*
Contract costs incurred as at reporting date	1,157,036	1,266,135
Cumulative profit as at reporting date (+)	201,514	186,350
Cumulative loss as at reporting date (+)	(55,637)	(121,186)
Cumulative contract revenue as at reporting date	1,302,913	1,331,299
Amounts invoiced as at reporting date (progress billings)	1,113,194	1,218,678
Settlement of contracts (balance) as at the reporting date, including:	**189,719**	**112,621**
Contract assets	201,242	138,923
Contract liabilities	11,523	26,302

Material changes in assets and liabilities arising under contracts as at June 30th 2018 are attributable to:

- PLN 62,319 thousand increase in contract assets,
- PLN 20,542 thousand increase in advance payments received from customers under the contracts,
- recognition of revenue of PLN 14,675 thousand presented as at the end of 2017 under gross amount due to customers for contract work,
- PLN 14,779 change in estimated costs with a bearing on provisions for expected contract losses.

10.1. Key contracts executed by the Company

10.1.1. Jaworzno Project

RAFAKO S.A., acting as the consortium leader in a consortium with MOSTOSTAL WARSZAWA S.A., is performing the contract for the development of new coal-fired generation capacities at TAURON Wytwarzanie S.A. – construction of supercritical 800 MW generating unit at the Jaworzno III Power Plant – Power Plant II: steam boiler, turbine generator set, main building, electrical and I&C systems. Following the signing of Annex 5, the value of the contract is approximately PLN 5.5bn (VAT inclusive). On August 4th 2013, the Jaworzno Project consortium agreement was amended, with RAFAKO taking over 99.99% of the project deliveries (with Mostostal Warszawa taking the remaining 0.01%); consequently, the distribution of consideration due to the consortium members changed to reflect the members' actual shares in the project.

Accounting for the Jaworzno project:

For the purposes of execution of the project, a special purpose vehicle (E003B7 Sp. z o.o.) was established, to which RAFAKO S.A. subcontracted approximately 88.7% of the project's scope of work, with RAFAKO S.A. executing directly the remaining 11.3% (with an approximate value of PLN 506m; the scope includes the design of the boiler island and the supply of high-pressure boiler parts and a dust removal unit), scheduled mainly for 2015–2017.

For the purposes 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 646m, required for the project execution; under the same agreements, security for the guarantees was established over the assets of RAFAKO S.A. and E003B7 Sp. z o.o. On March 1st 2017, RAFAKO S.A. signed an annex to the contract with the employer. Under the annex, the project completion date was postponed and the contract value was increased, as described in detail in Note III.1 to the Directors' Report on the RAFAKO Group's operations in 2017.

Given the arrangements with the guarantee providers, RAFAKO S.A. does not plan for E003B7 sp. z o.o. to pay any dividend before the expiry of the guarantee agreements (December 2020) as this could result in an adverse response from the guarantee issuers.

In the consolidated financial statements, RAFAKO sets off project-related income, expenses and settlements between RAFAKO and the special purpose vehicle. In its separate financial statements, RAFAKO S.A. recognises only revenue and expenses related to its own scope of work, i.e. 11.3% of the total scope of work to be performed on the Jaworzno project. In its separate financial statements, the Company does not recognise revenue and expenses related to the portion of work performed by E003B7 Sp. z o.o. − they are reported in the separate financial statements of E003B7 Sp. z o.o. and the consolidated financial statements of the RAFAKO Group.

RAFAKO S.A, as the consortium leader, issues invoices directly to the employer,\ for the entire scope of work; payments are made directly to the special purpose vehicle as well as key subcontractors and sub-suppliers. Payments for the work performed by RAFAKO S.A. are made by the special purpose vehicle.

10.1.2. Opole project

In February 2012, the Company, acting as the leader of a consortium comprising RAFAKO S.A., Polimex-Mostostal S.A. and Mostostal Warszawa S.A. executed a PLN 9.4bn contract with PGE Elektrownia Opole S.A. (currently PGE Górnictwo i Energetyka Konwencjonalna S.A. – the "employer") for turn-key design, delivery, construction, assembly, start-up and performance of all related services with respect to a facility consisting of power unit No. 5 and power unit No. 6 at the Opole Power Plant, together with equipment and devices as well as all related buildings and structures.

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

SPV-Rafako concluded with GE Power Sp. z o.o. (formerly Alstom Power Sp. z o.o.) a subcontract whereby SPV-Rafako appointed GE Power as its subcontractor responsible for 100% of the work and services making up the Company's scope of work under the Opole project. GE Power assumed full responsibility for the performance of the contract towards the employer.

Rules of accounting for the Opole project:

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

Amounts of receivables and liabilities under the contract have no effect on the amounts disclosed in the Company's statement of financial position.

If conditions for payment are fulfilled, payments under the contract are made by the employer directly to GE Power.

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 six months ended June 30th 2018, the Company's revenue was PLN 314,301 thousand, i.e. PLN 27,567 thousand more than in the corresponding period of 2017, primarily on further progress in the performance of major contracts secured in the second half of 2016 (the contract to construct a biomass-fired co-generation unit and the contract to deliver and install an SCR system and upgrade electrostatic precipitators).

Cost of products and materials sold in the first six months of 2018 amounted to PLN 278,516 thousand, with the Company's gross profit at PLN 35,785 thousand, close to that seen in same period of 2017.

In the reporting period, distribution costs of PLN 12,690 thousand recognised in the Company's comprehensive income for the six months ended June 30th 2018 comprised chiefly contract acquisition costs of PLN 6,807 thousand and costs of PLN 4,638 thousand incurred by organisational units responsible for bidding for and performing contracts.

Other income chiefly included PLN 5,850 thousand income from reversal of provisions for the voluntary redundancy programme and for restructuring costs and PLN 2,687 thousand income from a surety provided to a subsidiary (June 30th 2017: PLN 2,600 thousand).

Other expenses chiefly included impairment losses on trade receivables of PLN 652 thousand, donations of PLN 202 thousand (June 30th 2017: PLN 1,284 thousand), recognition of a PLN 562 thousand impairment loss on expected credit losses, and costs of repairs of property, plant and equipment of PLN 139 thousand (June 30th 2017: PLN 103 thousand).

In the six months of 2018, the Company's finance income was generated mainly from a discount on long-term settlements of PLN 2,364 thousand, net foreign exchange gains of PLN 2,955 thousand, and interest on financial instruments of PLN 238 thousand (June 30th 2017: PLN 250 thousand).

Finance costs in the period chiefly included interest on financial instruments of PLN 1,306 thousand (June 30th 2017: PLN 3,889 thousand) and interest on employee benefit obligations of PLN 365 thousand (June 30th 2017: PLN 378 thousand), as well as commissions on bank borrowings of PLN 547 thousand (June 30th 2017: PLN 367 thousand).

