RAFAKO S.A.

THE PBG GROUP

FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31ST 2014

with the auditor's opinion

COPY NO. 1

Table of contents

(PLN '000)

Statement of comprehensive income

for the 12 months ended December 31st 2014

	Note	*12 months ended Dec 31 2014*	*12 months ended Dec 31 2013*
Continuing operations			
Revenue		**1,143,740**	**739,588**
Revenue from sale of goods and services	15.1	1,141,720	736,570
Revenue from sale of materials	15.2	2,020	3,018
Costs of sales	15.4	(1,040,394)	(700,564)
Gross profit/(loss)		**103,346**	**39,024**
Other income	15.7	4,402	3,642
Distribution costs	15.4	(30,399)	(38,202)
Administrative expenses	15.4	(38,414)	(32,404)
Other expenses	15.8	(10,550)	(3,331)
Profit/(loss) from continuing operations		**28,385**	**(31,271)**
Finance income	15.9	8,643	15,283
Finance costs	15.10	(9,727)	(31,838)
Effect of changes in estimates on valuation of receivables from related entities in arrangement bankruptcy	46	–	(94,205)
Pre-tax profit/(loss)		**27,301**	**(142,031)**
Income tax expense	16, 11.23.1	(3,786)	2,250
Net profit/(loss) from continuing operations	18, 19	**23,515**	**(139,781)**
Other comprehensive income for the period			
Items to be reclassified to profit/(loss) in subsequent reporting periods			
Exchange differences on translating foreign operations	15.11	89	(328)
Other net comprehensive income to be reclassified to profit/(loss) in subsequent reporting periods		**89**	**(328)**
Items not subject to reclassification to profit/(loss) in subsequent reporting periods			
Other comprehensive income due to actuarial gains/(losses)	15.11	(5,005)	(537)
Tax on other comprehensive income	15.11, 16	950	102
Other comprehensive income not subject to reclassification to profit/(loss) in subsequent reporting periods		**(4,055)**	**(435)**
Total comprehensive income for the period		**19,549**	**(140,544)**
Weighted average number of shares	19	69,600,000	69,600,000
Basic earnings/(loss) per share, PLN	19	0.34	(2.01)

Racibórz, March 23rd 2015

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

Statement of financial position

as at December 31st 2014

(PLN '000)

	Note	Dec 31 2014	Dec 31 2013
ASSETS			
Non-current (long-term) assets			
Property, plant and equipment	22	142,806	143,270
Investment property		–	–
Intangible assets	26	9,164	7,356
Non-current trade receivables, other receivables and prepayments	29	28,990	3,786
Trade receivables		28,990	2,877
Other receivables and prepayments		–	909
Non-current financial assets		58,802	91,952
Shares in subsidiaries	28	25,032	60,216
Shares in other entities	28	388	338
Non-current loans advanced	30, 33.4	38	–
Other non-current financial assets	30	33,344	31,398
Deferred tax asset	16.3	49,570	44,376
		289,332	**290,740**
Current (short-term) assets			
Inventories	31	21,715	19,874
Current trade receivables, other receivables and prepayments	32	437,248	510,890
Trade receivables	32	237,953	138,671
Income tax receivable		13,666	12,636
Other receivables and prepayments	32	185,629	359,583
Gross amount due from customers for contract work	14	239,735	160,758
Current financial assets		14,418	26,045
Derivative instruments	33.1	–	–
Current deposits	33.3	–	–
Current loans advanced	33.4	70	–
Other current financial assets	33.5	–	1,863
Cash and cash equivalents	33.6	14,348	24,182
Other current non-financial assets	34	–	–
		713,116	**717,567**
Non-current assets held for sale	24	35,450	44
TOTAL ASSETS		**1,037,898**	**1,008,351**

Racibórz, March 23rd 2015

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

(PLN '000)

Statement of financial position

as at December 31st 2014

	Note	Dec 31 2014	Dec 31 2013
EQUITY AND LIABILITIES			
Equity			
Share capital	35.1	139,200	139,200
Share premium	35.4	36,778	36,778
Reserve funds	35.5	81,201	220,982
Exchange differences on translating foreign operations	35.6	293	204
Retained earnings / Accumulated losses	35.7	19,025	(140,216)
		276,497	**256,948**
Non-current liabilities			
Interest-bearing borrowings	37	–	–
Finance lease liabilities	42, 39.1	1,581	222
Deferred tax liability	16.3	–	–
Provision for employee benefits	38	24,907	21,266
Non-current trade and other payables		22,869	16,848
Trade payables	39.1	20,504	13,676
Capital commitments	39.1	172	128
Other liabilities	39.1	2,193	3,044
		49,357	**38,336**
Current liabilities			
Current trade and other payables		378,810	256,733
Trade payables	39.2	299,227	202,754
Capital commitments	39.2	4,860	302
Income tax payable	39.9	–	–
Other liabilities	39.2	74,723	53,677
Current portion of interest-bearing borrowings	37	130,229	258,869
Other financial liabilities and finance lease liabilities	39.2, 42	559	143
Provision for employee benefits	38	1,896	1,542
Amounts due to customers and provisions for construction contract work and deferred income		200,550	195,780
Amounts due to customers for construction contract work	14	161,446	109,337
Provisions for construction contract work	14	38,033	85,896
Grants	40	1,071	547
		712,044	**713,067**
Total liabilities		**761,401**	**751,403**
TOTAL EQUITY AND LIABILITIES		**1,037,898**	**1,008,351**

Racibórz, March 23rd 2015

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

(PLN '000)

Statement of cash flows
for the 12 months ended December 31st 2014

	Note	12 months ended Dec 31 2014	12 months ended Dec 31 2013
Cash flows from operating activities			
Pre-tax profit/(loss)		27,301	(142,031)
Adjustments for:		100,988	181,607
Depreciation and amortisation	Błąd! Nie można odnaleźć źródła odwołania.	10,388	10,243
Foreign exchange gains/(losses)		2	(35)
Interest and dividends, net		4,290	5,579
(Gain)/loss from investing activities	33.5	145	16,131
Increase/(decrease) in financial liabilities/financial assets from valuation of derivative instruments		–	53
Effect of changes in estimates on valuation of receivables from related entities in arrangement bankruptcy	46	–	94,205
(Increase)/decrease in receivables	20	49,468	124,367
(Increase)/decrease in inventories		(1,841)	2,713
Increase/(decrease) in employee benefit provisions and obligations, excluding borrowings	20	131,488	(24,701)
Change in prepayments and accruals for construction contracts	20	(74,731)	(45,716)
Income tax paid		(18,058)	(716)
Other		(163)	(516)
Net cash from operating activities		**128,289**	**39,576**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment and intangible assets		93	130
Purchase of property, plant and equipment and intangible assets	20	(4,928)	(7,024)
Sale of financial assets		–	–
Purchase of financial assets		–	–
Share capital increase at subsidiary		–	–
Acquisition of shares in subsidiary		–	(11)
Dividends and interest received		2,812	23
Loans advanced		(190)	–
Repayment of loans advanced		81	–
Other		–	–
Net cash from investing activities		**(2,132)**	**(6,882)**
Cash flows from financing activities			
Payment of finance lease liabilities		(1,034)	(259)
Proceeds from borrowings		–	16,064
Repayment of borrowings	20	(128,199)	(44,879)
Interest paid	20	(6,435)	(13,374)
Bank fees		(1,111)	(1,723)
Other		699	586
Net cash from financing activities		**(136,080)**	**(43,585)**
Net increase/(decrease) in cash and cash equivalents		(9,923)	(10,891)
Net foreign exchange differences		89	(328)
Cash at the beginning of the period	33.6	**24,182**	**35,401**
Cash at the end of the period, of which:	33.6	**14,348**	**24,182**
- restricted cash	33.6	1,317	1,018

Racibórz, March 23rd 2015

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

Management Board	Management Board	Management Board	Management Board	Management Board

(PLN '000)

Statement of changes in equity

for the 12 months ended December 31st 2014

	Share capital	*Share premium*	*Reserve funds*	*Exchange differences on translating foreign operations*	*Retained earnings/ Accumulated losses*	*Total*
As at January 1st 2014	**139,200**	**36,778**	**220,982**	**204**	**(140,216)**	**256,948**
Total comprehensive income for the period	–	–	–	89	19,460	19,549
Distribution of prior year profits	–	–	(139,781)	–	139,781	–
Dividend	–	–	–	–	–	–
As at December 31st 2014	**139,200**	**36,778**	**81,201**	**293**	**19,025**	**276,497**
As at January 1st 2013	**139,200**	**36,778**	**213,845**	**532**	**7,137**	**397,492**
Total comprehensive income for the period	–	–	–	(328)	(140,216)	(140,544)
Distribution of prior year profits	–	–	7,137	–	(7,137)	–
Dividend	–	–	–	–	–	–
As at December 31st 2013	**139,200**	**36,778**	**220,982**	**204**	**(140,216)**	**256,948**

Racibórz, March 23rd 2015

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

NOTES

1. General information

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

The Company has been established for an indefinite term.

The Company's financial statements cover the year ended December 31st 2014 and include comparative data as at and for the year ended on December 31st 2013.

The Company's principal business activities are as follows:

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

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

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

2. Identification of consolidated financial statements

The Company releasing these financial statements has also prepared consolidated financial statements of the RAFAKO Group for the year ended December 31st 2014, approved for issue on March 23rd 2015.

(PLN '000)

3. Composition of the Company's Management Board and Supervisory Board

In the 12 months ended December 31st 2014, the following changes took place in the composition of the Company's Management Board.

On May 6th 2014, the Supervisory Board of RAFAKO S.A. made the following decisions:

- determined that the Company's Management Board is to be composed of six persons;
- appointed Mr Tomasz Tomczak as Member of the Company's Management Board with effect as of May 6th 2014.

On June 25th 2014, the Supervisory Board of RAFAKO S.A. made the following decisions:

- set the number of Management Board members at five,
- appointed the following members of the Management Board for a joint three-year term of office as of June 25th 2014: Mr Paweł Mortas, Mr Krzysztof Burek, Mr Jarosław Dusiło, Mr Edward Kasprzak and Mr Tomasz Tomczak. Mr Maciej Modrowski ceased to serve on the Management Board.

On September 8th 2014, the Supervisory Board of the Company made the following decisions:

- removed Mr Paweł Mortas from the position of President of the Management Board as of September 8th 2014;
- appointed Ms Agnieszka Wasilewska-Semail as President of the Management Board as of September 8th 2014.

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
Krzysztof Burek	− Vice President of the Management Board
Jarosław Dusiło	− Vice President of the Management Board
Edward Kasprzak	– Vice President of the Management Board
Tomasz Tomczak	− Vice-President of the Management Board.

In the 12 months ended December 31st 2014, the following changes took place in the composition of the Company's Supervisory Board.

On May 6th 2014, the Supervisory Board of RAFAKO S.A. appointed Mr Jerzy Wiśniewski as Chairman of the Supervisory Board and Mr Agenor Gawrzyał as Deputy Chairman of the Supervisory Board.

On June 25th 2014, RAFAKO S.A. received resignation of Mr Agenor Gawrzyał, Deputy Chairman of the Supervisory Board, from his position on the Supervisory Board of the Company, effective as of June 24th 2014.

On June 25th 2014, the Annual General Meeting of RAFAKO S.A. made the following decisions:

- set the number of Supervisory Board Members at six;
- appointed Mr Adam Szyszka to the Supervisory Board of the 7th term.

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

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

4. Authorization of the financial statements

These financial statements for the year ended December 31st 2014 were authorised for issue by the Company's Management Board on March 23rd 2015.

(PLN '000)

5. The Company's investments

The Company holds investments in the following subsidiaries, jointly-controlled entities and associates:

Name and registered office	*Principal business activity*	*The Company's interest in the share capital (%)*	
		Dec 31 2014	*Dec 31 2013*
FPM S.A.* Mikołów	Manufacture of ovens, furnaces and furnace burners	82.19%	82.19%
PALSERWIS Sp. z o.o.** Mikołów	Manufacture of ovens, furnaces and furnace burners	82.19%	82.19%
PGL-DOM Sp. z o.o. Racibórz	Real property activities with own property	100%	100%
RAFAKO ENGINEERING Sp. z o.o. Racibórz	Construction and process design, urban planning	100%	100%
ENERGOTECHNIKA ENGINEERING Sp. z o.o.*** Gliwice	Construction and process design, urban planning, engineering consultancy	83.48%	100%
RAFAKO ENGINEERING SOLUTION doo Belgrade	Process design, construction, industry, and environmental protection consultancy and supervision	77%	77%
RAFAKO Hungary Kft. Budapest	Equipment assembly in the power and chemical industry	100%	100%
E001RK Sp. z o.o. Racibórz	Development of building projects; construction of roads and highways, railways and subways, bridges and tunnels; engineering activities and technical and scientific consultancy; production, repair and maintenance of machinery and equipment, generation and transmission of and trading in electricity.	100%	100%
E003B7 Sp. z o.o. Racibórz	Development of construction projects, business consultancy and construction design, engineering and technology	100%	100%

* The value of shares is disclosed under 'Non-current assets held for sale'.
** 100% subsidiary of FPM S.A. and indirect subsidiary of RAFAKO S.A.
*** Subsidiary of RAFAKO ENGINEERING Sp. z o.o. and PGL-DOM Sp. z o.o., indirect subsidiary of RAFAKO S.A.

As at December 31st 2014, the Company's share in total voting rights held in the subsidiaries was equal to the Company's interest in the share capital of those entities, except for ENERGOTECHNIKA ENGINEERING Sp. z o.o., in which RAFAKO Engineering Sp. z o.o. holds 40% of preference shares (conferring the right to 57.14% of the total vote); the remaining 43.48% of the shares (conferring the right to 31.06% of the total vote) are held by PGL-DOM Sp. z o.o.

As at December 31st 2013, the Company's share in total voting rights held in the subsidiaries was equal to the Company's interest in the share capital of those entities, except for ENERGOTECHNIKA ENGINEERING Sp. z o.o., in which RAFAKO Engineering Sp. z o.o. holds 34% of preference shares (conferring the right to 50.5% of the total vote); the remaining 66% of the shares (conferring the right to 49.5% of the total vote) are held by PGL-DOM Sp. z o.o.

6. Basis of preparation of the financial statements

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

These financial statements of the Company have been prepared on the assumption that the Company will continue as a going concern for at least 12 months after the end of the reporting period, i.e. December 31st 2014.

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

- continued financing of the Company's operations with the PLN 150m credit facility subsequent to April 30th 2015 – pursuant to the annex executed on April 29th 2014, the repayment date for the credit facility was extended until April 30th 2015,

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

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

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

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

The above assumptions relate to the key risks provided for in the financial projections. Materialisation of these risks/uncertainties, trade payables becoming past due, lower margins on contracts, and the need to commit significant funds by the Company as security for contract guarantees (as at the end of the reporting period, the value of deposits used to secure guarantees was PLN 160m) may significantly affect the Company's ability to continue as a going concern.

In 2014, the Company executed a number of contracts and agreements related to the Jaworzno project; successfully completed negotiations on the Opole project and the settlement of EUR 43.5m receivables from Alstom; reduced its bank debt from ca. PLN 300m to ca. PLN 126m as at December 31st 2014; significantly reduced past due trade payables; secured a significant part of the budgeted revenue; and provided the financing bank with collateral for the current credit facility, as required by the institution.

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

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

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

Considering the risks discussed above, the improved financial standing of the Company, and the current status of negotiations with the financing bank and other financial institutions, the Management Board believes that its efforts will prove successful and the Company will be able to meet the targets set forth in the financial projections for the coming year, and has prepared these financial statements based on the assumption that the Company would continue as a going concern.
The Company applied the IFRSs applicable to financial statements prepared for the year beginning on January 1st 2014.

7. Significant judgements and estimates

7.1. Professional judgement

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

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

Identification of embedded derivatives

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

Syndicated agreements

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

7.2. Uncertainty of estimates

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

Estimates relating to the following items had a critical impact on the net result for the 12 months ended December 31st 2014 and the amounts of assets and liabilities as at December 31st 2014:

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

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

Impairment of assets

At the end of the reporting period, the Company conducts a test for impairment of goodwill and an analysis of the impairment of property, plant and equipment and intangible assets with defined useful lives for which indications of impairment have been identified. This requires an estimation of the value in use of the cash-generating unit to which these assets belong. Estimating the value in use requires making an estimate of the expected future cash flows from the cash-generating unit and determining a suitable discount rate in order to calculate the present value of those cash flows. The Company made an assessment of whether there are any indications of impairment of assets. The analysis showed that during the 12 months ended December 31st 2014 there were no impairment indications.

The amounts of impairment losses on assets at the end of the reporting period are presented in Notes 22, 32.1, 33.5 and 46 to these financial statements.

Revenue recognition

In accounting for its long-term contracts, the Company uses the percentage of completion method. The use of the method requires the Company to estimate the percentage of completion. If the estimated total cost of contract execution increased by 10% in relation to the Company's original estimate, the revenue would decrease by approximately PLN 42.7m.

Measurement of provision for employee benefits

Provisions for employee benefits were estimated with actuarial methods.

The underlying assumptions are presented in Note 38.1. The change in provisions for employee benefits in the period was caused by the recognition of current service costs, interest expense and benefits paid.

Fair value of financial instruments

Fair value of financial instruments for which there is no active market is determined with the use of appropriate measurement techniques. In selecting appropriate valuation methods and assumptions, the Company relies on professional judgement. For information on the fair value measurement method for individual financial assets, see Note 52.

Depreciation and amortisation rates

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

Deferred tax asset

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

Provision for expected losses on contracts

At the end of each reporting period the Company remeasures total estimated revenues and costs of construction contracts accounted for using the percentage of completion method. Any expected loss on the contract is recognised as an expense in accordance with IFRS. Details of accounting for construction contract revenue and costs for the financial year are presented in Notes 11.24.6 and 14 to these financial statements. 11.24.614

Provision for costs due to late performance of contracts

The Company recognises a provision for contractual penalties arising from late performance of contracts if the probability of being charged for delay in the performance of the contract is significant and the delay is due to the fault of the Company as a contractor. The amount of the provision reflects the amount of the contractual penalty that may be charged for a given period of delay. Details of provisions estimated in this manner are presented in Note 14 to these financial statements.

Impairment of financial assets

At the end of the reporting period, the Company makes an assessment of whether there is any objective evidence of impairment of a receivable or a group of financial assets. Where the recoverable amount of the asset is less than its carrying amount, the entity recognises an allowance to bring down the carrying amount to the present value of the expected cash flows. For a detailed discussion of fair value/recoverable amount of receivables from related parties in bankruptcy, see Note 46

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

As a result of loss of control of a subsidiary, as discussed in detail in Note 4646 This valuation was performed based on a set of assumptions, such as the estimated discounting period, estimated amount of the inflow, and estimated discount rate. Given the uncertainty as to Company's ability to claim a refund of the price paid for the shares of ENERGOMONTAŻ-POŁUDNIE S.A., the estimation of the parameters for the measurement of the receivable, in particular at its initial recognition, was difficult and subject to uncertainty.