(PLN '000)

11.2. Income tax

Income tax expense

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

	Six months ended Jun 30 2018	*Six months ended Jun 30 2017*
Statement of profit or loss		
Current tax	–	136
Current income tax expense	–	–
Adjustments to current income tax from previous years	–	136
Deferred tax	(3,467)	(6,776)
Related to recognition and reversal of temporary differences	(10,771)	(6,545)
Adjustments to deferred tax from previous years	7,304	231
Income tax expense in the statement of profit or loss	**(10,771)**	**(6,409)**
Other comprehensive income		
Deferred tax on other comprehensive income	89	(19)
Related to recognition and reversal of temporary differences	89	(19)
Income tax expense recognised in other comprehensive income	**89**	**(19)**

(PLN '000)

Deferred income tax calculated as at June 30th 2018

Deferred income tax calculated as at June 30 2018 relates to the following:

	Statement of financial position		*Statement of comprehensive income for the six months ended*	
	Jun 30 2018	*Dec 31 2017 (restated)*	*Jun 30 2018*	*Jun 30 2017*
- investment reliefs	(2)	(2)		
- difference between tax base and carrying amount of property, plant and equipment and intangible assets	(15,418)	(15,742)	324	(111)
- difference between tax base and carrying amount of assets measured at fair value through profit or loss	2,544	2,986	(442)	171
- difference between tax base and carrying amount of loans and receivables	3,974	3,784	190	242
- difference between tax base and carrying amount of gross amount due from customers for contract work and related accruals and deferrals	(38,741)	(24,688)	(14,053)	4,745
- difference between tax base and carrying amount of inventories	2,087	2,110	(23)	(11)
- provisions	12,177	16,442	(4,266)	(3,527)
- difference between tax base and carrying amount of financial liabilities measured at amortised cost	46	28	18	(3)
- difference between tax base and carrying amount of gross amount due to customers, provisions, and related accruals and deferrals	40,120	31,082	9,038	(8,020)
- tax loss	16,179	17,418	(1,239)	–
- adjustment to costs of unpaid invoices	4,001	4,465	(464)	(1,217)
- other	796	561	235	936
Deferred tax expense/benefit disclosed in the statement of profit or loss			(10,771)	(6,545)
Deferred tax expense/benefit disclosed in other comprehensive income			89	(19)
Net deferred tax asset/(liability), including:	**27,763**	**38,444**		
Deferred tax asset	27,763	38,444		
Deferred tax liability	–	–		

As at June 30th 2018, the Company recognised a deferred tax asset on a tax loss of PLN 85,146 thousand, which will be offset against profits in future reporting periods.

In the first six months of 2018, the Company reported a tax loss of PLN 32,429 thousand. The Company assessed its ability to realise a deferred tax asset on account of a tax loss based on tax forecasts. In line with the prudent valuation principle, the Company's Management Board decided not to recognise a deferred tax asset on the tax loss recorded in the six months ended June 30th 2018. The total amount of tax loss for 2015, 2016, 2017 and 2018 which was not recognised in deferred tax is PLN 190,126 thousand.

11.3. Significant items of the statement of cash flows

The PLN 41,522 thousand decrease in receivables disclosed in the statement of cash flows for the six months ended June 30th 2018 resulted mainly from:

- PLN 93,930 thousand decrease in trade receivables,
- PLN (2,383) thousand increase in receivables from the state budget (including VAT),
- PLN (52,749) thousand increase in prepayments made,
- PLN (3,614) thousand increase in security deposits receivable,
- PLN (2,933) thousand increase in security deposits receivable,
- PLN 9,271 thousand decrease in other receivables.

For a detailed description of changes in security deposits and disputed receivables in the six months ended June 30th 2018, see Note 11.12.

The PLN 67,488 thousand decrease in liabilities disclosed in the statement of cash flows was mainly caused by:

- PLN (55,372) thousand decrease in trade payables,
- PLN 20,542 thousand increase in advance payments received,
- PLN (27,487) thousand decrease in taxes and other duties payable,
- PLN 3,120 thousand increase in employee benefits obligations and provisions (net of actuarial gains/(losses)),
- PLN (8,291) thousand decrease in other liabilities.

The PLN (73,429) thousand change in gross amounts due to and from customers for contract work disclosed in the statement of cash flows was caused primarily by:

- PLN (61,758) thousand increase in amounts due from customers for contract work,
- PLN (11,671) thousand decrease in gross amounts due to customers for contract work,

The PLN (17,823) thousand change in provisions, accruals and deferrals disclosed in the statement of cash flows resulted mainly from:

- PLN (6,014) thousand decrease in the provision for warranty repairs,
- PLN (12,415) thousand decrease in the provision for expected contract losses,
- PLN (3,109) thousand decrease in the provision for liquidated damages,
- PLN 3,858 thousand change in accruals and deferrals,
- PLN (143) thousand change in other provisions.

The cash flows of PLN 1,074 thousand relating to the purchase of property, plant and equipment and intangible assets resulted from acquisition of property, plant and equipment for PLN 863 thousand and of intangible assets for PLN 211 thousand.

Cash flows from financing activities were mainly affected by a PLN 16,590 thousand increase in debt outstanding under the overdraft facility and working capital facility advanced to the Company by PKO BP S.A.

(PLN '000)

11.4. Property, plant and equipment

for the six months ended Jun 30 2018	*Land*	*Buildings*	*Plant and equipment*	*Vehicles*	*Other*	*Property, plant and equipment under construction*	*Total*
Net carrying amount as at Jan 1 2018	**9,232**	**79,329**	**46,303**	**5,495**	**–**	**5**	**140,364**
Acquisitions	–	–	–	–	–	502	502
Lease contracts	–	–	179	1,388	–	–	1,576
Liquidation/sale	(48)	(5)	(31)	(8)	–	–	(92)
Transfers from property, plant and equipment under construction	–	–	408	–	–	(408)	–
Exchange differences on translating foreign operations	–	–	(11)	–	–	–	(11)
Depreciation for period	–	(1,315)	(2,586)	(681)	–	–	(4,582)
Impairment losses for period	–	–	3	(5)	–	–	(2)
Other, including reclassification of property, plant and equipment to/from assets held for sale	–	–	18	–	–	–	18
Net carrying amount as at Jun 30 2018	**9,184**	**78,009**	**44,283**	**6,189**	**–**	**99**	**137,764**

* Property, plant and equipment pledged as security for the Company's liabilities as at the reporting date are presented in Note 11.15.1

For the six months ended Jun 30 2017	*Land*	*Buildings*	*Plant and equipment*	*Vehicles*	*Other*	*Property, plant and equipment under construction*	*Total*
Net carrying amount as at Jan 1 2017	**9,280**	**81,093**	**49,383**	**6,987**	**–**	**1,225**	**147,968**
Acquisitions	–	–	–	–	–	1,745	1,745
Lease contracts	–	–	–	110	–	–	110
Liquidation/sale			(1)	(4)	–	–	(5)
Transfers from property, plant and equipment under construction	–	785	1,504	–	–	(2,289)	–
Exchange differences on translating foreign operations	–	–	(1)	–	–	–	(1)
Depreciation for period	–	(1,292)	(2,719)	(706)	–	–	(4,717)
Impairment losses for period	–	–	–	–	–	–	–

Net carrying amount as at Jun 30 2017	**9,280**	**80,586**	**48,166**	**6,387**	**–**	**681**	**145,100**

(PLN '000)

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

	Six months ended Jun 30 2018	*Six months ended Jun 30 2017*
Purchase of property, plant and equipment and intangible assets*	2,281	2,142
Proceeds from sale of property, plant and equipment	150	24

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

The Company's capital expenditure on property, plant and equipment involved chiefly expenditure on purchases and upgrades of production plant and equipment and computer hardware as well as purchases of vehicles. The expenditure was financed with internally generated funds and finance leases.

11.6. Long-term trade and other receivables

	Jun 30 2018	*Dec 31 2017 (restated)*
Financial receivables		
Trade receivables	7,925	5,294
Impairment losses on trade receivables (-)		
Net trade receivables	**7,925**	**5,294**
Security deposits	235	95
Total long-term receivables, net	**8,160**	**5,389**

11.7. Shares in subsidiaries and other entities

	Jun 30 2018	*Dec 31 2017 (restated)*
Shares in listed subsidiaries	–	–
Shares in non-listed subsidiaries	35,091	35,091
Shares in other listed companies	168	223
Shares in other non-listed companies	1,227	19
	36,486	**35,333**

* Shares pledged as security for the Company's liabilities as at the reporting date are presented in Note 11.15.3

In the six months ended June 30th 2018, the Company purchased one (1) share in KIC InnoEnergy SE with a view to expanding the existing cooperation and in order to obtain the status of a formal partner.

11.8. Non-current financial assets

	Jun 30 2018	*Dec 31 2017 (restated)*
Long-term bonds	16,772	17,700
Receivables under sureties provided to related entities	19,178	16,245
	35,950	**33,945**

(PLN '000)

11.8.1. Bonds

On November 9th 2016, PBG S.A. announced that it had commenced the procedure to issue bonds offered to creditors which in accordance with the Arrangement were to have their claims satisfied as Group 1, 3, 4, 5 and 6 creditors (RAFAKO's receivables were recorded in Group 3, comprising creditors who are PBG S.A.'s subsidiaries).

On January 20th 2017, the Company submitted a declaration of acceptance of the invitation to acquire secured ordinary bonds in book-entry form, issued in series from B1 to I1 by PBG S.A., the Company's higher-level parent, with a nominal value of PLN 100 per bond, that is a total of 388,492 non-interest bearing bonds with a total nominal value of PLN 38,849,200.00 thousand. In order to pay the issue price of the bonds, the Company also submitted a declaration of offsetting the total issue price of the bonds, amounting to PLN 38,849,200.00 against the Company's claim against PBG S.A. under the arrangement concluded by PBG S.A. in the course of arrangement proceedings approved by way of a decision of the District Court for Poznań-Stare Miasto (File No. XI GUp 29/12) dated October 8th 2015, which became final on June 13th 2016. As a result, the Company's claim against PBG S.A. under the arrangement was cancelled. A detailed description of the claim is provided in the financial statements for 2016.

On February 10th 2017, the bonds were allotted to RAFAKO S.A. The key terms and conditions of the bonds are as follows:

1. The bonds are redeemable in series, as presented in the table below, with the last series to be redeemed on June 30th 2020.

Series	Number of bonds	Nominal value	Value of series (PLN)	Maturity date
Series B1	1,646	PLN 100.00	164,600	Mar 31 2017
Series C1	35,208	PLN 100.00	3,520,800	Jun 30 2017
Series D1	19,734	PLN 100.00	1,973,400	Dec 31 2017
Series E1	41,386	PLN 100.00	4,138,600	Jun 30 2018
Series F1	12,294	PLN 100.00	1,229,400	Dec 31 2018
Series G1	49,961	PLN 100.00	4,996,100	Jun 30 2019
Series H1	37,813	PLN 100.00	3,781,300	Dec 31 2019
Series I1	190,450	PLN 100.00	19,045,000	Jun 30 2020
	388,492		**38,849,200**	

   In accordance with the bond programme, PBG S.A. issued bonds with a total value of PLN 472,447,600.00, of which bonds worth PLN 38,849,200.00 were acquired by the Company in Q1 2017.

2. In accordance with the terms of issue, the bonds issued by PGB S.A. are secured bonds within the meaning of the Bonds Act of January 15th 2015. The bonds are secured primarily with a registered pledge over 42,466,000 RAFAKO shares in a book-entry form (which represents 50% plus 1 share in RAFAKO's share capital), mortgages over PBG Group's properties (including one mortgage securing another financial liability of PBG S.A.), registered pledges over other assets of the PBG Group, sureties and declarations of voluntary submission to enforcement up to the amount of PLN 1,065,000,000.00, pursuant to Art. 777 of the Code of Civil Procedure.

3. PBG S.A. agreed to arrange for the Bonds to be converted into book-entry form and listed on the WSE ATS Market or Bondspot ATS Market within three months of their issue. By a decision of the Warsaw Stock Exchange Management Board dated March 9th 2017, the first listing of Series B, C, D, E, F, G, H and I bearer bonds of PGB S.A. in the Catalyst alternative trading system took place on March 10th 2017.

As at the date of these financial statements, the parent PBG S.A. redeemed Series B1, C1, D1 and E1 bonds worth in aggregate PLN 9,797,400 as scheduled.

(PLN '000)

As at the date of these financial statements, the type and value of collateral securing the repayment of bonds issued by PBG S.A. materially changed, mainly as a result of PBG S.A.'s divestment programme, which aims to facilitate repayment of the individual series of the bonds and performance of obligations under the arrangement made with creditors.

According to information obtained by the Company from PBG S.A., the bonds outstanding as at June 30th 2018 (PLN 404m) were secured with land properties, including developed land properties, shares in RAFAKO S.A. held by PBG S.A. (with the holding having decreased from 50% + 1 share as at the bond issue date to 33.32% as at March 31st 2018), shares in PBG Oil and Gas Sp. z o.o. (100%), and a registered pledge over receivables from a property development project in Ukraine. In the opinion of the Company's Management Board, the provided collateral and the total amount payable under the bonds as at the date of these financial statements are sufficient to consider the receivables as recoverable.

Following the entry into force of IFRS 9 and in accordance with its requirements, as at January 1st 2018 the Company recognised a PLN 7,522 thousand impairment loss on the bonds. The effect of the new standard on the statement of financial position is presented in Note 3 and Note 11.14. 3

The total net value of the bonds as at June 30th 2018 was PLN 24,826 thousand.

11.9. Inventories

	Jun 30 2018	*Dec 31 2017 (restated)*
Materials (at net realisable value)	27,640	26,320
At cost	38,623	37,425
At net realisable value	27,640	26,320
Total inventories, at the lower of cost and net realisable value	**27,640**	**26,320**

* Inventories pledged as security for the Company's liabilities as at the reporting date are presented in Note 11.15.4.

11.10. Other current financial assets

	Jun 30 2018	*Dec 31 2017 (restated)*
Advance payment to acquire the right to a loan	10,500	10,500
Impairment loss on advance payment to acquire the right to a loan	(10,500)	(10,500)
Short-term bonds*	8,054	4,747
	8,054	**4,747**

* For a detailed description of bonds, see Note 11.8.1

The Company's Management Board estimates that financial assets covered by an agreement concluded in 2012 are exposed to a significant risk of non-recoverability and has upheld its decision to recognise an impairment loss for the full amount of the project.

(PLN '000)

11.11. Cash and cash equivalents

	Jun 30 2018	*Dec 31 2017 (restated)*	*Jun 30 2017*
Cash at bank and in hand	69,234	158,567	38,076
Short-term deposits for up to 3 months	49	354	30,637
	69,283	**158,921**	**68,713**

Cash at banks earns interest at variable rates linked to the reference rates prevailing on the interbank market. 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 requirement, and earn interest at rates agreed with the bank.