Valuation of receivables from related parties under arrangement proceedings

In light of the arrangement proceedings pending with respect to the Company's related entity, as discussed in detail in Note 46, and in light of the current arrangement proposals which have not yet been approved at the date of issue of these financial statements, the Company's Management Board remeasured the related receivable as discussed in subsection *'Recognition of a financial asset (receivable) as a result of loss of control over a subsidiary'* based on new assumptions, i.e. the fair value of the receivable was estimated taking into account the expected cash inflows to RAFAKO S.A., taking into consideration PBG S.A.'s arrangement proposals providing for the repayment of PLN 500 thousand and an 80% reduction of the debt in excess of PLN 500 thousand (for which no deferred tax asset was recognised), and the expected timing of the first inflow of cash in the 5-year repayment period, assessed by the Management Board of RAFAKO S.A. as June 30th 2016.

7.3. Statement of compliance

These financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRSs") as endorsed by the European Union ("EU IFRSs"). At the date of authorisation of these financial statements for issue, in light of the ongoing process of IFRS endorsement in the European Union and the nature of the Company's activities, within the scope of the accounting policies applied by the Company there is a difference between IFRSs and the EU IFRSs. The Company has chosen the option, available in the case of application of the EU-endorsed IFRSs, of applying IFRIC 21 starting from annual periods beginning on or after January 1st 2015, while amendments to IFRS 2 and amendments to IFRS 3 resulting from the 2010−2012 IFRS Review − starting from annual periods beginning on January 1st 2016.

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

The Company applied the IFRSs applicable to financial statements prepared for the year beginning on January 1st 2014.

7.4. Functional currency and presentation currency

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

8. Changes in accounting policies (significant accounting principles (policy))

The accounting policies applied in preparing these financial statements are consistent with the policies applied in preparing the Company's financial statements for the year ended December 31st 2013, save for the effect of application of the following amended standards and new interpretations effective for annual periods beginning on or after January 1st 2014.

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

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

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

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

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

- *IFRS 12* Disclosure of Interests in Other Entities

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

9. New standards and interpretations issued but not yet effective

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

- IFRS 9 *Financial Instruments* (published on July 24th 2014) − effective for annual periods beginning on or after January 1st 2018 − not adopted by the EU by the date of authorisation of these financial statements.
- IFRIC 21 Levies (published on May 20th 2013) − effective for annual periods beginning on or after January 1st 2014 − in the EU, effective not later than for annual periods beginning on or after June 17th 2014.
- Amendments to IAS 19 Defined Benefit Plans: Employee Contributions (published on November 21st 2013) − effective for annual periods beginning on or after July 1st 2014 − in the EU, effective not later than for annual periods beginning on or after February 1st 2015.
- *Improvements to IFRSs 2010−2012 (published on December 12th 2013) − some of the amendments are effective for annual periods beginning on or after July 1st 2014, and some prospectively for transactions occurring on or after July 1st 2014 − in the EU, effective not later than for annual periods beginning on or after February 1st 2015.*
- *Improvements to IFRSs 2011−2013 (published on December 12th 2013) − effective for annual periods beginning on or after July 1st 2014 − in the EU, effective not later than for annual periods beginning on or after January 1st 2015.*
- IFRS 14 *Regulatory Deferral Accounts* (published on January 30th 2014) – effective for annual periods beginning on or after January 1st 2016 – the dates have not been determined for EFRAG to conduct individual phases of work leading to the approval of the standard − not adopted by the EU by the date of authorisation of these financial statements.
- Amendments to IFRS 11 *Accounting for Acquisitions of Interests in Joint Operations* (published on May 6th 2014) − effective for annual periods beginning on or after January 1st 2016 − not adopted by the EU by the date of authorisation of these financial statements.
- Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation* (published on May 12th 2014) − effective for annual periods beginning on or after January 1st 2016 − not adopted by the EU by the date of authorisation of these financial statements.
- IFRS 15 *Revenue from Contracts with Customers* (published on May 28th 2014) − effective for annual periods beginning on or after January 1st 2017 − not adopted by the EU by the date of authorisation of these financial statements.
- Amendments to IAS 16 and IAS 41 *Agriculture: Bearer Plants* (published on June 30th 2014) − effective for annual periods beginning on or after January 1st 2016 − not adopted by the EU by the date of authorisation of these financial statements.
- Amendments to IAS 27 *Equity Method in Separate Financial Statements* (published on August 12th 2014) − effective for annual periods beginning on or after January 1st 2016 − not adopted by the EU by the date of authorisation of these financial statements.
- Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (published on September 11th 2014) − effective for annual periods beginning on or after January 1st 2016 − not adopted by the EU by the date of authorisation of these financial statements.
- *Improvements to IFRSs 2012−2014 (published on September 25th 2014) − effective for annual periods beginning on or after July 2016 − not adopted by the EU by the date of authorisation of these financial statements.*
- Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception (published on December 18th 2014) − effective for annual periods beginning on or after January 1st 2016 − not adopted by the EU by the date of authorisation of these financial statements.
- Amendments to IAS 1 *Disclosure Initiative* (published on December 18th 2014) − effective for annual periods beginning on or after January 1st 2016 − not adopted by the EU by the date of authorisation of these financial statements.

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

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

10. Change in estimates

In the year ended December 31st 2014 and as at December 31st 2013, the Company reviewed and updated estimates in significant areas, as discussed in Note 7.2.

11. Significant accounting policies

11.1. Fair value measurement

The Company measures financial instruments, such as instruments available for sale and derivative instruments, at fair value at the end of each reporting period.

Fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in a transaction carried out on typical terms of sale of the asset between market participants at the measurement date in the current market conditions. A fair value measurement assumes that the transaction to sell an asset or transfer a liability occurs either:

- on the principal market for the asset or liability, or
- in the absence of a principal market – on most advantageous market for the asset or liability.

Both the principal and the most advantageous markets must be available to the Company.

The fair value of the asset or liability is measured on the assumption that market participants when determining the price of an asset or liability act in their best economic interest.

In the valuation of a non-financial asset at fair value the ability of a market participant to generate economic benefits by making maximum and optimal use of the asset or by selling it to another market participant who would make maximum and optimal use of the asset is taken into account.

The Company applies valuation methods that are appropriate given the circumstances and for which sufficient information is available to determine the fair value, whereby as many relevant observable inputs as possible are used and as little as possible non-observable inputs are used.

All assets and liabilities that are measured at fair value or whose fair value is disclosed in the financial statements are classified in the fair value hierarchy as described below based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: inputs for the asset or liability are quoted (unadjusted) market prices on an active market for identical assets or liabilities;
- Level 2: inputs for the asset or liability that are based on directly or indirectly observable market data;
- Level 3: inputs for the asset or liability that are not based on observable market data.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines at the end of each reporting period whether, due to a reassessment, a change has occurred in the level classification of the hierarchy (based on the input of the lowest level that is significant for the whole valuation).

The application of IFRS 13 had no effect on the Company's financial standing, performance or the scope of disclosures in the financial statements.

(PLN '000)

Summary of significant accounting policies concerning fair value measurement

The Management Board determines the rules and procedures for systematic fair value measurement of such assets as investment property or unlisted financial assets, as well as non-recurring measurements such as assets held for sale in discontinued operations.

For the purposes of the disclosure of the results of measurement to fair value the Company has established classes of assets and liabilities based on the nature, characteristics and risks of the various components of assets and liabilities and the level in the fair value hierarchy as described above.

11.2. Foreign currency translation

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

Transactions denominated in currencies other than Polish zloty are translated into the Polish zloty at the rate of exchange prevailing on the transaction date.

As at the end of the reporting period, cash assets and liabilities denominated in currencies other than the Polish zloty are translated into the Polish zloty at the relevant mid rate quoted by the National Bank of Poland for a given currency, effective as at the end of the reporting period. Exchange differences resulting from currency translations are recognised as finance income (costs); realised and unrealised exchange differences on trade receivables − as revenue; realised and unrealised exchange differences on trade payables − as production cost, or are capitalised in the cost of the assets where so required under the applied accounting policies. Non-monetary assets and liabilities recognised at historical cost in a foreign currency are disclosed at the historical exchange rate from the transaction date. Non-monetary assets and liabilities recognised at fair value in a foreign currency are translated at the exchange rate effective on the date of determining the fair value. Gains and losses on translation of non-monetary assets and liabilities measured at fair value are recognised in correspondence with gains and losses on change in the fair value of a given asset, meaning that translation gains and losses are posted to other comprehensive income or profit or loss, depending on where the change in fair value is recognised.

Exchange rates used to determine carrying amounts:

	Dec 31 2014	*Dec 31 2013*
USD	3.5072	3.0120
EUR	4.2623	4.1472
GBP	5.4648	4.9828
CHF	3.5447	3.3816
SEK	0.4532	0.4694
TRY	1.5070	1.4122

11.3. Property, plant and equipment

Property, plant and equipment are non-current assets:

- which are not investment property, and which are held by the Group in order to be used in the production process, in supply of goods or provision of services, for administrative purposes, or to be rented to other entities (under contract),
- which are expected to be used for more than one year,
- which may possibly bring future economic benefits to the entity,
- the cost of which can be measured reliably.

Property, plant and equipment are disclosed at cost less depreciation charges and impairment losses. Initial value of an item of property, plant and equipment comprises its cost plus any costs directly related to its acquisition and bringing it to working condition for its intended use. The cost also includes the cost of replacing component parts of plant and equipment, which is recognised when incurred, if relevant recognition criteria are fulfilled. Costs incurred after an item of property, plant and equipment has been placed in service, such as costs of maintenance or repair, are charged to the profit or loss when incurred.

(PLN '000)

All material components of a given asset (which vary in terms of their useful lives) are recognised as at the date of acquisition of the asset. General overhauls also represent asset components.

The Company measured a part of the property, plant and equipment at fair value and recognised the fair value as deemed cost as at January 1st 2004, which is the date of transition to IFRSs.

Depreciation is charged on the cost of the fixed asset less its residual value. Depreciation commences when the asset is placed in service. Depreciation is based on the depreciation schedule, which specifies the expected useful life of a given asset. The applied depreciation method reflects the pattern in which the asset's economic benefits are consumed by the enterprise.

Depreciation is charged using the straight-line method over the estimated useful life of an asset, as detailed below.

Type	Depreciation rate	Period
Land, perpetual usufruct rights	–	–
Buildings and structures	from 1.54% to 50.00%	from 2 to 65 years
Plant and equipment	from 3.33% to 50.00%	from 2 to 30 years
Office equipment	from 10.00% to 50.00%	from 2 to 10 years
Vehicles	from 6.67% to 50.00%	from 2 to 15 years
Computers	from 14.29% to 50.00%	from 2 to 7 years

The right of perpetual usufruct of land is classified by the Company as an item of property, plant and equipment. Due to the lack of premises indicating the withdrawal of or inability to renew the right of perpetual usufruct of plots of land located mainly within the area of the companies' production facilities, a decision was made to classify the rights as an item of non-depreciable property, plant and equipment, as in the case of land.

If at the time of preparing the financial statements there are any circumstances indicating that the carrying amount of property, plant and equipment may not be recoverable, such assets are reviewed for potential impairment. If any indications of impairment are identified and the carrying amount exceeds the estimated recoverable amount, then the carrying amount of such assets or cash-generating units to which such assets belong is written down to the recoverable amount. The recoverable amount is equal to the higher of the fair value less cost to sell or the value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. If an asset does not generate recognisable separate cash inflows, the recoverable amount is assessed for the cash-generating unit to which that asset belongs. Impairment losses are recognised in the statement of profit or loss as cost in the category that corresponds to the function of a given asset.

An item of property, plant and equipment may be removed from the statement of financial position if it is sold or if the company does not expect to realise any economic benefits from its further use. Any gains or losses on removal of an asset from the statement of financial position (calculated as the difference between net proceeds from its sale, if any, and the carrying amount of the asset) are charged to profit or loss for the period when the item was derecognised.

Property, plant and equipment under construction include assets in the course of construction or assembly, and are measured at cost less any impairment losses. Assets under construction are not depreciated until completed and made available for use.

At the end of each financial year the Company performs a review of its property, plant and equipment for potential impairment, of the adopted economic useful lives and depreciation methods applied and, if necessary, makes appropriate accounting adjustments affecting the current or future periods. The cost of overhauling a fixed asset that meets the capitalisation criteria is recognised as an item of property, plant and equipment.

11.4. Intangible assets

Intangible assets which are separately acquired or produced (if they meet the criteria for being recognised as development expenditure) are initially recognised at cost. Cost of intangible assets acquired in a business combination is equivalent to their fair value as at the date of the combination. Subsequent to initial recognition, intangible assets are carried at cost less accumulated amortisation and impairment. Expenditure incurred on internally generated intangible assets, excluding capitalised development costs, is not capitalised and is expensed in the period in which it is incurred.

As at January 1st 2004 the Company measured a part of its intangible assets at fair value and recognised the fair value as deemed cost for IFRS 1 purposes.

The useful lives of intangible assets are assessed by the Company to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a definite useful life are reviewed at the end of each financial year or more frequently. Changes in the expected useful life or pattern of consumption of the future economic benefits embodied in an asset are reflected by changing the amortisation period or amortisation method, as appropriate, and are treated as changes in accounting estimates. Amortisation charges on intangible assets with definite useful lives are recognised in profit or loss in the category that corresponds to the function of a given intangible asset.

Except for the development costs, internally generated intangible assets are not recognised in the statement of financial position; all expenditure incurred on internally generated intangible assets is recognised in the statement of profit or loss for the year in which it was incurred.

Intangible assets with indefinite useful lives and those that are not in use are tested for impairment annually, either individually or at the level of cash-generating units. For the remaining intangible assets, the Company annually assesses if there are any impairment indicators. Useful lives are also reviewed each year, and, if required, they are adjusted with effect from the beginning of the financial year.

Intangible assets with definite useful lives are amortised on a straight-line basis.

Intangible assets are amortised over periods from 2 to 10 years.

Any gains or losses arising on derecognition of intangible assets are measured as the difference between net proceeds from the sale of a given asset and its carrying amount, and are recognised in profit or loss upon derecognition of the asset.

Research and development work

Expenditure on research activities is recognised in the statement of profit or loss as incurred. Expenditure on development work performed as part of a given project is carried forward if it is expected to be recovered in the future. After initial recognition of expenditure on development work, the historical cost model is applied, which requires that assets be disclosed at cost less accumulated depreciation/amortisation and impairment. Any expenditure carried forward is amortised throughout the period during which revenue is expected to be generated under a given project.

The carrying amount of development costs is reviewed for impairment annually when the asset is not yet in use or more frequently when an indication of impairment has been identified during the reporting period, which may suggest that the carrying amount may not be recoverable.

A summary of the policies applied to the Company's intangible assets is present below:

	Patents and licenses	Software
Useful lives	In the case of patents and licenses used under an agreement concluded for a definite term, it is assumed that the term together with an additional period for which the agreement may be extended represents the useful life.	2 - 5 years
Method	Amortised throughout the agreement term (5 - 10 years) using the straight-line method	Amortised using the straight-line method
Internally generated or acquired	Acquired	Acquired
Review for impairment / determination of the recoverable amount	Annual assessment of whether there are any indications of impairment	Annual assessment of whether there are any indications of impairment

Gains or losses from derecognition of intangible assets are measured as the difference between net proceeds from the sale of a given asset and its carrying amount, and are recognised in profit or loss upon derecognition of the asset.

11.5. Goodwill

Goodwill arising on acquisition of an entity is initially recognised at cost being the excess of:

- the aggregate of:
  - (i) the consideration transferred,
  - (ii) the amount of any non-controlling interests in the acquiree, and
  - (iii) in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously-held equity interest in the acquiree
- over the net fair value of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Following initial recognition, goodwill is carried at acquisition cost less accumulated impairment losses. Goodwill is tested for impairment annually, or more frequently if there is any indication of impairment. Goodwill is not amortised.

As at the acquisition date, the acquired goodwill is allocated to each of the cash-generating units that may benefit from the synergies of the business combination. Each unit or set of units to which goodwill has been allocated:

- corresponds to the lowest level at which goodwill is monitored for internal management purposes and
- is not greater than a single operating segment, determined in accordance with IFRS 8 *Operating Segments*.

Impairment of goodwill is determined by estimating the recoverable amount of the cash-generating unit to which the goodwill has been allocated. If the recoverable amount of a cash-generating unit is lower than its carrying amount, the Group recognises an impairment loss. If goodwill comprises a part of a cash-generating unit and the Group sells a part of the cash-generating unit's business, the goodwill pertaining to the sold business is included in the carrying amount of the sold business for the purpose of calculating gains or losses on disposal of the part of business. Goodwill disposed of in such circumstances is measured on the basis of the relative value of the operations disposed of and the value of the portion of the cash-generating unit retained.

11.6. Shares in subsidiaries, associates and joint ventures

Shares in subsidiaries, associates and joint ventures are recognised at historical cost net of impairment.

11.7. Leases

Finance leases, which transfer to the Company all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and the reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. The finance charge is recognised directly in profit or loss, unless the capitalisation criteria are met.

Property, plant and equipment used under finance leases are depreciated over the shorter of their estimated useful life and the lease term.

Leases where the lessor retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Lease payments under operating leases are recognised as operating expenses in profit or loss on a straight-line basis throughout the lease term.

Contingent lease payments are expensed in the period in which they become due.

11.8. Impairment of non-financial long-term assets

An assessment is made at the end of the reporting period to determine whether there is any indication that any of non-financial long-term assets may be impaired. If such indication exists, or in case an annual impairment testing is required, the Company makes an estimate of the recoverable amount of that asset or the asset's cash-generating unit.

The recoverable amount of an asset or cash-generating unit is the higher of the asset's or cash-generating unit's fair value less costs to sell and its value in use. The recoverable amount is determined for individual assets, unless a given asset does not generate separate cash flows largely independent from those generated by other assets or asset groups. If the carrying amount of an asset is higher than its recoverable amount, the value of the asset is impaired and an impairment loss is recognised up to the established recoverable amount. In assessing value in use, the projected cash flows are discounted to their present value using a pre-tax discount rate which reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the expense categories consistent with the function of the impaired asset.

The Company assesses at the end of the reporting period whether there is an indication that previously recognised impairment losses on a given asset no longer exist or should be reduced. If such indication exists, the Company estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. In such a case, the carrying amount of the asset is increased up to its recoverable amount. The increased value may not exceed the carrying amount of the asset that would have been determined (after accumulated amortisation/depreciation) if no impairment losses had been recognised on that asset in the previous years. Reversal of an asset impairment loss is immediately recognised as income in profit or loss. Following reversal of an impairment loss, in the subsequent periods the amortisation/depreciation charge related to a given asset is adjusted so that its revised carrying amount, less residual value, can be regularly written off over the remaining useful life of the asset.

11.9. Borrowing costs

Borrowing costs that are directly attributable to acquisition, construction or production of an asset are part of the cost of such asset. Other borrowing costs are recognised as finance cost for the period.

11.10. Recoverable amount of long-term assets

At the end of the reporting period the Company makes an assessment to determine whether there is any indication that its assets may be impaired. If such indications exist, a formal estimate of the recoverable amounts of such assets is made. If the carrying amount of a given asset or a cash-generating unit exceeds its recoverable amount, an impairment loss is recognised and the carrying amount of the asset is reduced to its recoverable amount. The recoverable amount of an asset or cash-generating unit is the higher of the asset's or cash-generating unit's fair value less costs to sell and its value in use.