The Company holds restricted cash, including cash from grants (held in separate bank accounts), which may be used to pay amounts due under running projects.

11.12. Short-term trade and other receivables

	Jun 30 2018	*Dec 31 2017 (restated)*
Financial receivables		
Trade receivables	101,677	207,062
Impairment losses on trade receivables (-)	(18,302)	(17,724)
Net trade receivables	**83,375**	**189,338**
Receivables on sale of property, plant and equipment and intangible assets	30	192
Retentions (security deposits)	65,691	62,217
Receivables under court proceedings*	24,507	24,507
Other financial receivables	10,483	10,483
Impairment losses on financial receivables (-)	(24,271)	(24,228)
Total financial receivables, net	**159,815**	**262,509**
Non-financial receivables		
Receivables under prepayments and advance payments	71,165	18,416
Receivables from the state budget	9,936	7,553
Other non-financial receivables	4,050	3,908
Impairment losses on non-financial receivables (-)	(3,352)	(3,384)
Total non-financial receivables, net	**81,799**	**26,493**
Total short-term receivables, net	**241,614**	**289,002**

* The Company recognised an impairment loss on the receivables in an amount corresponding to the risk of their non-recoverability. For a detailed description of disputed receivables, see Note 22 to these interim condensed financial statements.

(PLN '000)

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

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

The Company's policy is to sell 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 83,375 thousand recognised in the statement of financial position as at June 30th 2018 relate to trading contracts with domestic and foreign trading partners.

Security deposits of PLN 65,691 thousand disclosed in the consolidated statement of financial position as at June 30th 2018 relate mainly to the following projects:

- construction of a gas pipeline (PLN 15,362 thousand);
- construction of a coal-fired steam unit – PLN 10,904 thousand,
- installation of a SCR system – PLN 8,632 thousand,
- manufacture of high-pressure parts of a boiler for the incineration plant (PLN 5,857 thousand).

The change in security deposits in the six months of ended June 30th 2018 was primarily attributable to a PLN 15,198 thousand cash deposit returned in connection with the construction of a coal-fired steam unit and a PLN 15,362 thousand security deposit paid in connection with the gas pipeline construction.

A significant item of other receivables were advance payments, which amounted to PLN 71,165 thousand as at June 30th 2018 and included:

- advance payment of PLN 44,101 thousand under a contract for the construction of fuel storage tanks;
- advance payment of PLN 14,433 thousand under a contract for a biomass heating system;

11.13. Short-term prepayments and accrued income

	Jun 30 2018	*Dec 31 2017 (restated)*
Prepayments and accrued income		
Costs of bank and insurance guarantees	8,931	9,204
Costs of obtaining contracts	4,617	9,065
Other costs	2,598	2,369
Prepayments and accrued income	**16,146**	**20,669**

(PLN '000)

11.14. Impairment of assets

	*Shares**	*Property, plant and equipment*	*Other financial assets*	*Other non-financial assets*	*Inventories***	*Accruals and deferrals related to construction contracts*	*Receivables****
Jan 1 2018	**(4,973)**	**(68)**	**(10,500)**	**(5,676)**	**(11,105)**	**–**	**(33,155)**
Adjustment to opening balance	–	–	–	–	–	(1,341)	(12,181)
Jan 1 2018 *(restated)*	**(4,973)**	**(68)**	**(10,500)**	**(5,676)**	**(11,105)**	**(1,341)**	**(45,336)**
Recognised	(56)	(8)	–	–	(464)	(562)	(693)
Used	–	5	–	–	450	–	–
Reversed	–	–	–	–	136	–	104
Jun 30 2018	**(5,029)**	**(71)**	**(10,500)**	**(5,676)**	**(10,983)**	**(1,903)**	**(45,925)**
Jan 1 2017	**(24,363)**	**(27)**	**(10,500)**	**(5,676)**	**(11,978)**	**–**	**(31,834)**
Recognised	–	–	–	–	(796)	–	(4,376)
Used	–	–	–	–	854	–	2,316
Reversed	53	–	–	–	–	–	723
Jun 30 2017	**(24,310)**	**(27)**	**(10,500)**	**(5,676)**	**(11,920)**	**–**	**(31,939)**

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

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

*** Impairment losses on long- and short-term trade and other receivables, including liquidated damages, disputed receivables and security deposits.

(PLN '000)

11.15. Assets pledged as security for the Company's liabilities

11.15.1. Property, plant and equipment pledged as security

As at June 30th 2018, property, plant and equipment pledged as security for the Company's liabilities amounted to PLN 132,500 thousand. The property, plant and equipment are pledged as security for liabilities under the multi-purpose credit facility agreement with PKO BP S.A. (mortgage of up to PLN 300m on property of which RAFAKO is the owner or perpetual usufructuary, except residential property, and a first-ranking registered pledge over a set of movables and rights) and in respect of the repayment of BGK S.A.'s, PKO BP S.A.'s, mBank S.A.'s and PZU S.A.'s claims towards RAFAKO S.A. under the Surety Agreement signed to secure the liabilities of E003B7 Sp. z o.o. arising in connection with the agreement providing for issuance of guarantees for the benefit of TAURON Wytwarzanie S.A. in connection with the implementation of the Jaworzno III 910 MW unit Project (a second-ranking registered pledge over a set of movables and rights).

	Jun 30 2018	*Dec 31 2017 (restated)*
Mortgaged property, plant and equipment, including:	87,010	88,384
land	9,162	9,208
buildings and structures	77,848	79,176
Property, plant and equipment encumbered with registered pledge, including:	45,490	47,035
plant and equipment	43,819	45,983
vehicles	1,671	1,052
	132,500	**135,419***

*The disclosed amounts include property, plant and equipment of PLN 90 thousand classified as held for sale (December 31st 2017: PLN 108 thousand).

11.15.2. Intangible items pledged as security

As at June 30th 2018, intangible assets worth PLN 9,942 thousand were pledged as security for the Company's liabilities (December 31st 2017: PLN 9,815 thousand). The assets are pledged as security for liabilities under the multi-purpose credit facility agreement with PKO BP S.A. (a first-ranking registered pledge over a set of movables and rights) and in respect of the repayment of BGK S.A.'s, PKO BP S.A.'s, mBank S.A.'s and PZU S.A.'s claims towards RAFAKO S.A. under the Surety Agreement signed to secure the liabilities of E003B7 Sp. z o.o. arising in connection with the agreement providing for issuance of guarantees for the benefit of TAURON Wytwarzanie S.A. in connection with the implementation of the Jaworzno III 910 MW unit Project (a second-ranking registered pledge over a set of movables and rights).

11.15.3. Shares pledged as security

As at June 30th 2018, PLN 36,486 thousand (December 31st 2017: PLN 35,333 thousand) worth of shares were pledged as security for liabilities under the multi-purpose credit facility agreement with PKO BP S.A. (a first-ranking registered pledge over a set of movables and rights) and in respect of the repayment of BGK S.A.'s, PKO BP S.A.'s, mBank S.A.'s and PZU S.A.'s claims towards RAFAKO S.A. under the Surety Agreement signed to secure the liabilities of E003B7 Sp. z o.o. arising in connection with the agreement providing for issuance of guarantees for the benefit of TAURON Wytwarzanie S.A. in connection with the implementation of the Jaworzno III 910 MW unit Project (a second-ranking registered pledge over a set of movables and rights, a registered and financial pledge over the shares held in E003B7 Sp. z o.o.).