11.11. Financial assets

Financial assets are classified into the following categories:

- financial assets held to maturity,
- financial assets at fair value through profit or loss,
- loans and receivables,
- financial assets available for sale.

Financial assets held to maturity are non-derivative financial assets with fixed or determinable payments and fixed maturities, quoted in an active market, which the Company has the positive intention and ability to hold until maturity, other than:

- those that upon initial recognition are designated as at fair value through profit or loss,
- those designated as available for sale,
- those qualifying as loans and receivables.

Financial assets held to maturity are measured at amortised cost using effective interest. Financial assets held to maturity are classified as non-current assets if they mature more than 12 months after the end of the reporting period.

A financial asset at fair value through profit or loss is a financial asset that meets either of the following conditions:

a) it is classified as held for trading. Financial assets are classified as held for trading if they:
    i. have been acquired principally for the purpose of being sold in the near future,
    ii. are part of a portfolio of identified financial instruments that are managed together and for which there is probability of profit-taking in the near future,
    iii. are derivatives (except for those which are part of hedge accounting or financial guarantee contracts),

b) upon initial recognition it was designated at fair value through profit and loss in accordance with IAS 39.

Financial assets at fair value through profit or loss are measured at fair value, based on their market value as at the end of the reporting period, without reflecting costs to sell. Any changes in the value of such instruments are recognised in the statement of comprehensive income as finance income or costs. If a contract contains one or more embedded derivatives, the entire contract can be designated as a financial asset at fair value through profit or loss. The above does not apply when an embedded derivative has no significant impact on the cash flows generated under the contract or when it is clear, without an analysis or following a short analysis, that if a similar hybrid instrument was first considered, separation of the embedded derivative would be prohibited. Financial assets may be designated upon initial recognition at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment in the area of measurement or recognition (accounting mismatch), or (ii) the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy, or (iii) the financial asset contains an embedded derivative that would need to be separately recorded. As at December 31st 2013, the Company recognised shares in listed companies in the category of financial assets accounted for at fair value through profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets provided their maturity does not exceed 12 months after the end of the reporting period. Loans and receivables with a maturity exceeding 12 months from the end of the reporting period are classified as non-current assets.

Financial assets available for sale are financial assets which are not derivative instruments, and have been classified as available for sale, or which do not belong to any of the previous three categories. Financial assets available for sale are recognised at fair value increased by the transaction costs which may be directly attributed to the acquisition or issue of the financial asset. If quoted market prices from an active market are not available and the fair value cannot be reliably measured using alternative methods, available-for-sale financial assets are measured at cost less impairment losses, if any. The positive or negative differences between the fair value of available-for-sale financial assets (if they have a market price derived from an active market or their fair value can be established in any other reliable manner) and their cost are recognised net of deferred tax in other comprehensive income. Impairment losses on available-for-sale financial assets are recognised in finance costs.

Any purchase or sale of financial assets is recognised at the transaction date. Initially, a financial asset is recognised at its fair value, plus, for financial assets other than classified as financial assets at fair value through profit and loss, transaction costs which are directly attributable to the purchase.

Financial assets are derecognised if the Company loses control of contractual rights attached to those assets, which usually takes place upon sale of the asset or where all cash flows attributed to the given asset are transferred to an independent third party.

If the Company:

- holds a valid legal title to set off the recognised amounts, and
- intends to settle on a net basis, or to recover the asset and settle the liability simultaneously,

then financial assets and liabilities are set off against each other and are disclosed on a net basis in the statement of financial position.

The framework agreement referred to in IAS 32.50 does not provide any basis for the offset of assets and liabilities, unless the criteria specified above are satisfied.

11.12. Impairment of financial assets

The Company assesses at the end of the reporting period whether there is any objective evidence that a financial asset or a group of assets is impaired.

11.12.1. Assets recognised at amortised cost

If there is an objective indication that the value of loans and receivables measured at amortised cost has been impaired, the impairment loss is recognised in the amount equal to the difference between the carrying amount of the financial asset and the present value of estimated future cash flows (excluding future losses relating to irrecoverable receivables, which have not yet been incurred), discounted using the initial effective interest rate (i.e. the interest rate used at the time of initial recognition). The carrying amount of an asset is reduced by recognising an impairment loss. The amount of the loss is recognised in profit or loss for the period.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the analysis shows that there is no objective evidence of impairment for an individually assessed financial asset, regardless of whether it is significant or not, the Company includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses their impairment. Assets that are individually reviewed for impairment and for which an impairment loss has been recognised or it has been concluded that the existing impairment loss will not change, are not taken into account in collective review of assets for impairment.

If an impairment loss decreases in a subsequent period, and the decrease may be objectively associated with an event that occurred after the impairment loss recognition, the recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, in so far as the carrying amount of the asset does not exceed its amortised cost as at the reversal date.

11.12.2. Financial assets carried at cost

If there exists an objective indication of impairment of a non-traded equity instrument which is not carried at fair value since such value cannot be reliably determined, or of a related derivative instrument which must be settled by delivery of such non-traded equity instrument, the amount of impairment loss is established as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted with the market rate applicable to similar financial assets prevailing at a given time.

11.12.3. Available-for-sale financial assets

If there exists an objective indication of impairment of a financial asset available for sale, the amount of the difference between the cost of that asset (less any principal and interest payments) and its current fair value, reduced by any impairment losses previously recognised in profit or loss, is derecognised from equity and reclassified to profit or loss. Reversals of impairment losses on equity instruments classified as available for sale may not be recognised in the statement of profit or loss. If the fair value of a debt instrument available for sale increases subsequently, and if the increase may be objectively associated with an event that occurred following the impairment loss recognition in the statement of profit or loss, the amount of the impairment loss is reversed through profit or loss.

11.13. Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. That condition is met only if an asset is available for immediate sale in its present condition, and its sale is highly probable. Classification of an asset as held for sale means that the management intends to complete the sale within one year from the change of its classification. Non-current assets classified as held for sale are measured at the lower of:

their carrying amount or fair value less cost to sell.

11.14. Derivative financial instruments and hedges

The Company uses derivative financial instruments such as forward currency contracts to hedge against the risks associated with foreign currency fluctuations. Such derivative financial instruments are measured at fair value. Derivative instruments are recognised as financial assets if their value is positive and as financial liabilities if their value is negative.

Given the nature of hedges and relation to the transactions hedged, despite the absence of hedge accounting policies, non-speculative gain/(loss) on realisation and measurement of derivatives representing economic security for acquisition and sale transactions adjusts revenue or cost of products sold, respectively.

11.15. Inventories

Inventories are measured at the lower of cost and net realisable value.

Materials purchased in order to be used in production, which at the moment of purchase are explicitly identified with a construction contract that is currently in progress or with other supply or services contracts, are measured during the financial year using the method of detailed identification of the individual purchase prices for a specific contract. As at the end of the reporting period, materials are measured in line with the rules applicable to the measurement of construction contracts (IAS 11), that is the value and purchase cost of those materials are recognised as production cost.

Other materials are recognised at production cost using the FIFO method.

Inventories are recognised on a net basis (net of write-downs). Write-downs on inventories are recognised when a loss is identified, in order to bring the carrying amount of inventories to their net realisable value. The amount of write-downs recognised to reduce the carrying amount to net realisable value, as well as any other loss on inventories are recognised as expenses for the period in which an impairment or other loss occurred.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale.

11.16. Trade and other receivables

Trade receivables are recognised and disclosed at initially invoiced amounts (unless the effect of changes in the time value of money is material), taking into consideration impairment losses.

Impairment losses on receivables are recognised under operating expenses or finance costs, depending on the nature of the receivable.

Where the effect of changes in the time value of money is material, the value of receivable is determined by discounting forecast future cash flows to their current value, with the use of a discount rate reflecting the current market assessments of the time value of money. Receivables measurement connected with time-lapse-related discount reversal is recognised as finance income.

Other receivables include in particular prepayments for future acquisitions of property, plant and equipment, intangible assets and inventories.

Prepayments are presented according to the type of assets to which they refer: as non-current or current assets, respectively. As non-cash assets, prepayments are not subject to discounting.

Receivables from the state budget are presented as other non-financial assets, except corporate income tax receivable disclosed as a separate item of the balance sheet.

11.17. Cash and cash equivalents

Cash and current deposits in the statement of financial position comprise cash at bank and on hand as well as current deposits with an original maturity of three months or less.

The balance of cash and cash equivalents disclosed in the statement of cash flows is the aggregate of cash and cash equivalents defined above. If the Group uses overdraft facilities for cash management purposes, IAS 7 requires that the balance of cash be presented in the statement of cash flows net of outstanding amounts of overdraft facilities.

11.18. Share capital

Share capital is disclosed in the financial statements in the amount defined in the Articles of Association and entered in the Court Register. Declared but outstanding contributions to equity are disclosed under "Called-up share capital not paid", as a negative value. Treasury shares are disclosed as a separate negative item of equity.

11.19. Provisions

The Company recognises a provision if it has a present obligation (legal or constructive) resulting from past events whose settlement is likely to result in an outflow of economic benefits and whose amount can be reliably estimated. Where expenditure required to settle a provision is expected to be reimbursed by another party (e.g. under an insurance agreement), the reimbursement is recognised as a separate asset when, and only when, it is virtually certain that the reimbursement will be received if the entity settles the obligation. The expenditure relating to a given provision is presented in profit or loss net of any reimbursement.

Recognised provisions are disclosed as operating expenses, other operating expenses or finance cost, depending on circumstances to which future liabilities relate.

Where the effect of changes in the time value of money is material, the amount of provision matches the current value of expenditure expected to be necessary to perform the obligation.

A discount rate is determined before tax; therefore, it reflects the current market assessment of the time value of money and the risk relating specifically to a given liability. A discount rate is not burdened by the risk by which estimated future cash flows have been adjusted. If the discount method is used, any time-lapse-related increase in provision is carried as finance cost.

11.20. Interest-bearing borrowings and other debt instruments

All borrowings and other debt instruments are initially recognised at cost being their fair value net of transaction costs associated with the borrowing.

After initial recognition, interest-bearing borrowings and other debt instruments are measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account the transaction costs and the discount or premium on settlement.

Upon removal of a liability from the statement of financial position, recognition of impairment loss, or accounting for a liability using the effective interest method, gains or losses are recognised in the statement of comprehensive income.

11.21. Trade and other payables

Current trade and other payables are reported at amounts payable.

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities initially designated (due to meeting certain criteria) as financial liabilities at fair value through profit or loss.

Financial liabilities are classified as held for trading if they were acquired for the purpose of being sold in the near future. Derivative financial instruments, including separated embedded instruments, are also classified as held for trading, unless they are considered as effective hedges. Financial liabilities may be designated as financial liabilities at fair value through profit or loss on initial recognition if the following criteria are met: (i) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases, (ii) the liabilities are part of a group of financial liabilities that are managed and measured based on fair value, according to a well-documented risk management strategy, or (iii) the financial liabilities contain embedded derivative instruments which should be presented separately.

Financial liabilities at fair value through profit or loss are measured at fair value, based on their market value as at the end of the reporting period, without reflecting costs to sell. Changes in the fair value of such instruments are recognised in profit or loss as finance income or costs.

Financial liabilities other than financial instruments at fair value through profit or loss are measured at amortised cost using the effective interest rate method.

A financial liability is derecognised when it is extinguished – that is when the obligation specified in the contract is discharged or cancelled or expires. When an existing debt instrument is replaced by another on substantially different terms, where the same parties are involved, such a replacement is treated by the Company as the derecognition of the original financial liability and the recognition of a new financial liability. Similarly, when the terms of an existing financial liability are substantially modified, the Company treats such modification as the derecognition of the original financial liability and the recognition of a new financial liability. The difference in the respective carrying amounts is recognised in profit or loss.

Other liabilities include in particular public charges and salaries. Other liabilities are recognised at amounts due.

11.22. Employee benefits

In accordance with internal remuneration systems, Company employees are entitled to jubilee benefits upon completion of a number of years in service and to retirement gratuity upon retirement due to old age or disability.

In accordance with the internal regulations, the companies also make transfers to the Social Fund in respect of their retired employees.

The Company recognises such costs on an accrual basis.

The amount of jubilee bonuses depends on the number of years in service and average monthly remuneration. Also, employees who retire due to old age receive a one-off retirement bonus. Employees who develop a permanent work disability are entitled to receive a disability severance payment. The amount of such benefits depends on the number of years in service and the average monthly remuneration.

The Company recognises a provision for retirement gratuities due to old age and disability, contributions to the Social Fund and jubilee benefits in order to allocate the costs of those allowances to the periods to which they relate. According to IAS 19, jubilee benefits are classified as other long-term employee benefits, whereas retirement gratuity benefits and contributions to the Social Fund – as defined post-employment benefit plans. The present value of these obligations as at the end of each reporting period is calculated by an independent actuary. The calculated value of the obligations is equal to the amount of discounted future payments, taking into account employment turnover, and relates to the reporting period. Information on demographics and employment turnover is sourced from historical data.

Actuarial valuation of long- and short-term benefits is made not less frequently than at the end of each financial year.

Revaluation of employee benefit obligations under defined benefit programmes, including actuarial gains and losses, is recognised in other comprehensive income and is not subject to subsequent reclassification to profit or loss.

11.23. Taxes

11.23.1. Income tax

Income tax presented in profit or loss comprises the actual tax expense for the given reporting period, any corrections of tax settlements for prior years as determined by the Company in accordance with the provisions of the Corporate Income Tax Act, as well as movements in the balance of the deferred tax asset and deferred tax liability that is not charged against equity.

11.23.1.1. Current income tax

Current income tax payable and receivable for the current period and for previous periods is measured at the amount expected to be paid to (or recovered from) tax authorities, using the tax rates and laws that have been enacted or substantively enacted at the end of the reporting period.

11.23.1.2. Deferred income tax

For financial reporting purposes, the Group recognises deferred tax assets and deferred tax liabilities on all temporary differences existing at the end of the reporting period between the carrying amounts of assets and liabilities and their tax bases.

A deferred tax liability is recognised for all taxable temporary differences:

- except where the deferred tax liability arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss, and
- in the case of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised:

- except where the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss, and
- in the case of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reviewed at the end of the reporting period and are recognised to the extent that it has become probable that future taxable profit will be available that will allow the deferred tax asset to be recovered.

Deferred tax assets are determined as the amount of income tax recoverable in the future in connection with deductible temporary differences which will reduce future income tax base and any deductible tax loss, determined in accordance with the prudence principle. Deferred tax assets are recognised only if it is probable that they will be realised.

Deferred tax liabilities are recognised at amounts of income tax payable in future in connection with taxable temporary differences, i.e. differences which will increase the future tax base.

Deferred tax assets and deferred tax liabilities are calculated using tax rates expected to be effective at the time of realisation of a particular asset or liability, based on tax rates (and tax legislation) which were enacted or substantively enacted at the reporting date.

Deferred income tax relating to items recognised outside profit or loss is recognised outside profit or loss: as part of other comprehensive income for items recognised in other comprehensive income or directly in equity for items recognised directly in equity.

Deferred income tax assets and deferred income tax liabilities are offset by the Company if and only if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

11.23.2. Value added tax

Revenue, expenses, assets and liabilities are recognised net of the VAT, except in the following cases:

- where the value added tax paid on the purchase of assets or services is not recoverable from the tax authorities; in such a case it is recognised in the cost of a given asset or as part of the cost item, and
- in the case of receivables and payables, which are recognised inclusive of the VAT.

The net amount of the value added tax which is recoverable from or payable to tax authorities is carried in the statement of financial position under receivables or liabilities, as appropriate.

11.24. Revenue

Revenue is recognised only when it is probable that the economic benefits associated with the transaction will flow to the Company and its amount can be measured reliably. Revenue is recognised at the fair value of the consideration received or receivable, net of value added tax (VAT) and rebates. The following specific recognition criteria must also be met before revenue is recognised.

11.24.1. Revenue from sale of goods (merchandise and products)

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue and costs incurred can be reliably measured.

Revenue includes amounts due for finished goods, merchandise and materials sold by the Group as well as other services relating to the principal activities of the Group, determined at net prices, net of rebates and discounts granted by the Group and net of excise.

11.24.2. Services

Revenue from long-term services that have not been completed in the period from the date of execution of the service contract until the reporting date - after deducting revenue that was recognised in profit or loss in prior reporting periods - is determined in proportion to the stage of completion of the service, provided that such stage of completion can be reliably estimated. Depending on the nature of the contract, the methods used to determine the stage of completion of a contract may include:

- surveys of work performed,
- completion of a physical proportion of the contract work,
- the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

Contract costs incurred to date include only those costs that reflect work performed by that date. Estimated total contract costs include only costs of services which have already been performed or which are to be performed.

When the outcome of the contract cannot be estimated reliably, the revenue derived from the contract is recognised only to the extent of costs incurred that the entity expects to recover.

11.24.3. Interest

Interest income is recognised as it accrues (using the effective interest method that discounts future cash flows over the expected life of financial instruments) based on the net carrying amount of a particular financial asset.

11.24.4. Dividends

Dividends are recognised when the shareholder's right to receive payment is established.

11.24.5. Rental income

Revenue from lease of investment property is recognised with the straight-line method over the lease term (existing agreements).

11.24.6. Construction contracts

Construction contracts are business contracts associated with the Company's core operations, which provide for construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use. A majority of the contracts provide for fixed prices and are accounted for using the percentage of completion method.

The overall contract revenue comprises the initial amount of revenue agreed in the contract and variations in contract work, claims and incentive payments.

Variations are included in contract revenue when it is probable that the customer will approve the variation and the amount of revenue arising from the variation, and the amount of revenue can be reliably measured. Contract revenue is measured at the fair value of the consideration received or receivable.

The overall contract costs comprise costs that relate directly to the specific contract or can be allocated to the specific contract using reasonable methods of allocation, as well as such other costs as are specifically chargeable to the customer under the terms of the contract.

The effects of changes in estimates of contract revenue or contract costs and the effects of changes in the estimate of the outcome of the contract are accounted for as a change in accounting estimate in accordance with IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors). The changed estimates are used in the determination of the amount of revenue and expenses recognised in the statement of comprehensive income in the period in which the changes are made and in subsequent periods.

Revenue at the end of the reporting period is determined in proportion to the stage of completion of the contract, after deducting revenue that was recognised in profit or loss in prior reporting periods.

11.24.7. Government grants

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

If a grant concerns a cost item, it is recognised as income in matching with the expenses it is to compensate for. Where the grant relates to an asset, its fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset in equal annual instalments.

11.25. Earnings per share

Earnings per share for each reporting period is calculated as quotient of the net profit for the given accounting period and the weighted average number of Company shares outstanding in the given accounting period. The Company does not present diluted earnings/loss per share as there are no potential ordinary shares with dilutive effect.

12. Operating segments

The Company operates in a single market segment of Power and Environmental Protection Facilities. The Management Board assesses the Company's operations on the basis of its financial statements.

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

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

(PLN '000)

14. Construction contracts

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

The table below presents the effects of accounting for construction contracts, including revenue and costs of running contracts in the 12 months ended December 31st 2014 and December 31st 2013, as well as gross amount due to customers for contract work and gross amount due from customers for contract work at the dates stated above.

	Dec 31 2014	*Dec 31 2013*
Contract costs incurred to date (cumulative)	2,785,090	2,106,443
Recognised profits less recognised losses to date (cumulative)	156,277	121,752
Contract revenue recognised by reference to the contract stage of completion (cumulative)	2,941,367	2,228,195
Progress billings (cumulative)	2,874,767	2,159,567
Gross amount due to customers for contract work (liability), including:	**(161,446)**	**(109,337)**
advances received (liabilities arising from advances received)	(55,585)	(103,103)
- adjustment to advances received arising from amounts due from customers	19,998	83,993
- gross amount due to customers for contract work	(125,859)	(90,227)
Prepayments relating to accounting for construction contracts, including:	**239,735**	**160,758**
- gross amount due from customers for contract work (asset)	210,494	160,758
- contract acquisition cost and other accrued contract costs	29,241	–
Provision for penalties due to late contract performance or failure to meet guaranteed technical specifications	(1,946)	(50,192)
Provision for losses on construction contracts	(36,087)	(35,704)

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

The significant decrease in provisions for contractual penalties was mainly attributable to executing an agreement with a significant customer; under the agreement, the Parent was released from the obligation to pay contractual penalties in exchange for extending the warranty period.

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

Key contracts executed by the Company

Opole Project

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

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

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

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

The key provisions of the final settlement:

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

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

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

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

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

By December 31st 2014, Alstom signed with ENERGOTECHNIKA ENGINEERING Sp. z o.o., a subsidiary, an agreement for delivery of project documentation.

Rules of accounting for the Opole Contract:

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

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

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

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

Jaworzno Project

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

Rules of accounting for the Jaworzno project:

For the purposes of Project execution, a special purpose vehicle (E003B7 Sp. z o.o.) was established, to which RAFAKO S.A. subcontracted approximately 90% of the Project's scope of work, with RAFAKO S.A. executing directly the remaining 10% (with an approximate value of PLN 447m; the scope includes the design of the boiler island, as well as supply of boiler pressurised parts and a dust removal unit).

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

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

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

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

(PLN '000)

14.1. Provision for losses on construction contracts

The Company recognises provisions for anticipated losses on contracts in accordance with the methodology described in Note 11.24.6 If analysis shows that the estimated total contract costs will exceed reliable contract revenue (i.e. the overall result on the contract will be a loss), the entire loss on such contract is recognised in the reporting period.

	Dec 31 2014	*Dec 31 2013*
Opening balance	35,704	31,749
Recognition of provision for liability	17,338	25,191
Reversal/utilisation of provision for liability	(16,955)	(21,236)
Closing balance	**36,087**	**35,704**
Current as at	36,087	35,704
Non-current as at	–	–
	36,087	**35,704**

14.2. Provision for costs due to late performance of contract

The Company recognises provisions for contractual penalty if there is significant probability that such penalty will be charged for failure to meet technical specifications provided for in the contract and covered by contractual penalty, or if the performance of a contract has resulted in infringement of third parties' interests. The amount of the provision results from the amount of the penalty provided for in the given contract for failure to meet technical specification or from measurable value of the liability towards third parties.

	Dec 31 2014	*Dec 31 2013*
Opening balance	50,192	64,584
Recognition of provision for liability	7,457	28,895
Reversal/utilisation of provision for liability	(55,703)	(43,287)
Closing balance	**1,946**	**50,192**
Current as at	1,946	50,192
Non-current as at	–	–
	1,946	**50,192**

In 2014, the Company reversed/used provisions for contractual penalties for a total amount of PLN 55,703 thousand, which primarily included a reversed provision for a potential contractual penalty payable to one customer (PLN 28,359 thousand) and use of provision for delayed execution of contracts (PLN 13,445 thousand).

(PLN '000)

15. Income and expenses

15.1. Revenue from sale of goods and services

	12 months ended Dec 31 2014	*12 months ended Dec 31 2013*
Net revenue from sale of goods	1,096,405	698,823
including: from related entities	670	12,569
Net revenue from sale of services	58,163	45,736
including: from related entities	108	69
Gain /(loss) on realisation of derivatives	–	(34)
Gain /(loss) on valuation of derivatives	–	(53)
Contractual penalties	(13,445)	(7,477)
Realised exchange differences on trade receivables	(753)	(2,769)
Exchange differences on valuation of trade receivables	1,350	2,344
Net revenue from sale of goods and services, total	**1,141,720**	**736,570**
including: from related entities	778	12,638

In the 12 months ended December 31st 2014, the Company's revenue from sale of goods and services was PLN 1,141,720 thousand, i.e. PLN 405,150 thousand more than in the 12 months ended December 31st 2013. The revenue increase in 2014 was mainly attributable to:

- higher (year on year) cost exposure to running contracts, primarily due to the different progress of contracts in RAFAKO's order book as at December 31st 2013 and December 31st 2014;
- higher weighted average margin on contracts in 2014 compared with the margin in 2013.

Domestic sales saw an improvement, while sales to foreign customers declined.

15.2. Revenue from sale of materials

	12 months ended Dec 31 2014	*12 months ended Dec 31 2013*
Revenue from sale of materials	2,020	3,018
including: from related entities	–	–
Net revenue from sale of goods and materials, total	**2,020**	**3,018**
including: from related entities	–	–

The Company's core customer group comprises foreign and domestic suppliers of power engineering facilities as well as domestic and foreign commercial and industrial power plants.

Revenue from sales to related entities is presented in detail in Note 47.47

Sales of particular product groups by market are presented in section 3.2 of the Directors' Report on the operations of RAFAKO S.A. in 2014.

(PLN '000)

15.3. Geographical structure of revenues

	12 months ended Dec 31 2014	*12 months ended Dec 31 2013*
Revenue from sales to domestic customers	969,184	522,280
including: from related entities	94	12,638
Revenue from sales to foreign customers	174,556	217,308
including: from related entities	684	–
Net sales revenue, total	**1,143,740**	**739,588**
including: from related entities	778	12,638

15.4. Cost of sales

	12 months ended Dec 31 2014	*12 months ended Dec 31 2013*
Depreciation and amortisation	10,388	10,243
Raw materials and consumables used	532,873	249,024
Services	373,843	339,457
Taxes and duties	6,094	7,107
Remuneration	136,462	111,890
Social security and other benefits	31,296	26,082
Business travel expenses	6,929	6,663
Advertising expenses	3,544	2,395
Realised exchange differences	264	156
Unrealised exchange differences	1,457	785
Other expenses	1,943	2,478
Total expenses by nature	**1,105,093**	**756,280**
Change in inventories, provisions, prepayments and accruals (including adjustment resulting from IAS 11)	2,108	12,155
Work performed by entity and capitalised	(13)	(845)
Distribution costs (negative value)	(30,399)	(38,202)
Administrative expenses (negative value)	(38,414)	(32,404)
Cost of products sold	**1,038,375**	**696,984**
Cost of merchandise and materials sold	2,019	3,580
Costs of sales	**1,040,394**	**700,564**

Cost of sales in the 12 months of 2014 amounted to PLN 1,040,394 thousand, with the Company's gross profit at PLN 103,346 thousand. The change in relation to 2013 was mainly due to:

- higher revenue in 2014;
- higher gross operating margin on running contracts in 2014;
- higher amount of reversed / used provisions for contractual penalties in 2014.

Distribution costs disclosed by the Company mainly include expenses incurred by the cost centres allocated to distribution cost in the cost accounting model (a significant part of which consists of payroll costs and advertising expenses).

(PLN '000)

Such costs also include bidding costs and impairment losses on trade receivables. In the Company's statement of comprehensive income for the 12 months of 2014, distribution costs are disclosed at PLN 30,399 thousand, with the largest item being distribution costs net of reversed and used impairment losses on trade receivables of PLN 27,178 thousand (December 31st 2013: PLN 29,104 thousand).

15.5. Depreciation of property, plant and equipment and amortisation of intangible assets, impairment losses recognised in the statement of comprehensive income

	12 months ended Dec 31 2014	*12 months ended Dec 31 2013*
Items recognised as cost of sales (cost of merchandise and products sold):	8,796	8,797
Depreciation of property, plant and equipment	7,178	7,302
Amortisation of intangible assets	1,618	1,495
Impairment of property, plant and equipment	–	–
Items recognised as distribution costs:	456	404
Depreciation of property, plant and equipment	380	328
Amortisation of intangible assets	76	76
Items recognised as administrative expenses:	1,136	1,042
Depreciation of property, plant and equipment	1,031	913
Amortisation of intangible assets	105	129
Total depreciation and amortisation	**10,388**	**10,243**

15.6. Employee benefit expenses

	12 months ended Dec 31 2014	*12 months ended Dec 31 2013*
Remuneration, including:	136,462	111,890
current wages and salaries expense	129,959	109,936
other benefits, including post-employment benefits	6,503	1,954
Social security	31,296	26,082
	167,758	**137,972**

(PLN '000)

15.7. Other income

	12 months ended Dec 31 2014	*12 months ended Dec 31 2013*
Income from contractual penalties	1,491	605
Reversal of provision for amounts due to the state budget	990	–
Gain on sale of property, plant and equipment	–	56
Grants	174	514
Compensations received	555	1,313
Impairment of property, plant and equipment	–	55
Property, plant and equipment received free of charge	–	98
Cancellation of past due liabilities	–	138
Reimbursed cost of training of juvenile workers	553	471
Other	639	392
	4,402	**3,642**

15.8. Other expenses

	12 months ended Dec 31 2014	*12 months ended Dec 31 2013*
Cost of property, plant and equipment sold	89	–
Donations	430	355
Scrapping of property, plant and equipment	256	354
Scrapping of materials	38	212
Repairs of property, plant and equipment	102	177
Legal costs	111	343
Bailiff costs	–	579
Power Engineer's Day organisation cost	332	380
Recognition of impairment loss on disputed receivables	308	–
Recognition of impairment loss on other receivables	1,460	–
Recognition of provisions for future costs	–	–
Recognition of provision for cost of litigation and disputed claims	5,014	500
Compensations paid	1,790	–
Other	620	431
	10,550	**3,331**

15.9. Finance income

	12 months ended Dec 31 2014	*12 months ended Dec 31 2013*
Interest on financial instruments	37	–
Interest on security deposits provided	5,294	6,573
Other interest	–	17
Gains on measurement of financial instruments	–	42
Net foreign exchange gains	447	26
Reversal of impairment loss on investments	55	–
Discount (long-term settlements)	–	8,583
Dividends	2,808	15
Other finance income	2	27
	8,643	**15,283**

(PLN '000)

15.10. Finance costs

	12 months ended Dec 31 2014	12 months ended Dec 31 2013
Net foreign exchange losses	–	–
Interest on financial instruments	6,234	13,352
Other interest	921	715
Commission on bank borrowings received	1,246	1,445
Discount (long-term settlements)	1,246	–
Cost of financial instruments measurement	–	71
Recognition of impairment loss on financial assets	–	10,500
Recognition of impairment loss on non-financial assets	–	5,676
Other finance costs	80	79
	9,727	**31,838**

For details of finance income and finance costs related to financial instruments, see Note 52.2. 52.2

15.11. Items of other comprehensive income

	12 months ended Dec 31 2014	12 months ended Dec 31 2013
Exchange differences on translating foreign operations	89	(328)
Other comprehensive income due to actuarial gains/(losses)	(5,005)	(537)
Tax on other comprehensive income	950	102
	(3,966)	**(763)**

16. Income tax

16.1. Income tax expense

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

	12 months ended Dec 31 2014	12 months ended Dec 31 2013
Statement of profit or loss		
Current income tax	(8,030)	(9,437)
Current income tax expense	(11,577)	(9,437)
Adjustments to current income tax from previous years	3,547	–
Deferred tax	4,244	11,687
Related to recognition and reversal of temporary differences	4,244	11,687
Adjustments to deferred tax from previous years	–	–
Income tax expense in the statement of profit or loss	**(3,786)**	**2,250**
Deferred tax on other comprehensive income	950	102
Related to recognition and reversal of temporary differences	950	102
Income tax expense recognised in other comprehensive income	**950**	**102**

(PLN '000)

In 2014, the Company submitted to tax authorities corrected corporate tax returns for 2008−2013, adjusting the taxable income by a total of PLN 18,667 thousand, which resulted in a PLN 3,547 thousand tax overpayment for previous years. The principal reason for the corrections was the use of technological tax relief and adjustment to revenue and expenses on contracts completed in 2012−2013.

16.2. Reconciliation of effective income tax rate

The table below presents reconciliation of corporate income tax on pre-tax profit/loss computed at the statutory tax rate with corporate income tax computed at the effective tax rate for the years ended December 31st 2014 and December 31st 2013:

	12 months ended Dec 31 2014	*12 months ended Dec 31 2013*
Profit before tax from continuing operations	27,301	(142,031)
	27,301	**(142,031)**
Tax at Poland's statutory tax rate of 19%	5,187	(26,986)
Non-tax-deductible costs (permanent differences), including:	4,909	29,528
recognition of provision for contractual penalties	1,650	5,934
write-off of receivables, classified as non-tax-deductible	419	953
charitable donations	–	67
cost of entertainment	86	120
recognition of provisions/accruals for non-deductible costs	12	12
valuation of receivables from related entities under arrangement proceedings	–	17,900
production costs of foreign branch	64	110
recognition of impairment loss on loans advanced	1	3,423
CIT correction	1,012	–
other	1,665	1,009
Non-taxable income (permanent differences)	(2,549)	(4,704)
from contractual penalties	(2,375)	(4,050)
non-deductible VAT on receivables	(840)	(185)
dividends received	(535)	–
other	1,201	(469)
Other	(213)	(88)
Correction of previous years' tax	(3,548)	–
Tax at the effective tax rate of 13.9% (2013: 1.58%)	**3,786**	**(2,250)**
Income tax (expense) in the statement of comprehensive income	3,786	(2,250)
Income tax attributable to discontinued operations	–	–
	3,786	**(2,250)**

(PLN '000)

16.3. Deferred income tax calculated as at December 31st 2014

Deferred income tax calculated as at December 31st 2014 relates to the following:

	Statement of financial position		*Statement of comprehensive income*	
	Dec 31 2014	*Dec 31 2013*	*Dec 31 2014*	*Dec 31 2013*
- investment reliefs	(4)	(4)	–	1
difference between tax base and carrying amount of property, plant and equipment and intangible assets	(14,342)	(13,142)	(1,200)	(846)
difference between tax base and carrying amount of assets measured at fair value through profit or loss	1,818	1,841	(23)	(1,441)
difference between tax base and carrying amount of loans and receivables	509	3,074	(2,565)	275
different timing of recognition of revenue from sale of goods and services for tax purposes	(21,158)	(29,412)	8,254	10,266
difference between tax base and carrying amount of inventories	1,481	1,207	274	(77)
provisions	18,025	21,455	(3,430)	(4,846)
difference between tax base and carrying amount of financial liabilities measured at amortised cost	75	182	(107)	(5)
difference between tax base and carrying amount of financial liabilities measured at fair value through profit or loss	–	–	–	10
- difference between tax base and carrying amount of liabilities under guarantees, factoring and excluded from the scope of IAS 39	15	23	(8)	(10)
different timing of recognition of cost of sales for tax purposes	50,288	47,832	2,456	441
tax loss	–	1,468	(1,468)	(1,467)
adjustment to costs of unpaid invoices	12,127	9,464	2,663	9,464
other	736	388	348	24
Deferred tax expense			**5,194**	**11,789**
Net deferred tax asset / liability, including:	**49,570**	**44,376**		
Deferred tax asset	49,570	44,376		
Deferred tax liability	–	–		

In the year ended December 31st 2012, the Company recognised a single deferred tax asset on a tax loss of PLN 15,442 thousand. In 2013, the Company reduced the asset by PLN 7,721 thousand, following partial settlement of the tax loss. In the year ended December 31st 2014, the Company settled the balance of the deferred tax asset following settlement of the remaining amount of tax loss.

17. Discontinued operations

The Company did not discontinue any operations in the 12 months ended December 31st 2014.

18. Proposed distribution of profit for 2014

The Management Board of the Company recommends that the net profit of PLN 23,515,343.95 be transferred to the Company's statutory reserve funds.

(PLN '000)

19. Earnings /(loss) per share

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

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

	12 months ended Dec 31 2014	*12 months ended Dec 31 2013*
Net profit/(loss) from continuing operations	23,515	(139,781)
Profit/(loss) from discontinued operations	–	–
Net profit/(loss)	23,515	(139,781)
Net profit/(loss) attributable to ordinary shareholders, applied to calculate earnings per share	**23,515**	**(139,781)**
Weighted average number of outstanding ordinary shares, applied to calculate basic earnings/(loss) per share	69,600,000	69,600,000
Dilutive effect:	–	–
Stock options	–	–
Cancellable preference shares	–	–
Adjusted weighted average number of ordinary shares applied to calculate diluted earnings/(loss) per share	69,600,000	69,600,000
Earnings /(loss) per share		
– basic earnings/(loss) from profit/(loss) for the period	0.34	(2.01)

The Company does not present diluted earnings/(loss) per share for the 12 months ended December 31st 2014 as it does not have any dilutive financial instruments.

20. Significant items disclosed in the statement of cash flows

The PLN 49,468 thousand decrease in receivables disclosed in the statement of cash flows for the 12 months ended December 31st 2014 resulted mainly from:

- PLN (125,395) thousand increase in trade receivables,
- PLN (757) thousand increase in receivables from the state budget (including VAT),
- PLN 16,567 thousand decrease in prepayments made,
- PLN 78,984 thousand decrease in security deposits receivable,
- PLN 65 thousand decrease in Company Social Benefits Fund receivables,
- PLN 1,229 thousand decrease in prepayments under bank and insurance guarantees,
- PLN (16) thousand increase in receivables from sale of debt,
- PLN 76,086 thousand decrease in disputed receivables,
- PLN 2,705 thousand decrease in other receivables.

For a detailed description of changes in security deposits and disputed receivables in 2014, see Note 32.

The PLN 131,488 thousand increase in liabilities disclosed in the statement of cash flows was mainly caused by:

- PLN 103,301 thousand increase in trade payables,
- PLN (1,010) thousand decrease in provision for retirement benefits (net of actuarial gains/(losses)),
- PLN 1,201 thousand increase in provision for warranty repairs,
- PLN 7,317 thousand increase in provision for bonuses,
- PLN 1,187 thousand increase in provision for unused holidays,
- PLN 709 thousand increase in provision for uninvoiced services and goods,
- PLN 18,783 thousand increase in other liabilities.

The PLN -74,731 thousand change in accruals and deferrals as shown in the statement of cash flows was mainly caused by:

- PLN (78,977) thousand increase in gross amounts due from customers for contract work,
- PLN 52,109 thousand increase in gross amount due to customers for contract work, including:
  PLN 16,477 thousand increase in prepayments,
- PLN (47,863) thousand decrease in provisions for contract work,

For a detailed description of the decrease in provisions, see Notes 14.1 and 14.2.