11.15.4. Inventories pledged as security

As at June 30th 2018, inventories worth PLN 27,640 thousand were pledged as security for the Company's liabilities (December 31st 2017: PLN 26,320 thousand). The assets are pledged as security for liabilities under the multi-purpose credit facility agreement with PKO BP S.A. (a first-ranking registered pledge over a set of movables and rights) and in respect of the repayment of BGK S.A.'s, PKO BP S.A.'s, mBank S.A.'s and PZU S.A.'s claims towards RAFAKO S.A. under the Surety Agreement signed to secure the liabilities of E003B7 Sp. z o.o. arising in connection with the agreement providing for issuance of guarantees for the benefit of TAURON Wytwarzanie S.A. in connection with implementation of the Jaworzno III 910 MW unit Project (a second-ranking registered pledge over a set of movables and rights).

11.15.5. Trade receivables pledged as security

As at June 30th 2018, trade receivables of PLN 32 thousand were pledged as security for guarantees and borrowings received by the Group (December 31st 2017: PLN 96,482 thousand).

11.16. Share capital

In the six months ended June 30th 2018, RAFAKO S.A.'s share capital remained unchanged and as at June 30th 2018 amounted to PLN 254,864 thousand.

Share capital	*Number of shares*	*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
Series K Shares	42,500,000	85,000
	127,431,998	**254,864**

In connection with the 2016 bond issue carried out by PGB S.A., the Company's main shareholder, a registered pledge was created over RAFAKO S.A. shares held directly by PBG S.A. (7,665,999 shares) and indirectly through Multaros Trading Company Limited, a subsidiary of PBG S.A., (34,800,001 shares) for the benefit of PBG S.A. bondholders.

11.17. Par value per share

The par value of the shares is PLN 2.00 per share. The shares were taken up for cash.

11.18. Shareholders' rights

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

11.19. Share premium

In the six months ended June 30th 2018, the share premium changed due to the coverage of loss brought forward, and as at June 30th 2018 stood at PLN 165,119 thousand.

11.20. Dividends paid

In the six months ended June 30th 2018, the Company did not pay any dividend, nor did the Management Board declare any dividend payment.

11.21. Earnings /(loss) per share

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

(PLN '000)

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

	Six months ended Jun 30 2018	*Six months ended Jun 30 2017*
Net profit/(loss) from continuing operations	1,665	(18,510)
Profit/(loss) from discontinued operations	–	–
Net profit/(loss)	1,665	(18,510)
Net profit/(loss) attributable to holders of ordinary shares used to calculate earnings/(loss) per share	1,665	(18,510)
Weighted average number of outstanding ordinary shares used to calculate basic earnings/(loss) per share	127,431,998	84,931,998
Dilutive effect:	–	–
Stock options	–	–
Cancellable preference shares	–	–
Adjusted weighted average number of ordinary shares used to calculate diluted earnings/(loss) per share	127,431,998	84,931,998
Earnings/(loss) per share		
– basic/diluted earnings/(loss) from profit/(loss) for period	0.01	(0.22)

The Company does not present diluted earnings per share for the six months ended June 30th 2018 as it did not issue any dilutive financial instruments.

11.22. Long-term trade and other payables

	Jun 30 2018	*Dec 31 2017 (restated)*
Financial liabilities		
Trade payables	12,132	14,674
	12,132	**14,674**
Other liabilities	–	–
	–	–

(PLN '000)

11.23. Long-term employee benefit obligations

	Jun 30 2018	*Dec 31 2017 (restated)*
Amounts payable under voluntary redundancy programme	–	153
Unpaid bonus accrual	–	495
Provision for retirement severance payments	6,152	5,901
Provision for length-of-service awards	10,738	10,601
Provision for other employee benefits	3,852	3,946
	20,742	**21,096**

11.24. Post-employment and other benefits

Based on a valuation forecast made as at the end of the reporting period by a professional actuary, the Company recognises a provision for the present value of its obligation related to retirement severance payments, length-of-service awards and the Company Social Benefits Fund. The provision amount and a reconciliation showing movements in the provision during the reporting period are presented in the table below.

	Jun 30 2018	*Dec 31 2017 (restated)*
As at January 1st	23,185	23,767
Interest expense	365	770
Current service costs	228	450
Actuarial (gains)/losses	474	(324)
Benefits paid	(757)	(2,538)
Recognition/reversal of provision for employee benefit obligations	–	1,060
Closing balance	**23,495**	**23,185**
Long-term provisions	20,742	20,448
Short-term provisions	2,753	2,737

The main assumptions adopted by the actuary as at June 30th 2018 and for the six months ended June 30th 2017 as well as for the 12 months ended December 31st 2017 to determine the amount of the obligation were as follows:

	Jun 30 2018	*Dec 31 2017 (restated)*
Discount rate (%)	3.2	3.2
Expected inflation rate (%)*	–	–
Employee turnover rate	7	7
Expected growth of salaries and wages (%)**	2	2

**No data provided in the actuary's report.*
** 2% in 2018 and in subsequent years

11.25. Other long-term provisions

	Jun 30 2018	*Dec 31 2017 (restated)*

Provision for warranty repairs	19,038	16,567
	19,038	**16,567**

11.26. Short-term trade and other payables

	Jun 30 2018	*Dec 31 2017 (restated)*
Financial liabilities		
Trade payables	132,668	185,498
Amounts payable for property, plant and equipment and intangible assets	38	399
Retentions (security deposits)	264	397
Other financial liabilities	202	–
Total financial liabilities	**133,172**	**186,294**
Non-financial liabilities		
Taxes and other duties payable	14,760	42,247
Advance payments received from customers	43,479	22,937
Other non-financial liabilities	21,349	29,234
Total non-financial liabilities	**79,588**	**94,418**
	212,760	**280,712**

11.27. Short-term employee benefit obligations

	Jun 30 2018	*Dec 31 2017 (restated)*
Social security	6,308	6,565
Salaries and wages payable	6,386	6,223
Amounts payable under voluntary redundancy programme	805	1,443
Accrued holiday entitlements	4,189	3,875
Unpaid bonus accrual	4,499	622
Provision for retirement severance payments	719	763
Provision for length-of-service awards	1,656	1,582
Provision for other employee benefits	377	392
	24,939	**21,465**

11.28. Other short-term provisions

	Jun 30 2018	*Dec 31 2017 (restated)*
Provision for warranty repairs	4,732	13,217
Provision for expected contract losses	1,675	14,090
Provision for liquidated damages	6,651	9,760
Other provisions	720	863
	13,778	**37,930**

12. Objectives and policies of financial risk management

The objectives and policies of financial risk management have not changed relative to those published in the most recent full-year financial statements for 2017.

(PLN '000)

13. Financial instruments

The following tables show the carrying amounts of various classes and categories of financial instruments as at June 30th 2018 and December 31st 2017.