The PLN 16,477 thousand change in prepayments in 2014 resulted primarily from:

- a PLN 46m prepayment received from TAURON Wytwarzanie S.A. in connection with performance of the contract for 'Construction of a power unit at the Jaworzno Power Plant';
- accounting for the PLN 4,500 thousand prepayment received in connection with performance of the contract for 'Upgrading and overhaul of generation unit No. 11 rotary air pre-heaters and auxiliary installations at the Bełchatów power plant operated by PGE Elektrownia Bełchatów S.A.' for PGE Górnictwo i Energetyka Konwencjonalna S.A.;
- accounting for the PLN 9,202 thousand prepayment received in connection with performance of the contract for 'Supply of the high-pressure part of a steam generator (for the municipal waste incineration facility) along with the steel structure, kitting, erection and start-up in Denmark' for Martin GmbH,
- accounting for the PLN 4,127 thousand prepayment received in connection with performance of the contract for 'Installation of the Selective Catalytic Reduction System' at the Połaniec Power Plant for GDF SUEZ Energia Polska;

(PLN '000)

The amount of PLN 4,928 thousand related to the acquisition of property, plant and equipment and intangible assets comprises capital expenditure on property, plant and equipment of PLN 3,779 thousand and capital expenditure on intangible assets of PLN 1,149 thousand. The expenditure on property, plant and equipment was primarily related to the modernisation of the Company's buildings and structures as well as purchase of plant and equipment.

The PLN 128,199 thousand decrease in borrowings disclosed under financing activities in the statement of cash flows was caused by the repayment of the credit facility from PKO BP S.A.

The Company's cash from financing activities was also affected by interest of PLN 6,409 thousand paid on the credit facility extended by PKO BP S.A. (December 31st 2013: PLN 13,374 thousand) and of PLN 26 thousand paid on a loan received.

21. Social assets and liabilities of the Company Social Benefits Fund

The Act on Company Social Benefits Fund of March 4th 1994, as amended, stipulates that each employer with more than 20 full-time employees is obliged to set up a Company Social Benefits Fund and make periodic contributions thereto, comprising a basic contribution and a contribution for old-age and disability retirees. The Fund is designed to finance the Company's social activities, loans advanced to their employees and other social costs.

	Dec 31 2014	*Dec 31 2013*
Assets of the Company Social Benefits Fund	3,394	3,008
Cash of the Company Social Benefits Funds	2,987	2,637
Loans advanced to employees from the Company Social Benefits Funds	407	371
Liabilities of the Company Social Benefits Funds	(3,255)	(2,804)
Net balance	**139**	**204**

	12 months ended Dec 31 2014	*12 months ended Dec 31 2013*
Contributions to the Company Social Benefits Fund during the financial period	2,523	2,407
	2,523	**2,407**

(PLN '000)

22. Property, plant and equipment

Dec 31 2014	*Land*	*Buildings and structures*	*Plant and equipment*	*Vehicles*	*Other*	*Property, plant and equipment under constructio n*	*Total*
Net carrying amount as at Jan 1 2014	**9,270**	**83,031**	**46,365**	**3,582**	–	**1,022**	**143,270**
Acquisitions	–	–	–	2,809	–	5,751	8,560
Liquidation/sale	–	–	(18)	(180)	–	–	(198)
Transfers from property, plant and equipment under construction	–	517	3,188	60	–	(3,765)	–
Exchange differences on translating foreign operations	–	–	1	–	–	–	1
Depreciation for the period	–	(2,482)	(5,457)	(650)	–	–	(8,589)
Impairment of property, plant and equipment for the reporting period	–	–	–	–	–	–	–
Other, including reclassification of property, plant and equipment to/from assets held for sale	18	–	16	(272)	–	–	(238)
Net carrying amount as at Dec 31 2014	**9,288**	**81,066**	**44,095**	**5,349**	–	**3,008**	**142,806**
As at Jan 1 2014							
Gross carrying amount	9,270	102,079	98,989	7,268	2,538	1,022	221,166
Accumulated amortisation and impairment	–	(19,048)	(52,624)	(3,686)	(2,538)	–	(77,896)
Net carrying amount	**9,270**	**83,031**	**46,365**	**3,582**	–	**1,022**	**143,270**
As at December 31st 2014							
Gross carrying amount	9,288	102,597	101,078	8,402	2,494	3,008	226,867
Accumulated amortisation and impairment	–	(21,531)	(56,983)	(3,053)	(2,494)	–	(84,061)
Net carrying amount	**9,288**	**81,066**	**44,095**	**5,349**	–	**3,008**	**142,806**

(PLN '000)

Dec 31 2013	*Land*	*Buildings and structures*	*Plant and equipment*	*Vehicles*	*Other*	*Property, plant and equipment under construction*	*Total*
Net carrying amount as at Jan 1 2013	**9,172**	**78,420**	**48,707**	**3,141**	–	**8,567**	**148,007**
Acquisitions	98	–	–	–	–	3,778	3,876
Liquidation/sale	–	–	(63)	(48)	–	–	(111)
Transfers from property, plant and equipment under construction	–	7,079	3,292	952	–	(11,323)	–
Exchange differences on translating foreign operations	–	–	(4)	–	–	–	(4)
Depreciation for the period	–	(2,468)	(5,562)	(513)	–	–	(8,543)
Impairment of property, plant and equipment for the reporting period	–	–	3	52	–	–	55
Other, including reclassification of property, plant and equipment to/from assets held for sale	–	–	(8)	(2)	–	–	(10)
Net carrying amount as at Dec 31 2013	**9,270**	**83,031**	**46,365**	**3,582**	–	**1,022**	**143,270**
As at Jan 1 2013							
Gross carrying amount	9,172	96,562	97,999	6,251	2,721	8,567	221,272
Accumulated amortisation and impairment	–	(18,142)	(49,292)	(3,110)	(2,721)	–	(73,265)
Net carrying amount	**9,172**	**78,420**	**48,707**	**3,141**	–	**8,567**	**148,007**
As at Dec 31 2013							
Gross carrying amount	9,270	102,079	98,989	7,268	2,538	1,022	221,166
Accumulated amortisation and impairment	–	(19,048)	(52,624)	(3,686)	(2,538)	–	(77,896)
Net carrying amount	**9,270**	**83,031**	**46,365**	**3,582**	–	**1,022**	**143,270**

(PLN '000)

Security created over property, plant and equipment

As at December 31st 2014, property, plant and equipment pledged as security for liabilities amounted to PLN 136,825 thousand. The assets serve as security in respect of liabilities under the multi-purpose credit facility agreement with PKO BP S.A. (the mortgage on property of which RAFAKO S.A. is the owner or perpetual usufructuary, with the exception of residential property, for a total amount of approximately PLN 300,000,000.00) and in respect of the repayment of BGK's, PKO BP's and PZU's claims towards RAFAKO S.A. under the Surety Agreement executed in order to secure the liabilities of E003B7 Sp. z o.o. arising in connection with the agreement providing for issuance of guarantees for the benefit of TAURON Wytwarzanie S.A. in connection with implementation of the Jaworzno III 910 MW unit Project (a registered pledge over a set of movables and rights).

	Dec 31 2014	*Dec 31 2013*
Property, plant and equipment secured with mortgage, including:	90,156	92,079
land	9,268	9,248
buildings	80,888	82,831
Property, plant and equipment encumbered with registered pledge, including:	46,669	–
plant and equipment	44,120	–
motor vehicles	2,549	–
	136,825*	**92,079**

*the disclosed amounts include property, plant and equipment classified as held for sale, of PLN 266 thousand.

23. Property, plant and equipment held under leases

As at December 31st 2014, the Company held and used under finance lease vehicles with a gross value of PLN 3,224 thousand as at their acquisition date.

The economic useful lives of those assets are consistent with the lease terms, ranging from 48 to 60 months. Leased assets are depreciated by the Company using the straight-line depreciation method.

As at December 31st 2013, the Company held and used under finance lease vehicles with a gross value of PLN 759 thousand as at their acquisition date.

24. Non-current assets held for sale

As at December 31st 2014, the Company classified non-current assets worth PLN 35,450 thousand (December 31st 2013: PLN 44 thousand) as assets held for sale.

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

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

On January 12th 2015, the Supervisory Board of RAFAKO S.A. approved the sale of FPM S.A. shares. On February 19th 2015, RAFAKO S.A. was notified by TDJ that the President of UOKiK cleared the business concentration involving takeover of control of FPM S.A. by TDJ. On February 23rd 2015, a share sale agreement was executed for an aggregate amount of PLN 48m. The Sold Assets represent 82.19% of FPM S.A.'s share capital and confer 82.19% of total voting rights at the FPM S.A. General Meeting, i.e. 1,376,508 votes. The carrying amount of the shares in the Company's accounting books was PLN 35,2m. Following the transaction, RAFAKO S.A. holds no FPM S.A. shares.

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

(PLN '000)

	Dec 31 2014	*Dec 31 2013*
Non-current assets held for sale, including:		
land	2	–
buildings and structures	–	–
plant and equipment	25	42
motor vehicles	239	2
shares in subsidiaries	35,184	–
	35,450	**44**

25. Investment property

As at December 31st 2014 and December 31st 2013, the Company held no investment property.

26. Intangible assets

Dec 31 2014	*Goodwill*	*Patents and licenses*	*Other intangible assets*	*Intangible assets under development*	*Total*
Net carrying amount as at Jan 1 2014	**376**	**6,980**	–	–	**7,356**
Acquisitions	–	–	–	3,779	3,779
Liquidation/sale	–	(172)	–	–	(172)
Transfers from intangible assets under development	–	3,779	–	(3,779)	–
Impairment	–	–	–	–	–
Amortisation for the year	–	(1,799)	–	–	(1,799)
Exchange differences on translating foreign operations	–	–	–	–	–
As at December 31st 2014	**376**	**8,788**	–	–	**9,164**
As at Jan 1 2014					
Gross carrying amount	376	20,076	108	173	20,733
Accumulated amortisation and impairment	–	(13,096)	(108)	(173)	(13,377)
Net carrying amount	**376**	**6,980**	–	–	**7,356**
As at December 31st 2014					
Gross carrying amount	376	23,054	–	3,779	27,209
Accumulated amortisation and impairment	–	(14,266)	–	(3,779)	(18,045)
Net carrying amount	**376**	**8,788**	–	–	**9,164**

(PLN '000)

Dec 31 2013	*Goodwill*	*Patents and licenses*	*Other intangible assets*	*Intangible assets under development*	*Total*
Net carrying amount as at Jan 1 2013	**376**	**8,507**	–	–	**8,883**
Acquisitions	–	–	–	173	173
Liquidation/sale	–	–	–	–	–
Transfers from intangible assets under development	–	173	–	(173)	–
Impairment	–	–	–	–	–
Amortisation for the year	–	(1,700)	–	–	(1,700)
Exchange differences on translating foreign operations	–	–	–	–	–
As at Dec 31 2013	**376**	**6,980**	–	–	**7,356**
As at Jan 1 2013					
Gross carrying amount	376	19,903	108	1,698	22,085
Accumulated amortisation and impairment	–	(11,396)	(108)	(1,698)	(13,202)
Net carrying amount	**376**	**8,507**	–	–	**8,883**
As at Dec 31 2013					
Gross carrying amount	376	20,076	108	173	20,733
Accumulated amortisation and impairment	–	(13,096)	(108)	(173)	(13,377)
Net carrying amount	**376**	**6,980**	–	–	**7,356**

Intangible assets included patents, licences and software. The largest items were as follows:

- a licence for BENSON supercritical boilers, with a carrying amount of PLN 3,452 thousand as at December 31st 2014 (December 31st 2013: PLN 1,675 thousand); the remaining licence amortisation period was ten years from December 31st 2014;
- a licence for catalytic flue gas denitrification, with a carrying amount of PLN 891 thousand as at December 31st 2014 (December 31st 2013: PLN 1,066 thousand); the remaining licence amortisation period was five years from December 31st 2014;

Security over intangible items

As at December 31st 2014, intangible assets worth PLN 8,788 thousand served as security in respect of the Company's liabilities. The intangible assets secure repayment of BGK's, PKO BP's and PZU's claims towards RAFAKO S.A. under the Surety Agreement executed in order to secure the liabilities of E003B7 Sp. z o.o. arising in connection with the agreement providing for issuance of guarantees for the benefit of TAURON Wytwarzanie S.A. in connection with implementation of the Jaworzno III 910 MW unit Project (a registered pledge over a set of movables and rights).

Intangible assets held for sale

As at December 31st 2014 and December 31st 2013, the Company carried no intangible assets held for sale.

(PLN '000)

Goodwill

In the periods covered by the financial statements, the Company recognised goodwill of PLN 376 thousand arising on the transaction under which, in 2007, RAFAKO S.A. purchased an organised part of business from Wyrskie Zakłady Urządzeń Przemysłowych NOMA INDUSTRY Sp. z o.o. w upadłości (in bankruptcy).

Amortisation of patents and licences

During the 12 months ended December 31st 2014 and the 12 months ended December 31st 2013, patents and licences, as well as computer software were amortised on a straight line basis over their economic useful lives of 2 to 10 years.

Development work

In the 12 months ended December 31st 2014 and the 12 months ended December 31st 2013, the Company made no expenditure on development work.

Business combinations

In the 12 months ended December 31st 2014 and the 12 months ended December 31st 2013, the Company was not engaged in any business combination with another entity.

27. Participation in joint ventures

In the 12 months ended December 31st 2014 and the 12 months ended December 31st 2013, the Company was not engaged in any joint ventures with other business entities.

28. Shares in subsidiaries and other entities

	Dec 31 2014	*Dec 31 2013*
Shares in listed subsidiaries	–	–
Shares in non-listed subsidiaries	25,032	60,216
Shares in other listed companies	369	319
Shares in other non-listed companies	19	19
	25,420	**60,554**

As at December 31st 2014, shares held by the Company worth PLN 25,420 thousand were encumbered with a registered pledge under the Surety Agreement executed in order to secure the liabilities of E003B7 Sp. z o.o. arising in connection with the agreement providing for issuance of guarantees for the benefit of TAURON Wytwarzanie S.A. in connection with implementation of the Jaworzno III 910 MW unit Project (a registered pledge over a set of movables and rights).

In the 12 months ended December 31st 2014, the Company recorded a PLN 35,184 thousand change in shares in subsidiaries, attributable to the reclassification of shares in FPM S.A. to assets held for sale, as discussed in Note 24.

In the 12 months ended December 31st 2013, the Company recorded a PLN 511 thousand change in shares in subsidiaries, attributable to the following events:

- On April 24th 2013, the Extraordinary General Meeting of RAFAKO ENGINEERING Sp. z o.o. passed a resolution to increase the company's share capital by PLN 500,000.00 through an issue of 1,000 new shares with a par value of PLN 500.00 per share. Based on a declaration to acquire new shares in RAFAKO ENGINEERING Sp. z o.o. of April 30th 2013, all new shares were acquired by RAFAKO S.A.;
- On October 9th 2013, E001RK Sp. z o.o. of Racibórz, a subsidiary incorporated under Articles of Association of August 8th 2013, was registered with the National Court Register. RAFAKO S.A. is the main shareholder and holds 100% of the company shares for a total amount of PLN 5,000.
- On November 22nd 2013, E003B7 Sp. z o.o. of Racibórz, a subsidiary incorporated under Articles of Association of November 15th 2013, was registered with the National Court Register. RAFAKO S.A. is the main shareholder and holds 100% of the company shares for a total amount of PLN 5,000.

(PLN '000)

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

	Dec 31 2014	*Dec 31 2013*
Trade receivables, including:	28,990	2,877
Trade receivables from related entities	–	–
Trade receivables from other entities	28,990	2,877
Other receivables and prepayments, including:	–	909
Prepayments under bank and insurance guarantees	–	909
Total receivables (net)	**28,990**	**3,786**
Impairment loss on receivables	–	–
Gross receivables	**28,990**	**3,786**

30. Other non-current financial assets

	Dec 31 2014	*Dec 31 2013*
Loans advanced	38	–
Non-current deposits, including:	–	–
- deposits securing bank guarantees provided to the Company	–	–
Other non-current financial assets, including:	33,344	31,398
Receivables from PBG S.A. w upadłości układowej (in company voluntary arrangement) related to the return of shares in ENERGOMONTAŻ – POŁUDNIE S.A.	27,717	25,786
Receivables from PBG S.A. w upadłości układowej (in company voluntary arrangement) in connection with a loan advanced to HYDROBUDOWA S.A. w upadłości likwidacyjnej (in bankruptcy by liquidation)	5,627	5,612
	33,382	**31,398**

In the 12 months ended December 31st 2014, the Company remeasured the receivable arising from the return of shares in ENERGOMONTAŻ-POŁUDNIE S.A. and the receivable arising from a loan granted to HYDROBUDOWA S.A. due to changes in estimates and assumptions, as discussed in Note 46.

The change in the receivables relative to the amount disclosed as at December 31st 2013 follows from the measurement of the receivables at amortised cost, taking into account the assumptions and estimates specified in Note 7.

(PLN '000)

31. Inventories

	Dec 31 2014	*Dec 31 2013*
Materials (at cost)	21,715	19,874
At cost	29,507	26,228
At net realisable value	21,715	19,874
Total inventories, at the lower of cost and net realisable value	**21,715**	**19,874**
- including: inventories pledged as security for liabilities	21,715	–

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

Inventory write-downs

	12 months ended Dec 31 2014	*12 months ended Dec 31 2013*
At the beginning of the period	(6,354)	(6,760)
- write-down recognised	(1,743)	(782)
- write-down reversed	305	1,188
Balance at end of period	**(7,792)**	**(6,354)**

(PLN '000)

32. Current trade receivables, other receivables and prepayments

	Dec 31 2014	*Dec 31 2013*
Trade receivables, including:	237,953	138,671
Trade receivables from related entities	1,817	69
Trade receivables from other entities	236,136	138,602
Income tax receivable	13,666	9,622
Other receivables and prepayments, including:	185,629	359,583
Advance payments made to related parties	363	1,518
Advance payments made to other parties	12,849	28,261
Receivables from the state budget	6,050	5,293
Contractual penalties receivable	–	2,738
Settlement of property insurance costs	921	824
Settlements with the Company Social Benefits Fund	139	204
Disputed receivables	300	–
Prepaid expenses	1,315	767
Prepayments under bank and insurance guarantees	–	1,229
Security deposits	162,270	241,254
Receivables sold	683	667
Other receivables	–	76,386
Other	739	442
Other receivables from related entities	–	–
Total receivables (net)	**437,248**	**507,876**
Impairment loss on receivables	40,294	57,633
Gross receivables	**477,542**	**565,509**

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

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

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

Current trade receivables of PLN 237,953 thousand recognised in the statement of financial position as at December 31st 2014 relate to trading contracts with domestic and foreign contractors. The largest items in this group of receivables include receivables from the following companies:

- PGE Górnictwo i Energetyka Konwencjonalna S.A. - PLN 55,551 thousand,
- Mostostal Warszawa S.A. - PLN 47,743 thousand,
- Synthos Dwory 7 Sp. z o.o. Sp. j. - PLN 37,306 thousand,
- EDF Polska S.A. - PLN 35,296 thousand,
- Hitachi Inova AG - PLN 25,780 thousand,
- Grupa Azoty Zakłady Azotowe Kędzierzyn S.A. - PLN 23,616 thousand.

In 2014, the Company's current trade receivables rose considerably, by PLN 99,282 thousand, mostly due to the increase in the Company's turnover in 2014.

(PLN '000)

The amount of security deposit receivables as at December 31st 2014 changed mostly in connection with payments and repayments of security deposits under the following business transactions:

- repayment of the cash deposit related to the contract with PGE Elektrownia Opole S.A. for turn-key construction of power unit no. 5 and power unit no. 6 in PGE Elektrownia Opole S.A. together with equipment, devices and related buildings and structures – the value of security deposits repaid in the 12 months ended December 31st 2014 was PLN 127,361 thousand;
- payment of the cash deposit related to implementation of the contract with TAURON Wytwarzanie S.A. related to 'Construction of supercritical 800-910 MW generating unit at the Jaworzno III Power Plant'; the value of security deposits paid in the 12 months ended December 31st 2014 was PLN 40m.

A significant item of other receivables was prepayments, which amounted to PLN 13,212 thousand as at December 31st 2014 and included:

- prepayments to Wallstein Ingenieur Gesellschaft GmbH – PLN 2,357 thousand,
- prepayments to Termokimik Corporation SPA – PLN 2,224 thousand,
- prepayments to Veolia Water Technologies Sp. z o.o. - PLN 1,752 thousand.

Claims under dispute, recognised at PLN 76,386 thousand in the statement of financial position as at December 31st 2012, related to disputes with the Alstom Group. Following the execution of an arrangement with Alstom Group companies, as at December 31st 2013 these receivables were presented as 'Other receivables' and were paid and accounted for in the 12 months ended December 31st 2014.

Trade receivables with a carrying amount of PLN 17,406 thousand were pledged as security in respect of guarantees and borrowings received by the Group as at December 31st 2014 (December 31st 2013: PLN 53,207 thousand).

32.1. Impairment losses on trade and other receivables

	Dec 31 2014	*Dec 31 2013*
At the beginning of the period, including:	(57,633)	(44,539)
- on receivables from related entities	–	–
Recognition of impairment loss on trade receivables	(17,718)	(12,302)
Recognition of impairment loss on other receivables	(8)	(10,148)
Reversal of impairment loss on trade receivables, including:	14,497	3,733
- on receivables from related entities	–	–
Reversal of impairment loss on other receivables	5,261	5,623
Use of impairment loss on trade receivables	15,307	–
Balance at end of period	**(40,294)**	**(57,633)**
- on receivables from related entities	–	–

In 2014, the Company reversed a PLN 5,261 thousand impairment loss on accrued contractual penalties.

In 2013, the Company recognised a PLN 10,139 thousand impairment loss on accrued contractual penalties and, following receipt of payments, reversed PLN 3,779 thousand of the impairment loss. In addition, it reversed PLN 1,836 thousand of impairment losses on disputed receivables.

(PLN '000)

Presented below is a breakdown of current trade and other financial receivables which were past due as at December 31st 2014 and December 31st 2013, but were not considered to be irrecoverable and therefore no impairment was recognised in respect of them.

			Past due but recoverable				
	Total	*Not past due*	*< 30 days*	*30 – 90 days*	*90 – 180 days*	*180 – 360 days*	*>360 days*
Dec 31 2014	430,196	403,353	20,470	1,018	722	2,808	1,825

			Past due but recoverable				
	Total	*Not past due*	*< 30 days*	*30 – 90 days*	*90 – 180 days*	*180 – 360 days*	*>360 days*
Dec 31 2013	462,593	437,412	4,470	1,468	699	18,544	–

33. Current financial assets

33.1. Derivative instruments

	Dec 31 2014	*Dec 31 2013*
Forward contracts	–	–
Currency options	–	–
	–	–

As at December 31st 2014, the Company carried no open FX forward contracts with a positive fair value.

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

33.2. Short-term investments

As at December 31st 2014 and December 31st 2013, the Company held no financial assets representing short-term investments.

Investment fund units are classified by the Company in the category of financial assets accounted for at fair value through profit or loss.

33.3. Current deposits

As at December 31st 2014 and December 31st 2013, the Company held no current deposits.

(PLN '000)

33.4. Loans advanced

Loans	*Security*	*Other*	*Currency*	*Effective interest rate*	*Maturity date*	*Receivables under advanced notes*	
						Dec 31 2014	*Dec 31 2013*
Non-current loans							
Natural persons*	Representation on submission to enforcement under Art. 777.1.5	cash loans granted to finance payments for shares in a subsidiary	PLN	1Y WIBOR + margin	Dec 31 2016	38	-
						38	**-**
Current loans							
Natural persons*	Representation on submission to enforcement under Art. 777.1.5	cash loans granted to finance payments for shares in a subsidiary	PLN	1Y WIBOR + margin	Dec 31 2015	70	-
						70	**-**

**related parties having personal links with RAFAKO S.A.*

(PLN '000)

33.5. Other current financial assets

	Dec 31 2014	*Dec 31 2013*
Other current financial assets, including:		1,863
Additional contributions to the equity of a subsidiary	–	–
Advance payment to acquire the right to a loan	10,500	10,500
Impairment loss on advance payment to acquire the right to a loan	(10,500)	(10,500)
Receivables from PBG S.A. w upadłości układowej (in company voluntary arrangement) related to the return of shares in ENERGOMONTAŻ – POŁUDNIE S.A.	–	1,549
Receivables from PBG S.A. w upadłości układowej (in company voluntary arrangement) in connection with a loan advanced to HYDROBUDOWA S.A. w upadłości likwidacyjnej (in bankruptcy by liquidation)	–	314
	–	**1,863**

In the 12 months ended December 31st 2013, based on the adopted assumptions the Company recognised under other financial assets the current portion of the receivable on the return of shares in ENERGOMONTAŻ – POŁUDNIE S.A. and a receivable under a loan granted to HYDROBUDOWA S.A.

In view of new arrangement proposals put forward by PBG S.A. w upadłości układowej (in company voluntary arrangements), published on November 3rd 2014, which assume, among other things, that the final payment date for the first instalment would be June 30th 2016, the Company did not recognise the current portion of the receivable on the return of shares in ENERGOMONTAŻ – POŁUDNIE S.A. and the receivable under the loan provided to HYDROBUDOWA S.A.

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

On April 18th 2012, the Company and Olenia Ltd entered into a preliminary agreement for the purchase of 50% of shares in Bioelektrownia Szarlej sp. z o.o. and assignment of rights to receivables in the form a loan granted to that company. The total amount of the advance paid by the Company under the agreement was PLN 16,176 thousand (of which PLN 5,676 thousand was paid in respect of shares presented as other non-financial assets and PLN 10,500 thousand was paid in respect of the loan presented as other financial assets). Bioelektrownia Szarlej sp. z o.o. is a special purpose vehicle established for the purpose of construction of a biogas power plant, to be financed from internally-generated funds, a loan from investors, and a subsidy awarded to the project. Bioelektrownia Szarlej sp. z o.o. terminated its agreement with the contractor, which caused delays in the performance of work and termination of the project subsidy agreement. Bioelektrownia Szarlej sp. z o.o.'s efforts to resume the project were unsuccessful.
Due to the status of the project as described above, the Company's Management Board concluded that the risk of non-recoverability of the assets is significant and upheld its decision to recognise an impairment loss for the full value of the project.

33.6. Cash and cash equivalents

	Dec 31 2014	*Dec 31 2013*
Cash in hand and at banks	7,101	10,846
Current deposits for up to 3 months, including:	7,247	13,336
- deposits securing contingent liabilities	–	–
	14,348	**24,182**
including: restricted cash	1,317	1,018

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

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

34. Other current non-financial assets

As at December 31st 2014, in the statement of financial position the Company separately disclosed 'Other current non-financial assets', which consisted of a PLN 5,676 thousand gross advance paid in connection with the acquisition of shares, as discussed in detail in Note 33.5. As at December 31st 2013, the Company recognised a PLN 5,676 thousand impairment loss on other current non-financial assets. Due to the status of the project as described in Note 33.5, the Company's Management Board concluded that the risk of non-recoverability of the assets is significant and upheld its decision to recognise an impairment loss for the full value of the prepayment.

35. Equity

35.1. Share capital

In the 12 months ended December 31st 2014, the Company's share capital did not change. It amounted to PLN 139,200,000 and was divided into 69,600,000 ordinary shares with a par value of PLN 2.00 per share, of the following series:

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

35.2. Par value per share

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

35.3. Shareholders' rights

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

(PLN '000)

35.4. Share premium

The share premium comprises the excess of issue price over the par value of the shares, amounting to PLN 77,947 thousand. On May 15th 2000, RAFAKO S.A.'s General Meeting resolved to allocate PLN 41,169 thousand to cover accumulated loss brought forward from previous years. In the 12 months ended December 31st 2014 and the 12 months ended December 31st 2013, there were no events which would result in any changes in the share premium, which amounted to PLN 36,778 thousand at December 31st 2014 (December 31st 2013: PLN 36,778 thousand).

35.5. Reserve funds

Reserve funds have been created from statutorily required transfers from profits generated by the Company in previous financial years, as well as from profit appropriations in excess of the statutorily required transfers. Following the transfer into reserve funds of loss brought forward of PLN 139,781 thousand, the value of reserve funds as at December 31st 2014 amounted to PLN 81,201 thousand (December 31st 2013: PLN 220,982 thousand).

35.6. Translation reserve

The balance of translation reserve is adjusted for exchange differences arising from translation of the financial statements of the Company's foreign branch. As at December 31st 2014, translation reserve amounted to PLN 293 thousand (December 31st 2013: PLN 204 thousand).

35.7. Retained earnings and dividends paid

As at December 31st 2014, following the recognition of a PLN 23,515 thousand net profit for the 12 months ended December 31st 2014, recognition of actuarial gains in the amount of PLN - 4,055 thousand and transfer of PLN 139,781 of loss brought forward to reserve funds, the Company's retained earnings amounted to PLN 19,025 thousand.

In 2014, the Company did not pay dividends nor did the Management Board declare such payment.

35.8. Capital management

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

	Dec 31 2014	*Dec 31 2013*
Share of debt in equity		
Equity	276,497	256,948
Borrowed funds (bank credit facility and loans)	130,229	258,869
Total equity and liabilities	1,037,898	1,008,351
Capitalisation ratio	**0.27**	**0.25**

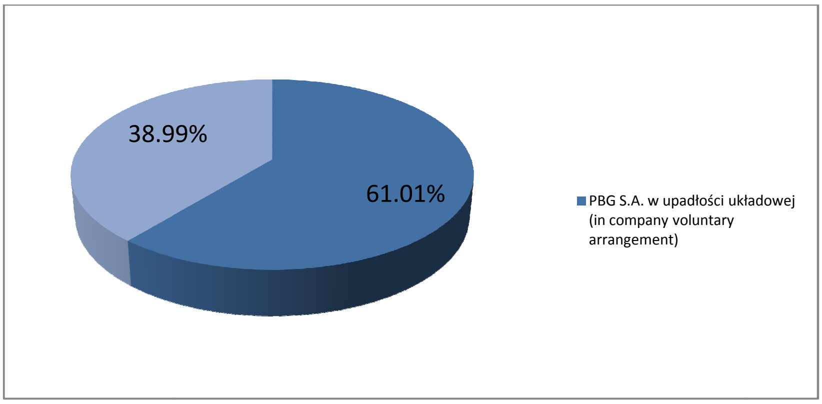
(PLN '000)

36. Shareholders holding 5% or more of the total vote at the General Meeting of RAFAKO S.A. at the end of the reporting period

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

* based on a notification of August 8th 2012
** based on a notification of November 15th 2011

Shareholder structure as at December 31st 2014



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

Shareholder	*Number of shares (pcs.)*	*Number of votes attached to the shares held*	*Ownership interest*	*% of the total vote at GM*
Investment funds managed by ING Towarzystwo Funduszy Inwestycyjnych S.A.***	3,508,403	3,508,403	5.04%	5.04%

*** based on the notification of March 10th 2015

(PLN '000)

37. Interest-bearing borrowings

As at December 31st 2014, the Company carried liabilities under bank credit facilities.

Current borrowings	*Security*	*Other*	*Currency*	*Effective interest rate*	*Maturity date*	*Liabilities under borrowings*	
						Dec 31 2014	*Dec 31 2013*
Current borrowings:							
PKO BP S.A.	blank promissory note with a promissory note declaration, assignment of receivables under contracts,* clause providing for debt set-off against RAFAKO S.A.'s cash held in bank accounts, mortgage**, statement of submission to enforcement, registered pledge over a set of movables and rights comprising the entire business of the Company	Agreement for a renewable overdraft of PLN 150 million***	PLN	1M WIBOR + margin	Apr 30 2015	128,127	256,816
						128,127	**256,816**
Short-term loans received:							
PGL-DOM Sp. z o.o.****	blank promissory note with a promissory note declaration	Agreement for a cash loan to be used for funding day-to-day operations	PLN	1M WIBOR + margin	Dec 31 2015	2,102	2,053
						2,102	**2,053**

* The facility is secured with receivables under contracts performed by the Company, including assignment of receivables under contracts for modernisation and repair of components at the Bełchatów Power Plant and the Kielce CHP Plant (performed for PGE Górnictwo i Energetyka Konwencjonalna S.A.), as well as receivables under the contract performed for the Połaniec Power Plant.

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

*** As at the issue date of these financial statements, in accordance with the annex of April 29th 2014 to the credit facility agreement, the multi-purpose credit facility limit amounted to PLN 200,000,000.00, including an overdraft facility of PLN 150,000,000.00, and the facility repayment date was postponed to April 30th 2015;

**** A subsidiary.

The Company plans to extend the credit facility agreement for subsequent periods. The Company's credit standing should be analysed taking into account the information included in Note 6, relating to continuation of the Company's operations.

38. Employee benefit obligations

38.1. Post-employment and other employee benefits

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

	Dec 31 2014	*Dec 31 2013*
As at Jan 1 2012	22,808	23,367
Interest expense	912	935
Current service costs	585	482
Actuarial (gains)/losses	5,005	537
Benefits paid	(2,507)	(2,513)
Closing balance	**26,803**	**22,808**
Non-current provisions	24,907	21,266
Current provisions	1,896	1,542

The main assumptions adopted by the actuary as at December 31st 2014 and for the 12 months ended December 31st 2014 and 12 months ended December 31st 2013 to determine the amount of the obligation were as follows:

	Dec 31 2014	*Dec 31 2013*
Discount rate (%)	2.5	4.0
Anticipated inflation rate (%)*	–	–
Employee turnover rate	5	5
Anticipated salary growth rate (%)**	5.0	1.83

*No data in the actuary's report.
** 5% in 2015 and 2.5% in 2016 and in the following years

Sensitivity analysis

Change of the discount rate by half percentage point:

	Increase (PLN '000)	*Decrease (PLN '000)*
Dec 31 2014		
Effect on the defined benefit obligation	(1,301)	1,403
Dec 31 2013		
Effect on the defined benefit obligation	(1,090)	1,189

(PLN '000)

39. Trade and other payables

39.1. Non-current trade and other payables

	Dec 31 2014	*Dec 31 2013*
Trade payables, including:		
Trade payables to related entities	6	119
Trade payables to other entities	20,498	13,557
	20,504	**13,676**
Capital commitments	172	128
	172	**128**
Financial liabilities, including:		
Finance lease liabilities	1,581	222
	1,581	**222**
Other liabilities, including:		
Unpaid bonus accrual	334	355
Provisions for warranty repairs	1,859	2,689
	2,193	**3,044**

39.2. Current provisions, trade and other payables

	Dec 31 2014	*Dec 31 2013*
Trade payables, including:		
Trade payables to related entities	7,017	3,756
Trade payables to other entities	292,210	198,998
	299,227	**202,754**
Liabilities under investments in non-current assets	4,860	302
	4,860	**302**

In 2014, the Company's current trade payables rose considerably, by PLN 96,473 thousand, mostly due to the significant increase in the Company's turnover in 2014.

(PLN '000)

	Dec 31 2014	*Dec 31 2013*
Other liabilities		
VAT	4,394	–
Personal income tax	2,101	2,078
Social security liabilities	8,741	8,459
Other taxes, customs duties and insurance payable	201	8
Salaries and wages payable	7,687	8,587
Accrued holiday entitlements	3,289	2,102
Unpaid bonus accrual	8,107	769
Provisions for warranty repairs	9,988	7,957
Liabilities under financial guarantees and sureties issued	745	745
Accrual for costs of uninvoiced materials and services	21,563	20,854
Liabilities under dispute	–	367
Accrual for audit fees	100	100
Provisions for other liabilities and disputed claims	5,667	–
Other amounts payable to employees	–	729
Security deposits	613	–
Other	1,527	922
	74,723	**53,677**
Other financial liabilities		
Valuation of derivatives	–	–
Finance lease liabilities	559	143
Interest on borrowings	–	–
	559	**143**

In 'Provisions for other liabilities and disputed claims' the Company included a provision for claims by the Company's customers.

39.3. Liabilities under financial derivatives

As at December 31st 2014, the Company carried no open FX forward contracts with a negative fair value.

39.4. Capital commitments

As at December 31st 2014, the Company had commitments related to purchase of property, plant and equipment of PLN 5,032 thousand.

As at December 31st 2014, the Company also had signed agreements for planned capital expenditure totalling PLN 1,102 thousand, which were not disclosed in the accounting books as at the end of the reporting period.

(PLN '000)

39.5. Accrued holiday entitlements

The amount of accrued holiday entitlements is calculated on a monthly basis based on the actual number of days of unused holidays as at the end of each month. One twelfth of the holiday leave due for the whole year, increased by any unused days of holiday leave due for prior periods, is allocated to each individual month of the financial year. The number of days thus calculated is then multiplied by the average daily rate applicable to a given employee, determined on the basis of their salary for the month for which the accrual is made, plus amounts due to the Social Insurance Institution.

	Dec 31 2014	*Dec 31 2013*
Opening balance	2,102	2,320
Recognition of provision for liability	3,289	–
Cost of benefits paid	–	(218)
Reversal of provision for liability	(2,102)	–
Closing balance	**3,289**	**2,102**
Current as at	3,289	2,102
Non-current as at	–	–
	3,289	**2,102**

39.6. Unpaid bonus accrual

The Company pays to its employees an annual bonus, the amount of which depends on the achievement of the Company's operating profit target. In accordance with the provisions of the Collective Bargaining Agreement (CBA), within 30 days of the date of authorisation of the annual financial statements, the Management Board, upon consultation with the Trade Unions, makes a decision as to the payment of a discretionary bonus to the Company's employees. During the financial year, the Company recognises an accrual for the annual bonus in the amount provided for in the CBA, unless the Management Board decides not to recognise the accrual. The Company additionally recognises an accrual for bonuses to project managers, which are paid after completion of contracts.

	Dec 31 2014	*Dec 31 2013*
Opening balance	1,124	6,410
Recognition of provision for liability	7,759	3,474
Cost of benefits paid	(230)	(4,785)
Reversal of provision for liability	(212)	(3,975)
Closing balance	**8,441**	**1,124**
Current as at	8,107	769
Non-current as at	334	355
	8,441	**1,124**

(PLN '000)

39.7. Provision for warranty repairs

Provisions for warranty repairs are recognised as a result of estimating the expected and measurable costs of oversight, repairs and warranty works related to the Company's contractual liabilities, arising from the completion of a construction contract.