The Company presents the particular classes and categories of its financial instruments at carrying amounts (as their fair values approximate their carrying amounts). Their fair values approximate their carrying amounts due to relatively short maturities of short-term items or discounting of long-term accounts receivable and payable.

Classes and categories of financial assets	*Carrying amount Jun 30 2018*	*Carrying amount Dec 31 2017 (restated)*
Assets at fair value through profit or loss	**168**	**702**
Derivative instruments	–	479
Shares held as long-term investments	168	223
Assets measured at amortised cost	**193,217**	**290,741**
Bonds	24,826	22,447
Trade receivables	91,300	194,632
Receivables on sale of property, plant and equipment and intangible assets	30	192
Other financial receivables*	76,645	73,074
Loans advanced	416	396
Cash and cash equivalents	**69,283**	**158,921**
	262,668	**450,364**

* For a detailed description of changes, see Note11.12

Classes and categories of financial liabilities	*Carrying amount Jun 30 2018*	*Carrying amount Dec 31 2017 (restated)*
Financial liabilities at fair value through profit or loss	–	–
Derivative instruments	–	–
Financial liabilities at amortised cost	**260,060**	**299,536**
Borrowings	114,756	98,568
Trade payables (including capital commitments)	144,838	200,571
Other financial liabilities	466	397
Liabilities under guarantees, factoring and excluded from the scope of IFRS 9	**2,942**	**2,742**
Liabilities under lease contracts with purchase option	2,942	2,742
	263,002	**302,278**

14. Derivative instruments

As at June 30th 2018, the Company did not carry any open currency forward contracts.

As at June 30th 2018, the Company did not carry any other derivative instruments.

The Company does not apply hedge accounting, but the transactions it concludes are not speculative and their purpose is to effectively hedge foreign currency purchase/sale contracts.

(PLN '000)

15. Borrowings

As at June 30th 2018, the Company's liabilities under bank and non-bank borrowings were PLN 114,756 thousand.

Short-term borrowings	*Security*	*Other*	*Currency*	*Effective interest rate*	*Maturity*	*Liabilities under borrowings*	
						Jun 30 2018	*Dec 31 2017*
Short-term borrowings:							
PKO BP S.A.	blank promissory note with a promissory note declaration, assignment of receivables under contracts*, clause providing for debt set-off against RAFAKO S.A.'s cash held in bank accounts, mortgage**, statement of submission to enforcement, registered pledge over a set of movables and rights comprising an entire business	current account overdraft facility of up to PLN 70m***	PLN	1M WIBOR + margin	Jun 30 2019****	69,567	55,137
PKO BP S.A.	blank promissory note with a promissory note declaration, assignment of receivables under contracts*, clause providing for debt set-off against RAFAKO S.A.'s cash held in bank accounts, mortgage**, statement of submission to enforcement, registered pledge over a set of movables and rights comprising an entire business	revolving working capital facility of up to PLN 80m***	PLN	1M WIBOR + margin	Jun 30 2019****	45,189	43,419
						114,756	**98,556**
Short-term non-bank borrowings:							
PGL - DOM Sp. z o.o.*****	blank promissory note with a promissory note declaration	cash loan agreement for financing of day-to-day operations	PLN	1M WIBOR + margin	Dec 31 2017******	–	12
						–	**12**

*The facility is secured by receivables under contracts executed by the Company.

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

***As at the date of issue of these financial statements, in accordance with the annex of 30th 2017 to the multi-purpose credit facility agreement, the facility limit was set at PLN 200m, including an overdraft facility of up to PLN 70m and a working capital facility of up to PLN 80m for the period from September 30th 2017 to June 30th 2018.

****As at the date of issue of these financial statements, in accordance with the annex of June 29th 2018 to the multi-purpose credit facility agreement, the term of the facility and its repayment date were extended until June 30th 2019.

***** A subsidiary.

****** The loan was timely repaid in 2017; the amount of PLN 12 thousand relates to accrued interest, paid in 2018.

(PLN '000)

16. Capital management

The purpose of capital management by the Company is to ensure a high level of security for its operations while minimising financing costs. To ensure stable development, the Company needs to maintain an appropriate relationship between internal and external capital sources 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 equity and liabilities).

	Jun 30 2018	*Dec 31 2017 (restated)*
Equity	394,405	393,250
External capital (bank and non-bank borrowings)	114,756	98,568
Total equity and liabilities	821,121	903,902
Capitalisation ratio	**0.48**	**0.44**

17. Provisions for costs

17.1. Provision for liquidated damages due to late contract completion or failure to meet technical specifications guaranteed under contracts

During the six months ended June 30th 2018, the Company reviewed the amounts of recognised provisions for costs due to late contract completion (including delays in meeting contractual obligations and the terms of assessing damages) under running contracts.

During the six months ended June 30th 2018, the Company used PLN 3,404 thousand of the provision.

(PLN '000)

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

	*Provision for expected contract losses**	*Provision for length-of-service awards, retirement severance payments and Company Social Benefits Fund*	*Provision for holiday entitlements***	*Provision for warranty repairs***	*Provision for liquidated damages*	*Employee benefit obligations***	*Provision for credit losses on sureties*	*Provision for voluntary redundancy programme*	*Restructuring provision*	*Provision for other costs***	*Other provisions*
Jan 1 2018	**15,843**	**23,185**	**3,875**	**17,489**	**8,069**	**1,118**	**–**	**1,596**	**8,368**	**3,936**	**75**
Adjustment to opening balance	(1,754)	–	–	12,295	1,691	–	1,618	–	–	–	–
Jan 1 2018 *(restated)*	**14,089**	**23,185**	**3,875**	**29,784**	**9,760**	**1,118**	**1,618**	**1,596**	**8,368**	**3,936**	**75**
Recognised	1,239	1,237	314	8,772	295	3,813	–	–	–	249	142
Reversed	(13,653)	(170)	–	–	–	(413)	–	(103)	(5,747)	(96)	–
Used	–	(757)	–	(14,786)	(3,404)	(19)	–	(688)	(1,443)	(34)	(75)
Jun 30 2018	**1,675**	**23,495**	**4,189**	**23,770**	**6,651**	**4,499**	**1,618**	**805**	**1,178**	**4,055**	**142**
Jan 1 2017	**19,239**	**23,767**	**3,553**	**19,653**	**4,856**	**7,296**	**–**	**7,094**	**–**	**6,502**	**56**
Recognised	1,751	986	927	5,246	4,704	–	–	–	–	46	145
Reversed	–	–	–	–	(678)	–	–	–	–	(45)	–
Used	(10,088)	–	–	(7,239)	(4,205)	(123)	–	(4,593)	–	(1,285)	(56)
Jun 30 2017	**10,902**	**24,753**	**4,480**	**17,660**	**4,676**	**7,173**	**–**	**2,501**	**–**	**5,218**	**145**

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

(PLN '000)

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

In the six months ended June 30th 2018, the Company did not issue, redeem or repay any debt or equity securities.

19. Dividends paid or declared

In the six months ended June 30th 2018, the Company did not pay any dividend, nor did the Management Board declare any dividend payment.

20. Capital commitments

As at June 30th 2018, the Company had commitments related to purchase of property, plant and equipment of PLN 38 thousand. As at June 30th 2018, the Company had not signed agreements envisaging any capital expenditure to be made in 2018 and not disclosed in the accounting books at the end of the reporting period.