	Dec 31 2014	*Dec 31 2013*
Opening balance	10,646	11,923
Recognition of provision for liability	13,422	7,906
Costs of warranty repairs incurred	(12,221)	(9,183)
Reversal of provision for liability	–	–
Closing balance	**11,847**	**10,646**
Current as at	9,988	7,957
Non-current as at	1,859	2,689
	11,847	**10,646**

39.8. Liabilities under bank guarantees and sureties issued

The Company recognised a provision for the expected costs arising from a surety granted in respect of bank guarantees issued by ING Bank Śląski S.A. at the request of Fabryka Elektrofiltrów ELWO S.A. w upadłości (in bankruptcy). The Bank's claim against RAFAKO S.A. arises under the Loan Agreement of June 25th 2008, announced by the Company in its previous reports. The Company reversed a portion of the provision in earlier reporting periods, concurrently recognising an impairment loss on the disputed receivable.

	Dec 31 2014	*Dec 31 2013*
Opening balance	745	745
Recognition of provision for liability	–	–
Costs incurred	–	–
Reversal of provision for liability*	–	–
Closing balance	**745**	**745**
Current as at	745	745
Non-current as at	–	–
	745	**745**

* amount presented in finance costs on a net basis (net of impairment loss)

39.9. Income tax payable

As at December 31st 2014 and December 31st 2013, the Company carried no income tax payable.

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 sanctions. As the legal regulations regarding these issues in Poland are relatively new, they are often ambiguous and inconsistent. Differences in the interpretation of tax legislation are frequent, both within public administration bodies and between those bodies and businesses, leading to uncertainty and conflicts. Consequently, tax risk in Poland is substantially higher than in countries with more mature tax systems.

Tax settlements may be subject to inspection for a period of five years from the end of the calendar year in which the tax payment was made. Such inspections may result in additional tax liabilities for the Company.

(PLN '000)

In the period of 12 months ended December 31st 2013, a tax audit was carried at the Company with respect to VAT for February 2013. The tax audit did not reveal any irregularities which would result in tax penalties being imposed on the Company.

In the period of 12 months ended December 31st 2014, there were no tax audits at the Company.

40. Grants

As at December 31st 2014, grants received amounted to PLN 1,071 thousand. Grants received pertain to:

- Prevention activities of Powszechny Zakład Ubezpieczeń S.A., under which it co-financed the design, delivery and installation of natural gas detection and signalling systems for two gas furnaces at RAFAKO S.A.; the grant was made in cash,
- Research project 'Development of technologies for high performance zero emission coal-fired units integrated with CO_2 capture from flue gas,' carried out under the 'Advanced power generation technologies' strategic scientific research and development programme of the National Centre for Research and Development of Warsaw; the grant was made in cash,
- Research and development project 'Innovative after-treatment system for marine diesel engine emission control,' carried out by an international consortium coordinated by Brunel University; the grant was made in cash,
- Research and development project 'Materials for high performance zero emission power generation units fired with fossil fuel,' carried out in cooperation with the Department of Physical Metallurgy and Powder Metallurgy of the AGH University of Science and Technology of Kraków; the grant was made in cash,
- Research and development project 'Development of design guidelines for the SCR technology with a view to reducing the SO_2 to SO_3 conversion, decomposition of residual (unreacted) ammonia – ammonia content in ash, gypsum and waste water. The probability of formation of ABS (ammonium bisulfate) and AS (ammonium sulfate),' carried out in cooperation with the Institute of Power Engineering and Turbomachinery of the Silesian University of Technology of Gliwice; the grant was made in cash,
- Research project 'Innovative low-emission technologies (DUO-BIO) for reconstruction of coal-fired power plants comprising 200 MW generating units' funded by the National Centre for Research and Development as part of the Applied Research Programme; the grant was made in cash.

Settlements relating to grants:

Purpose of the grant	*As at Jan 1 2014*	*Increase in the period*	*Grants posted to other income in the period*	*Grants returned in the period*	*Other grant decreases in the period*	*As at Dec 31 2014*
Modernisation of property, plant and equipment	23	0	(2)	–	–	21
Partial performance of a research project	524	698	(172)	–	–	1,050
	547	**698**	**(174)**	**–**	**–**	**1,071**

(PLN '000)

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

In the 12 months ended December 31st 2014 and the 12 months ended December 31st 2013, the Company did not issue, redeem, or repay any debt or equity securities.

42. Liabilities under finance leases and lease agreements with a purchase option

As at December 31st 2014, future minimum lease payments under finance leases and lease agreements with a purchase option and the net present value of minimum lease payments were as follows:

	Dec 31 2014		*Dec 31 2013*	
	Minimum payments	*Present value*	*Minimum payments*	*Present value*
up to 1 year	559	559	143	143
from 1 to 5 years	1,581	1,581	222	222
over 5 years	–	–	–	–
Total minimum lease payments	**2,140**	**2,140**	**365**	**365**
Less finance costs	–	–	–	–
Present value of minimum lease payments, including:	**2,140**	**2,140**	**365**	**365**
current	559	559	143	143
non-current	1,581	1,581	222	222

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

	Dec 31 2014	*Dec 31 2013*
Off-balance sheet items under bank guarantees received mainly as security for performance of contracts, including:	189,601	272,157
- from related entities	–	–
Receivables under sureties received, including:	7,600	7,600
- from related entities	–	–
Promissory notes received as security, including:	27,557	51,316
- from related entities	14,821	5,510
Letters of credit	19,180	2,127
	243,938	**333,200**

	Dec 31 2014	*Dec 31 2013*
Off-balance sheet items under bank guarantees issued mainly as security for performance of contracts, including:	243,232	271,234
- to related entities	–	–
Liabilities under sureties, including:	1,046,000	–
- to related entities	–	–
Promissory notes issued as security, including:	28,647	20,939
- to related entities	2,000	2,000
Letters of credit	–	1,733
	1,317,879	**293,906**

In the 12 months of 2014, RAFAKO S.A. recorded a PLN 1,023,973 thousand increase in contingent liabilities, including a PLN 28,002 thousand decrease in liabilities under guarantees, a PLN 1,733 thousand decrease in liabilities under letters of credit, and a PLN 7,708 thousand increase in promissory notes issued as security. Liabilities under sureties issued, of PLN 1,046,000 thousand, relate to a surety issued by RAFAKO S.A. on April 16th 2014 for the benefit of financial institutions (PKO BP S.A., BGK S.A. and PZU S.A.), valid until April 17th 2028, in connection with the provision by these institutions of guarantees in respect of the project involving the 'Construction of new coal-fired generation capacities at TAURON Wytwarzanie S.A. − construction of a supercritical 910 MW power generation unit at Jaworzno III Power Plant −Power Plant II'. In the 12 months of 2014, guarantees of PLN 89,337 thousand, including performance bonds of PLN 46,564 thousand, were issued upon RAFAKO S.A.'s instruction to its trading partners by banks and insurance companies. In this category of liabilities, the largest item was a performance bond of PLN 15,165 thousand, issued in October 2014 in connection with the contract for construction of a fluidized bed boiler. The largest of guarantees which expired in the 12 months of 2014 was a bid bond of PLN 20m relating to a tender for the construction of a power generation unit.

In the 12 months of 2014, the Company recorded an decrease of PLN 89,262 thousand in contingent receivables related mainly to performance bonds, including an decrease of PLN 82,556 thousand in receivables under received bank and insurance guarantees, and a decrease of PLN 23,759 thousand in receivables under promissory notes. The largest item among the guarantees which expired in the 12 months of 2014 was a PLN 85,715 payment guarantee. The largest item among guarantees received in the 12 months of 2014 was a PLN 2,087 thousand performance bond. In the 12 months of 2014, RAFAKO S.A. also recorded a PLN 17,053 thousand increase in receivables under letters of credit opened for the Company.

(PLN '000)

44. Guarantees

As at December 31st 2014, the Company carried contingent liabilities under bank and insurance guarantees with a total value of PLN 243,232 thousand, including:

No.	*Bank/insurer issuing a guarantee*	*Guarantee amount*	*Type of guarantee*	*Security*
1.	BOŚ S.A.	3,437	warranty bond	power of attorney over bank accounts, blank promissory note with a promissory note declaration, assignment of receivables under a contract
2.	BRE Bank S.A.	2,584	performance bond, warranty bond	blank promissory note with a promissory note declaration, assignment of receivables under a contract
3.	BZ WBK S.A.	63,009	performance bond, warranty bond, advance payment guarantee	blank promissory note with a promissory note declaration, representation on submission to enforcement, assignment of receivables under a contract, power of attorney over bank accounts, security deposit
4.	DEUTSCHE Bank Polska S.A.	2,180	performance bond, warranty bond	representation on submission to enforcement, assignment of receivables under a contract, security deposit
5.	T.U. Euler HERMES S.A.	7,507	performance bond, warranty bond	blank promissory note with a promissory note declaration
6.	STU ERGO HESTIA S.A.	16,795	performance bond, warranty bond	blank promissory notes with promissory note declarations
7.	PKO BP S.A.	111,981	performance bond, warranty bond, advance payment guarantee, bid bond, retention	representation on submission to enforcement, deduction from bank accounts, assignment of receivables under a contract, blank promissory note with a promissory note declaration, security deposit
8.	PZU S.A.	8,472	performance bond, warranty bond	blank promissory notes with promissory note declarations, representation on submission to enforcement under Art. 777 of the Polish Code of Civil Procedure
9.	UNIQA TU S.A.	2,938	performance bond, warranty bond, bid bond	blank promissory notes with promissory note declarations
10.	TUiR WARTA S.A.	22,079	performance bond, warranty bond	blank promissory notes with promissory note declarations, representation on submission to enforcement under Art. 777 of the Polish Code of Civil Procedure
11.	Generali TU S.A.	2,250	performance bond	blank promissory note with a promissory note declaration
	TOTAL	**243,232**		

45. Litigations and disputes

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

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

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

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

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

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

46. Receivables from related entities in company voluntary arrangement

At the end of the reporting period, in the statement of financial position the Company recognised net receivables of PLN 33.3m from related entities in company voluntary arrangement.

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

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

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

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

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

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

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

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

In the 12 months ended December 31st 2014, the Company remeasured the asset based on updated arrangement proposals of November 3rd 2014, put forward by PBG S.A. w upadłości układowej (in company voluntary arrangement), providing with respect to the first group of creditors (which includes RAFAKO S.A.'s claim) for repayment of PLN 500 thousand and an 80% reduction of the receivable in excess of PLN 500 thousand. The receivable will be repaid in semi-annual instalments over a period of five years beginning on June 30th 2016. The Company's Management Board estimates that the first instalment will be paid by June 30th 2016. The value of the receivable determined based on the assumptions discussed above as at December 31st 2014, recognised under 'Other non-current financial assets' amounts to PLN 27.7m. The full amount of the claim, i.e. PLN 160,154,889.60, has been included in the proof of the Parent's claim to the bankruptcy estate of PBG.S.A. and is on the list of claims acknowledged by the Court Supervisor (publication in *Monitor Sądowy i Gospodarczy* official gazette of June 4th 2013).

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

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

Taking into consideration the process of bankruptcy liquidation of Hydrobudowa Polska S.A., in order to seek the return of the loan amount, on September 21st 2012, the Company's Management Board filed the claim with the register of claims maintained as part of the PBG bankruptcy arrangement proceedings PBG S.A. In the 12 months ended December 31st 2014, taking into consideration current arrangement proposals (dated November 3rd 2014), the fair value of the receivable was estimated taking into account the expected cash inflows to the Company, assuming the repayment of PLN 500 thousand per one creditor and the 80% reduction of the receivable in excess of PLN 500 thousand (for which no deferred tax asset was recognised) as well as the expected timing of the first inflow of cash to the Company, assessed by the Company's Management Board as June 30th 2016 (arrangement proposals provide for the repayment of the debt on a semi-annual basis over the period of five years). The value of the receivable determined based on the assumptions discussed above as at December 31st 2014, recognised under 'Other non-current financial assets', amounts to PLN 5.6m. The full amount of the claim, i.e. PLN 32,915,787.40, has been included in the proof of the Company's claim to the bankruptcy estate of PBG.S.A. and is on the list of claims acknowledged by the Court Supervisor (publication in *Monitor Sądowy i Gospodarczy* official gazette of June 4th 2013).

The total amount of receivables from the related entity (PBG S.A.) subject to bankruptcy proceedings with an arrangement option, which results from the above-mentioned titles and is recognised in the statement of financial position, is PLN 33.3 million. The recoverable amount of the claims depends on the terms of the arrangement with PBG S.A.'s creditors, which had not been signed by the date of authorisation of these consolidated financial statements, as well as on the possibility of fulfilment of that arrangement by PBG S.A. in the future.

In the 12 months ended December 31st 2014, the measurement of the receivable contributed PLN 83 thousand (December 31st 2013: PLN -94,205 thousand) to the Company's net profit/(loss).

(PLN '000)

47. Related parties

In the 12 months of 2014 and the 12 months of 2013, the Company did not enter into any material transactions with related parties on non-arm's length terms.

Total amounts of transactions with related parties in the 12 months ended December 31st 2014 and December 31st 2013 were as follows:

Related party	*12 months ended Dec 31*	*Sale to related parties*	*Purchase from related parties*	*Receivables from related entities*	*Liabilities to related parties*
Parent:					
PBG S.A. w upadłości układowej (in company voluntary arrangement)	2014	–	5,057	33,344*	–
	2013	–	516	33,261*	129
PBG Group companies:					
GasOil Engineering a.s.**	2014	–	–	–	–
	2013	–	338	–	294
ENERGOMONTAŻ-POŁUDNIE S.A. w upadłości likwidacyjnej (in bankruptcy by liquidation)***	2014	–	–	–	–
	2013	5	–	–	–
PBG Oil and Gas Sp. z o.o. (formerly HBP DROGI Sp. z o.o.)	2014	–	1,506	–	565
	2013	–	–	–	–
ENERGOMONTAŻ-POŁUDNIE Sp. z o.o.***	2014	–	–	–	–
	2013	522	13,633	–	–
EGBP MANAGEMENT Sp. z o.o. (formerly PBG Energia Sp. z o.o.)	2014	–	–	–	–
	2013	12,378	–	–	–
PBG Avatia Sp. z o.o. w upadłości układowej (in company voluntary arrangement)	2014	–	4	–	1
	2013	–	3	–	–
Subsidiaries:					
PGL-DOM Sp. z o.o.	2014	–	60	–	23
	2013	–	63	–	23
RAFAKO Engineering Sp. z o.o.	2014	40	9,953	4	903
	2013	35	1,804	1	1,137
RAFAKO Engineering Solution doo.	2014	–	1,246	–	170
	2013	186	1,093	60	568
FPM S.A.	2014	–	3	–	–
	2013	–	19	–	22
RAFAKO Hungary Sp. z o.o.	2014	684	–	14	–
	2013	–	–	–	–

Related party	*12 months ended Dec 31*	*Sale to related parties*	*Purchase from related parties*	*Receivables from related entities*	*Liabilities to related parties*
ENERGOTECHNIKA ENGINEERING Sp. z o.o.	2014	48	17,643	10	5,300
	2013	32	8,612	5	1,702
E001RK Sp. z o.o.	2014	6	388	1	61
	2013	–	–	2	–
E003B7 Sp. z o.o.	2014	166	–	1,788	–
	2013	–	–	1	–
SWGK CONSULTING Sp. z o.o.	2014	–	46	–	–

**The receivables from PBG S.A. w upadłości układowej (in company voluntary arrangement) described in Note 46*
***Following the filing of a bankruptcy petition by the company in 2013, the PBG Group lost control of the company.*
****Related entity until June 30th 2013.*

47.1. Company's Parent

As at the date of these financial statements, the parent of RAFAKO S.A. is PBG S.A. w upadłości układowej (in company voluntary arrangement).

As at December 31st 2014, PBG S.A. of Wysogotowo held 61.01% of the Company's ordinary shares (11.01% of shares held directly, and 50% + 1 share held indirectly).

47.2. Joint ventures in which the Company is a partner

The Company is not a partner in any joint ventures.

47.3. Related-party transactions

In the 12 months of 2014, the Company did not enter into any material related-party transactions on non-arm's length terms. All transactions with related parties are executed on terms applied by the Company in its business relations with non-related parties. Consideration is generally determined by way of a tender and standard payment terms are agreed. The related party must ensure that a contract is performed in accordance with the documentation, give a warranty for a specified period and provide security in the form of a performance bond issued by a bank or a blank promissory note. Related parties are also subject to standard contractual penalties, non-disclosure agreements, provisions protecting industrial property rights, and provisions regarding contract insurance, force majeure and dispute resolution.

47.4. Transactions with other members of the Management Board and Supervisory Board

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

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

(PLN '000)

47.5. Shares held by members of management and supervisory bodies

The table below presents the number of shares in the Company or Company's related entities held by the management and supervisory staff as at December 31st 2014:

	Company name	*Total number of shares*	*Par value of shares (PLN)*
Member of the management staff			
Edward Kasprzak	RAFAKO S.A.	2,000	4,000
Jarosław Dusiło	PBG S.A. w upadłości układowej (in company voluntary arrangement)	100	100
Tomasz Tomczak	PBG S.A. w upadłości układowej (in company voluntary arrangement)	3,250	3,250
Member of the supervisory staff			
Małgorzata Wiśniewska	PBG S.A. w upadłości układowej (in company voluntary arrangement)	3,279	3,279
Jerzy Wiśniewski	PBG S.A. w upadłości układowej (in company voluntary arrangement)	3,881,224	3,881,224

47.6. Shares held by senior management staff under employee stock option plan

The Company is not operating any employee share option schemes.

47.7. Remuneration of the Company's senior management staff

	12 months ended Dec 31 2014	*12 months ended Dec 31 2013*
Short-term employee benefits (salaries and overheads)	8,204	9,574
Length-of-service awards	17	81
Post-employment benefits	–	–
Termination benefits	–	120
Employee share-based payments	–	–
Total cost of remuneration paid to key management staff*	**8,221**	**9,775**

* including: members of the Company's Management and Supervisory Boards

The remuneration paid to members of the Company's Management and Supervisory Boards for the year ended December 31st 2014 was as follows:

PLN '000

	Base pay	*Awards*	*Other*
Management Board	**2,904**	**1,205**	**665**
Agnieszka Wasilewska-Semail	226	–	3
Krzysztof Burek	542	192	–
Jarosław Dusiło	542	240	–
Edward Kasprzak	542	199	–
Maciej Modrowski	234	199	140
Paweł Mortas	438	375	492
Tomasz Tomczak	380	–	30
Supervisory Board	**1,020**	–	**1,330**
Jerzy Wiśniewski	236	–	600
Dariusz Sarnowski	146	–	180
Piotr Wawrzynowicz	144	–	360
Małgorzata Wiśniewska	108	–	–
Agenor Gawrzyał	114	–	33
Edyta Senger-Kałat	108	–	–
Przemysław Schmidt	108	–	157
Adam Szyszka	56	–	–
Total	**3,924**	**1,205**	**1,995**

The remuneration paid to members of the Company's Management and Supervisory Boards for the year ended December 31st 2013 was as follows:

PLN '000

	Base pay	*Awards*	*Other*
Management Board	**2,314**	**510**	**112**
Paweł Mortas	600	150	27
Krzysztof Burek	480	–	–
Jarosław Dusiło	480	120	16
Edward Kasprzak	377	120	11
Maciej Modrowski	377	120	58
Supervisory Board	**1,038**	–	**577**
Piotr Wawrzynowicz	144	–	101
Jerzy Wiśniewski	228	–	476
Małgorzata Wiśniewska	108	–	–
Agenor Gawrzyał	240	–	–
Przemysław Cieszyński	51	–	–
Ryszard Wojnowski	51	–	–
Edyta Senger-Kałat	108	–	–
Przemysław Schmidt	54	–	–
Dariusz Sarnowski	54	–	–
Total	**3,352**	**510**	**689**

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

The Company has not published any forecasts for 2014.