21. Movements in off-balance sheet items; loan sureties and guarantees granted

	Jun 30 2018	*Dec 31 2017 (restated)*
Off-balance sheet items under financial guarantees received mainly as security for performance of contracts, including:	195,129	182,715
- from related entities	–	–
Receivables under sureties received, including:	–	–
- from related entities	–	–
Promissory notes received as security, including:	29,818	18,823
- from related entities	21,376	11,286
Letters of credit	48	46
	224,995	**201,584**

	Jun 30 2018	*Dec 31 2017 (restated)*
Off-balance sheet items under financial guarantees issued mainly as security for performance of contracts, including:	314,136	320,431
- to related entities	–	–
Liabilities under sureties, including:	1,294,375	1,294,375
- to related entities	1,294,375	1,294,375
Promissory notes issued as security, including:	15,076	15,076
- to related entities	–	–
Letters of credit	–	–
	1,623,587	**1,629,882**

In the six months ended June 30th 2018, RAFAKO S.A.'s contingent liabilities fell by PLN 6,295 thousand, due mainly to a decrease in guarantees granted. In the six months ended June 30th 2018, banks and insurance companies acting on the Company's instruction provided guarantees (mainly performance bonds of PLN 51,284 thousand and bid bonds of PLN 17,668 thousand) to the Company's trading partners. The largest item of contingent liabilities was a performance bond of EUR 2,310 thousand issued in April 2018. As at the end of June 2018, liabilities under sureties in issue were PLN 1,294,375 thousand. In this category of liabilities, the largest item was the sureties covering E003B7 Sp. z o.o.'s liabilities, provided by RAFAKO S.A. on April 16th 2014 and February 24th 2016 and valid until April 17th 2028, in connection with the project to develop new coal-fired generation capacities at TAURON Wytwarzanie S.A. – construction of supercritical 910 MW generating unit at the Jaworzno III Power Plant – Power Plant II. The largest item of guarantees which expired in the first six months of 2018 was a PLN 9,000 thousand bid bond.

In the first six months of 2018, the Company's contingent receivables (mainly under performance bonds) rose by PLN 23,411 thousand, including an increase of PLN 12,414 thousand in receivables under bank and insurance guarantees, an increase of PLN 10,995 thousand in receivables under promissory notes, and a PLN 2 thousand increase in receivables under letters of credit opened for the Company. The largest item of guarantees received in the first six months of 2018 was a EUR 1,123 thousand performance bond. The largest item of guarantees expired in the first six months of 2018 was a EUR 431 thousand advance payment guarantee.

(PLN '000)

22. Litigation and disputes

As at the date of these interim condensed financial statements, the Company was involved in litigation both as a defendant and a plaintiff.

For a detailed description of key court cases, see the Company's financial statements for the year ended December 31st 2017, available at:

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

Relative to the description presented there, there have been no changes which would materially affect the Company's financial standing.

As at the date of issue of these financial statements, no material developments occurred in the two largest disputes with Mostostal Warszawa S.A, i.e. in the action brought by RAFAKO S.A. against Mostostal Warszawa S.A. for payment of PLN 8,042,475.00 as reimbursement of 70% of the amounts retained as a performance bond, and in the action for payment of PLN 13,136,446.57 (currently, after the extension of claim, the value of the dispute is PLN 16,157,214.28) under invoice No. FHO/16100098 issued by RAFAKO S.A. for the services provided by RAFAKO S.A. and not paid for by Mostostal Warszawa S.A. and Zakład Termiczny Unieszkodliwiania Odpadów sp. z o.o. The parties are still waiting for the competent courts to set the dates for hearings.

The Company's Management Board upholds its opinion, presented in the financial statements for 2017, that the claims are legitimate and expects the disputes to be resolved in favour of the Company.

RAFAKO S.A. is also in dispute with Energomontaż Zachód Wrocław sp. z o.o. (EZW). Two court proceedings are pending (notified to RAFAKO S.A. in June and July 2018) with the total claims amounting to PLN 1,859 thousand, with respect to two invoices issued by Energomontaż Zachód Wrocław Sp. z o.o. which were not paid by the Company and whose amounts were set off against liquidated damages claimed by the Company for a delay in EZW's performance under the contract. RAFAKO S.A. believes that the set-off were legitimate and is effective; therefore, it expects favourable judgments. Both cases are in their early stages.

23. Company's Management Board and Supervisory Board

In the six months ended June 30th 2018 and as at the date of these interim condensed financial statements, there were changes in the composition of the Company's Management Board. On February 20th 2018, Krzysztof Burek resigned from the position of Vice President of the Company's Management Board. The Supervisory Board appointed Karol Sawicki as Vice President of the Management Board.

As at the date of these financial statements, the composition of the Management Board was as follows:

Agnieszka Wasilewska-Semail	– President of the Management Board,
Jarosław Dusiło	– Vice President of the Management Board,
Edward Kasprzak	– Vice President of the Management Board,
Karol Sawicki	– Vice President of the Management Board,
Tomasz Tomczak	– Vice President of the Management Board.

In the six months ended June 30th 2018 and as at the date of these interim condensed financial statements, no changes took place in the composition of the Company's Supervisory Board.

As at the date of these financial statements, the composition of the Supervisory Board was as follows:

Jerzy Wiśniewski	– Chairman of the Supervisory Board,
Przemysław Schmidt	– Secretary of the Supervisory Board (independent member),
Krzysztof Gerula	– Member of the Supervisory Board (independent member),
Dariusz Szymański	– Member of the Supervisory Board,
Adam Szyszka	– Member of the Supervisory Board (independent member),
Małgorzata Wiśniewska	– Member of the Supervisory Board.

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

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

(PLN '000)

In the reporting and comparative periods, the Company did not enter into any transactions with members of its Management or Supervisory Boards, other than the transactions described in Note25.

25. Related-party transactions

In the first six months of 2018 and 2017, the Company did not enter into any material related-party transactions on non-arm's length terms. Total amounts of related-party transactions in the reporting period:

Related party		*Sales to related parties in the six months ended Jun 30 2018/ Jun 30 2017*	*Purchases from related parties for the six months ended Jun 30 2018/ Jun 30 2017*	*Receivables from related parties as at Jun 30 2018/ Dec 31 2017*	*Liabilities to related parties as at Jun 30 2018/ Dec 31 2017*
Parent:					
PBG S.A.	2018	335	1,871	24,985	492
	2017	411	2,342	30,054*	298
PBG Group companies:					
PBG oil and gas Sp. z o.o. (formerly HBP DROGI Sp. z o.o.)	2018	127	9,584	19,454	2,168
	2017	41	766	10,502	149
PBG ERIGO PROJEKT Sp. z o.o. PLATAN HOTEL SKA	2018	37	–	22	–
	2017	37	–	8	–
PBG DOM Sp. z o.o.	2018	2	–	–	–
	2017	–	–	1	–
Subsidiaries:					
PGL-DOM Sp. z o.o.	2018	162	310	41	194
	2017	11	31	–	3
RAFAKO Engineering Sp. z o.o.	2018	303	12,898	370	7,625
	2017	459	4,553	2,107	8,778
RAFAKO Engineering Solution doo.	2018	–	171	–	–
	2017	–	653	–	61
RAFAKO Hungary Sp. z o.o.	2018	–	–	–	–
	2017	–	–	834	–

(PLN '000)

Related party		Sales to related parties in the six months ended Jun 30 2018/ Jun 30 2017	Purchases from related parties for the six months ended Jun 30 2018/ Jun 30 2017	Receivables from related parties as at Jun 30 2018/ Dec 31 2017	Liabilities to related parties as at Jun 30 2018/ Dec 31 2017
ENERGOTECHNIKA ENGINEERING Sp. z o.o.	2018	38	875	8	650
	2017	33	4,575	10	1,562
E001RK Sp. z o.o.	2018	–	144	–	30
	2017	3	120	–	29
E003B7 Sp. z o.o.	2018	779	3	223	4
	2017	1,150	–	17,112	–
RENG-NANO Sp. z o.o.	2018	–	–	–	–
	2017	6	–	–	–
Entities related through personal links:					
PBG Foundation	2018	–	35	–	–
	2017	–	220	–	30
SWGK CONSULTING Sp. z o.o.	2018	–	–	–	–
	2017	–	13	–	–
BPIL Grzegorz Kiczor	2018	–	85	–	37
	2017	–	15	–	41
Dwór w Smólsku Sp. z o.o.	2018	–	140	–	25
	2017	–	120	–	49
SWGK Księgowość Sp. z o.o.	2018	–	300	–	62
	2017	–	100	–	124
Przedsiębiorstwo Inżynieryjne Ćwiertnia Sp. z o.o.	2018	–	–	509	–
	2017	–	–	516	–
Economic Chamber of Energy and Environmental Protection	2018	–	2	–	21
	2017	–	–	–	7
Polimex-Mostostal S.A.	2018	–	–	–	–
	2017	–	–	–	117
PONER Sp. z o.o.	2018				
	2017				
Mostostal Energomontaż Gliwice S.A.	2018	–	–	–	–
	2017	–	–	–	–
MIKO-Tech Sp. z o.o.	2018	–	4	–	–
	2017	–	48	–	–

26. Management Board's position on the Group's ability to deliver forecast results

The Company has not published any forecasts for 2018.

(PLN '000)

27. Shareholders holding 5% or more of total voting rights at the General Meeting of RAFAKO S.A.

Shareholders holding 5% or more of total voting rights at the General Meeting of RAFAKO S.A. are presented in Note 28 to the interim condensed consolidated financial statements for the six months ended June 30th 2018.

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

	Company name	*As at May 25 2018*	*Increase*	*Decrease*	*As at Sep 7 2018*
Member of the Management Board					
Agnieszka Wasilewska-Semail, President of the Management Board	RAFAKO S.A.	20,245	–	–	20,245
Edward Kasprzak Vice President of the Management Board	RAFAKO S.A.	24,450	–	–	24,450
Jarosław Dusiło Vice President of the Management Board	RAFAKO S.A.	20,000	–	–	20,000
Member of the Supervisory Board	–	–	–	–	–

29. Events after the reporting period

After the reporting period, no events took place that would materially affect the Company's financial performance.

On July 4th 2018, a notarial deed was signed under which a new company, RAFAKO MANUFACTURING Sp. z o.o., was established. The company's share capital is PLN 30,000 and is divided into 300 shares with a par value of PLN 100 per share. The shares were subscribed for by RAFAKO S.A. in exchange for a cash contribution. On July 9th 2018, the District Court of Gliwice, 10th Commercial Division of the National Court Register, entered RAFAKO MANUFACTURING Sp. z o.o. in the National Court Register under No. 0000739782.

On July 11th 2018 the Management Board of RAFAKO S.A. was notified that the Company's bid had been selected by PGE Górnictwo i Energetyka Konwencjonalna S.A. as the best bid in the tender procedure for comprehensive upgrade of the flue gas desulphurisation systems at units No. 3, 4, 5 and 6 at the Bełchatów Power Plant of PGE GiEK S.A. The value of the Company's bid is PLN 181.6m, VAT exclusive (PLN 223.4m VAT inclusive). The project completion deadline is the end of May 2021.

On July 17th 2018, the Management Board of RAFAKO S.A. was notified that Elering AS of Tallinn, Estonia, (the employer) had cancelled the selection of the Company's bid as the best bid in the tender procedure for the turnkey construction of the Paldiski and Puiatu gas compressor stations in Estonia. The employer's decision is final and follows from an appeal filed by another bidder.

On July 18th 2018, the Management Board of RAFAKO S.A. was notified that Energa Wytwarzanie S.A. of Gdańsk had selected the Company's bid, submitted as part of the consortium comprising RAFAKO S.A. (consortium leader) and ENERGA Serwis Sp. z o.o. of Ostrołęka (the "Consortium"), as the best bid in the tender procedure for construction of gas desulfurisation unit II at the Ostrołęka Power Plant B. The VAT-exclusive value of the Consortium's bid is PLN 199,250,000, with the Company's share accounting for approximately 63.3% of this amount.

(PLN '000)

On July 24th 2018, the Consortium of the Company (as the Consortium leader) and ENERGA Serwis Sp. z o.o. of Ostrołęka (as the Consortium member) signed a contract with ENERGA Elektrownie Ostrołęka S.A. of Ostrołęka for the construction of flue gas desulfurization unit II at the Ostrołęka Power Plant B. The total value of the contract is PLN 199,250,000, VAT exclusive, of which PLN 126,250,000 (VAT exclusive), or approximately 63.3% of the contract value, is the Company's consideration. The contract completion deadline is June 30th 2020.

On July 31st 2018 RAFAKO S.A. signed with PGE Górnictwo i Energetyka Konwencjonalna S.A. a contract to upgrade the flue gas desulphurisation systems at Units 3, 4, 5 and 6 at PGE GiEK S.A., Bełchatów Power Plant Branch. The VAT-exclusive value of the contract totals PLN 181,600,000. The contract completion deadline is May 31st 2021.

The Management Board of RAFAKO S.A. of Racibórz has announced that on July 31st 2018 the Company completed another stage of its reorganisation aimed at building a flexible, more cost-effective organisation, adapted to the current market conditions. As part of the reorganisation, employment was reduced and optimisation measures were taken covering the operations of the entire organisation.

During the reorganisation, the number of reduced FTEs did not exceed 276, the number agreed with the trade unions operating at the Company, and the total value of savings resulting from the headcount reduction from the beginning of the restructuring to the end of this year should reach PLN 15m, of which PLN 12m should be obtained in 2018 alone. This amount does not include savings resulting from additional optimisation initiatives undertaken as part of the reorganisation process. The costs related to the execution of this reorganisation stage will not exceed the additional provision recognised for this purpose.

These interim condensed financial statements of the Company were authorised for issue on September 6th 2018 by resolution of the RAFAKO S.A. Management Board of September 6th 2018.

Signatures:

September 6th 2018	Agnieszka Wasilewska-Semail	President of the Management Board ....
September 6th 2018	Jarosław Dusiło	Vice President of the Management Board......................
September 6th 2018	Edward Kasprzak	Vice President of the Management Board......................
September 6th 2018	Karol Sawicki	Vice President of the Management Board......................
September 6th 2018	Tomasz Tomczak	Vice President of the Management Board......................
September 6th 2018	Jolanta Markowicz	Chief Accountant..