(PLN '000)

49. Information on agreement with qualified auditor or auditing firm qualified to audit financial statements, applicable in the periods specified above

On April 11th 2012, acting on the basis of the authorisation provided for in the Company's Articles of Association, the Company's Supervisory Board resolved to appoint Ernst & Young Audyt Polska Spółka z ograniczoną odpowiedzialnością Sp. k. (formerly Ernst & Young Audit Sp. z o.o.), with its registered office at Rondo ONZ 1, Warsaw, Poland, entered in the list of entities qualified to audit financial statements maintained by the National Board of Statutory Auditors under No. 130, to audit the Company's financial statements for 2012, 2013 and 2014. The auditor was appointed in accordance with the applicable regulations and professional standards. In the past, Ernst & Young performed reviews and audits of separate financial statements and consolidated financial statements of the RAFAKO Group for 2002-2005 and 2011.

On June 15th 2012, the Company entered into an agreement with Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k. (formerly Ernst & Young Audit Sp. z o.o.) of Warsaw for the review and audit of the separate and consolidated financial statements for 2012, 2013 and 2014. The total remuneration payable to the auditor for the review and audit of the financial statements was agreed at PLN 537 thousand.

The table below presents the remuneration paid or payable to the qualified auditors of financial statements for the year ended December 31st 2014 and December 31st 2013, broken by type of service:

Type of service	*Year ended Dec 31 2014**	*Year ended Dec 31 2013**
Mandatory audit of the separate and consolidated financial statements	179	179
Other attestation services	–	–
Tax advisory services	–	–
Other services	30	19
Total**	**230**	**198**

***Refers to Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp.k.*

50. Objectives and policies of financial risk management

The objective of RAFAKO S.A.'s financial risk management policy is to limit the volatility of the Company's cash flows and results of its core business operations to acceptable levels. The key financial instruments used by the Company include cash, current deposits, advanced loans, currency exchange transactions, overdraft facilities and leases. The main purpose of these instruments is to support and secure financially the day-to-day operations of the Company by stabilising and neutralising liquidity, exchange rate and interest rate risks, as well as by ensuring efficient distribution of available funds. Other financial instruments, such as trade receivables and payables, arise in the course of the Company's day-to-day operations and form their inherent part.

The Company is not engaged in trading in financial instruments. The role of all financial instruments discussed in this section is to support the core business processes. The Company does not permit the use of financial instruments for speculative or other purposes not directly related to its principal business operations.

The key financial risk to which the Company is exposed is liquidity risk, discussed at length in Note 6.

In 2014, the Company continued its PLN 150m overdraft facility agreement with PKO BP S.A., exposing it to interest rate risk that will have an effect on the amount of finance costs paid by the Company in the following periods. However, the Company's exposure to interest rate risk has decreased following the drop in the nominal amount of the credit facility. The base interest rate, determining the cost of the credit facility, remained relatively low and constant.

Currency risk and interest rate risk are other types of risk to which the Company was exposed in the reporting period and continues to be exposed. An overview of these risks is provided in Note 52.1 and Note 50.2.

The accounting policies pursued by the Company with respect to derivative instruments are discussed in Note 11.14.

(PLN '000)

50.1. Interest rate risk

As at December 31st 2014, the Company was party to a credit facility agreement, therefore its operations were exposed to credit risk and the risk associated with potential changes in interest rates. Changes in market interest rates may trigger changes to the interest charged on the credit facility, as well as the interest earned by the Company on its deposits. Sensitivities to such changes are analysed in the table below.

Sensitivity to interest rate risk

The table below presents sensitivity of pre-tax profit to reasonable movements in interest rates, assuming that other factors remain constant (deposits, advanced loans, bank credit facility). The effect on the Company's equity is not presented.

	Increase/ decrease (percentage points)	*Effect on pre-tax profit/loss*
Period ended Dec 31 2014		
PLN	+1%	622
EUR	+1%	753
GBP	+1%	43
PLN	- 1%	(622)
EUR	- 1%	(753)
GBP	- 1%	(43)
Period ended Dec 31 2013		
PLN	+1%	(1,403)
EUR	+1%	359
PLN	- 1%	1,403
EUR	- 1%	(359)

50.2. Currency risk

The most significant type of financial risk to which the Company is exposed is currency risk, which arises in connection with exchange rate movements, causing uncertainty as to future cash flows denominated in foreign currencies. The Company's exposure to currency risk stems from the fact that a significant portion of its cash flows is denominated in foreign currencies. Changes in PLN exchange rates, especially if frequent and significant, may materially affect both profitability of contracts denominated in foreign currencies and the amount of currency translation differences on assets and liabilities denominated in foreign currencies and translated into PLN.

In the reporting period, more than 15% of the Company's invoiced revenue was denominated in foreign currencies, primarily in the euro.

The currency risk management strategy followed by the Company provides for the use of natural hedging to the largest possible extent. The Company strives to achieve the highest possible level of structural matching of income and expenses denominated in the same currency and related to the running contracts. From 30% to 70% of the estimated net exposure to currency risk which is not covered by natural hedging is hedged at the time of transaction execution, exclusively with accepted types of derivative instruments. As at December 31st 2014, the Company did not have any open hedging positions.

In view of the best bid choices made by Employers in material tenders and the expectation that the Company will evolve from net exporter to net importer in terms of its currency exposure, the Company did not enter into any new foreign currency sale contracts under its currency risk hedging policy. Once the final tender awards are known, the Company will revise its currency positions and decide on entering into hedging transactions, if any.

(PLN '000)

The table below presents the sensitivity of the pre-tax profit/loss (due to changes in the value of monetary assets and liabilities) to reasonable movements mostly in the EUR, CHF, DKK and TRY exchange rates, with all the other factors unchanged.

	Exchange rate increase/decrease	*Effect on pre-tax profit/loss*	*Effect on net profit/loss*
Dec 31 2014 – EUR	+10%	14,671	11,884
	-10%	(14,671)	(11,884)
Dec 31 2014 – GBP	+10%	492	399
	-10%	(492)	(399)
Dec 31 2014 – TRY	+10%	5	4
	-10%	(5)	(4)
Dec 31 2014 – DKK	+10%	1	1
	-10%	(1)	(1)
Dec 31 2013 – EUR	+10%	(1,316)	(1,066)
	-10%	1,316	1,066
Dec 31 2013 – CHF	+10%	(7)	(6)
	-10%	7	6
Dec 31 2013 – DKK	+10%	(3)	(2)
	-10%	3	2
Dec 31 2013 – TRY	+10%	1	1
	-10%	(1)	(1)

50.3. Commodity price risk

The Company is exposed to price risk, particularly the risk of increase in the prices of materials of strategic importance to its operations. The level of this risk is greatly determined by the conditions prevailing in the global commodities markets (including steel, precious metals, fuel and energy markets), which are affected by both exchange rate movements and producers' consolidation efforts intended to achieve joint control of prices. The commodity price risk management strategy envisages entering into contracts with sub-suppliers of materials and services in the master contract currency, arranging for procurement of materials by the customer, and entering into procurement contracts providing for fixed prices. The Company does not enter into long-term contracts with sub-suppliers. The scope of supplies is determined and suppliers selected on an individual basis depending on requirement.

50.4. Credit risk

The Company's credit risk exposure is closely related to its principal business. The exposure results from outstanding trade contracts and is related to the risk of occurrence of such credit events as the contractor's insolvency, partial payment of receivables, and material delays in payment of receivables. Providing trade credit to trade partners is an essential part of the Company's business. However, the Company undertakes a number of measures to mitigate the risk of entering into trade relations with potentially unreliable customers. Each customer who wishes to trade on credit terms is subject to credit verification procedures.

Customers who − based on the results of credit verification procedures performed by the Company − are deemed financially unreliable, are required to provide appropriate financial security to mitigate the risk of their insolvency borne by the Company.

50.5. Liquidity risk

The Company is exposed to liquidity risk arising from the mismatch of cash flow maturities under ongoing contracts. When agreeing the terms of trade, the Company seeks to achieve the maximum possible 'self-financing' of its contracts; assuming timely payment of receivables, such arrangements significantly reduce the liquidity risk. The nominal amount of credit facilities available to the Company provides a strong buffer against any negative consequences of potential delays in payment of receivables. Since 2013, the Company has used external sources of financing. The credit limits available at banks, used to a significant extent, were sufficient to finance the Company's operating activities.

The question of the Company's financial liquidity (continuation of operations) with respect to 2014 is discussed at length in Note 6 to the financial statements.

(PLN '000)

The table below presents the Company's financial liabilities by maturity as at December 31st 2014 and December 31st 2013, based on undiscounted contractual payments.

Dec 31 2014	*payable on demand*	*up to 3 months*	*from 3 to 12 months*	*from 1 year to 5 years*	*over 5 years*	*Total*
Interest-bearing borrowings	–	128,127	2,102	–	–	130,229
Lease liabilities	–	137	423	1,580	–	2,140
Trade payables and capital commitments	56,347	213,134	34,606	20,009	667	324,763
Discount on liabilities	–	–	–	1,506	173	1,679
	56,347	**341,398**	**37,131**	**23,095**	**840**	**458,811**

Dec 31 2013	*payable on demand*	*up to 3 months*	*from 3 to 12 months*	*from 1 year to 5 years*	*over 5 years*	*Total*
Interest-bearing borrowings	–	258,869*	–	–	–	258,869
Lease liabilities	–	54	89	222	–	365
Trade payables and capital commitments	67,427	122,458	12,683	13,353	939	216,860
Discount on liabilities	–	–	–	1,328	328	1,656
	67,427	**381,381**	**12,772**	**14,903**	**1,267**	**477,750**

*According to the annex of December 20th 2013 to the credit facility agreement.

51. Derivative instruments

As at December 31st 2014, the Company did not carry any unsettled FX forward transactions.

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

(PLN '000)

52. Financial instruments

52.1. Carrying amounts of various classes and categories of financial instruments

The following tables show the carrying amounts of various classes and categories of financial instruments as at December 31st 2014 and December 31st 2013.

The Company presents the particular classes and categories of its financial instruments at carrying amounts (their fair values approximate their carrying amounts).

Classes and categories of financial assets	*Carrying amount Dec 31 2014*	*Carrying amount Dec 31 2013*
Assets at fair value through profit or loss	–	–
Investment fund units	–	–
Derivative instruments	–	–
Available-for-sale financial assets	**369**	**319**
Long-term shareholdings	369	319
Loans and receivables	**462,965**	**495,187**
Trade receivables	266,943	141,548
Other receivables	162,570	320,378
Loans advanced	108	–
Non-current deposits	–	–
Current deposits	–	–
Other non-current financial assets	33,344	31,398
Other current financial assets	–	1,863
Cash and cash equivalents	**14,348**	**24,182**
	477,682	**519,688**

Classes and categories of financial liabilities	*Carrying amount Dec 31 2014*	*Carrying amount Dec 31 2013*
Financial liabilities at fair value through profit or loss	–	–
Derivative instruments	–	–
Financial liabilities at amortised cost	**454,992**	**475,729**
Borrowings	130,229	258,869
Trade payables (including capital commitments)	324,763	216,860
Other financial liabilities	–	–
Liabilities under guarantees, factoring and excluded from the scope of IAS 39	**2,140**	**365**
Liabilities under leases and lease agreements with a purchase option	2,140	365
	457,132	**476,094**

(PLN '000)

As at December 31st 2014 and December 31st 2013, the Company held the following financial instruments measured at fair value:

Dec 31 2014	*Level 1*	*Level 2*	*Level 3*
Assets at fair value through profit or loss	–	–	–
Investment fund units	–	–	–
Derivative instruments	–	–	–
Available-for-sale financial assets	**369**	**–**	**–**
Long-term shareholdings	369	–	–
Financial liabilities at fair value through profit or loss	–	–	–
Derivative instruments	–	–	–

Dec 31 2013	*Level 1*	*Level 2*	*Level 3*
Assets at fair value through profit or loss	–	–	–
Investment fund units	–	–	–
Derivative instruments	–	–	–
Available-for-sale financial assets	**319**	**–**	**–**
Long-term shareholdings	319	–	–
Financial liabilities at fair value through profit or loss	–	–	–
Derivative instruments	–	–	–

(PLN '000)

52.2. Items of income, expenses, gains and losses recognised in the statement of profit or loss, by category of financial instruments

12 months ended December 31st 2014	*Category in accordance with IAS 39*	*Interest income/(expense)*	*Foreign exchange gains/(losses)*	*Reversal/ (recognition) of impairment losses*	*Gains/ (losses) on remeasurement*	*Gains/(losses) on sale of financial instruments*	*Other*	*Total*
Financial assets								
Available-for-sale financial assets (non-current), including:	Available for sale	–	–	–	–	–	2,808	2,808
- shares	Available for sale	–	–	–	–	–	2,808	2,808
Other financial assets (non-current), including:		7	–	–	79	–	–	86
- non-current deposits	Receivables and loans		–	–	–	–	–	
- non-current loans	Receivables and loans	7	–	–	(4)	–	–	3
- receivables from related entities in company voluntary arrangement	Receivables and loans	–	–	–	83	–	–	83
Other financial assets (current), including:		–	(78)	–	–	–	–	(78)
- current deposits	Receivables and loans	–	(78)	–	–	–	–	(78)
– certificates of deposit	At fair value through profit or loss	–	–	–	–	–	–	–
- receivables from related entities in company voluntary arrangement	At fair value through profit or loss	–	–	–	–	–	–	–
- advance payment to acquire the right to a loan	At fair value through profit or loss	–	–	–	–	–	–	–
- current loans	Receivables and loans	–	–	–	–	–	–	–
Trade and other receivables	Receivables and loans	5,294	415	2,032	(1,349)	–	–	6,392
- trade receivables		1	597	(3,221)	(1,349)	–	–	(3,972)
- other receivables		5,293	(182)	5,253	–	–	–	10,364
Financial derivatives, including:	At fair value through profit or loss	–	–	–	–	–	–	–
- currency forwards	At fair value through profit or loss	–	–	–	–	–	–	–
Cash and cash equivalents	Receivables and loans	30	707	–	–	–	–	737
Total		**5,331**	**1,044**	**2,032**	**(1,270)**	**–**	**2,808**	**9,945**

(PLN '000)

12 months ended December 31st 2014	*Category in accordance with IAS 39*	*Interest income/ (expense)*	*Foreign exchange gains/ (losses)*	*Reversal/ (recognition) of impairment losses*	*Gains/(losses) on remeasurement*	*Gains/(losses) on sale of financial instruments*	*Other*	*Total*
Financial liabilities								
Interest-bearing borrowings, including:	Other financial liabilities at amortised cost	(5,869)	–	–	–	–	(1,246)	(7,115)
- loans bearing interest at variable rates	Other financial liabilities at amortised cost	(75)	–	–	–	–	–	(75)
- overdraft facilities bearing interest at variable rates	Other financial liabilities at amortised cost	(5,794)	–	–	–	–	(1,246)	(7,040)
- other current credit facilities bearing interest at variable rates	Other financial liabilities at amortised cost	–	–	–	–	–	–	–
Other financial liabilities, including:	Other financial liabilities at amortised cost	(41)	–	–	–	–	–	(41)
- liabilities under finance leases and lease agreements with a purchase option	Other financial liabilities at amortised cost	(41)	–	–	–	–	–	(41)
Trade and other payables	Other financial liabilities at amortised cost	(1,245)	(1,721)	–	24	–	–	(2,942)
– trade payables		(324)	(1,691)	–	25	–	–	(1,990)
– other liabilities		(921)	(30)	–	(1)	–	–	(952)
Hedging instruments	Other financial liabilities at amortised cost	–	–	–	–	–	–	–
Financial derivatives, including:	At fair value through profit or loss	–	–	–	–	–	–	–
- currency forwards	At fair value through profit or loss	–	–	–	–	–	–	–
Total		**(7,155)**	**(1,721)**	–	**24**	–	**(1,246)**	**(10,098)**

(PLN '000)

12 months ended Dec 31 2013	*Category in accordance with IAS 39*	*Interest income/ (expense)*	*Foreign exchange gains/(losses)*	*Reversal/ (recognition) of impairment losses*	*Gains/(losses) on remeasurement*	*Gains/(losses) on sale of financial instruments*	*Other*	*Total*
Financial assets								
Available-for-sale financial assets (non-current), including:	Available for sale	–	–	–	(29)	–	15	(14)
- shares	Available for sale	–	–	–	(29)	–	15	(14)
Other financial assets (non-current), including:		9,199	–	–	(88,899)	–	–	(79,700)
- non-current deposits	Receivables and loans	–	–	–	–	–	–	–
- non-current loans	Receivables and loans	7	–	–	29	–	–	36
- receivables from related entities in company voluntary arrangement	Receivables and loans	9,192	–	–	(88,928)	–	–	(79,736)
Other financial assets (current), including:		3	–	(10,500)	(5,277)	–	–	(15,774)
- current deposits	Receivables and loans	3	–	–	–	–	–	3
– certificates of deposit	At fair value through profit or loss	–	–	–	–	–	–	–
- receivables from related entities in company voluntary arrangement	At fair value through profit or loss	–	–	–	(5,277)	–	–	(5,277)
- advance payment to acquire the right to a loan	At fair value through profit or loss	–	–	(10,500)	–	–	–	(10,500)
- current loans	Receivables and loans	–	–	–	–	–	–	–
Trade and other receivables	Receivables and loans	6,534	(232)	(13,094)	(179)	–	–	(6,971)
Financial derivatives, including:	At fair value through profit or loss	–	–	–	(53)	(34)	–	(87)
- currency forwards	At fair value through profit or loss	–	–	–	(53)	(34)	–	(87)
Cash and cash equivalents	Receivables and loans	46	(167)	–	–	–	–	(121)
Total		**15,782**	**(399)**	**(23,594)**	**(94,437)**	**(34)**	**15**	**(102,667)**

(PLN '000)

12 months ended Dec 31 2013	*Category in accordance with IAS 39*	*Interest income/ (expense)*	*Foreign exchange gains/(losses)*	*Reversal/ (recognition) of impairment losses*	*Gains/(losses) on remeasurement*	*Gains/(losses) on sale of financial instruments*	*Other*	*Total*
Financial liabilities								
Interest-bearing borrowings, including:	Other financial liabilities at amortised cost	(13,352)	–	–	–	–	(1,445)	(14,797)
- loans bearing interest at variable rates	Other financial liabilities at amortised cost	(129)	–	–	–	–	–	(129)
- overdraft facilities bearing interest at variable rates	Other financial liabilities at amortised cost	(13,223)	–	–	–	–	(1,445)	(14,668)
- other current credit facilities bearing interest at variable rates	Other financial liabilities at amortised cost	–	–	–	–	–	–	–
Other financial liabilities, including:	Other financial liabilities at amortised cost	(11)	–	–	–	–	–	(11)
- liabilities under finance leases and lease agreements with a purchase option	Other financial liabilities at amortised cost	(11)	–	–	–	–	–	(11)
Trade and other payables	Other financial liabilities at amortised cost	(704)	(941)	–	(459)	–	–	(2,104)
Hedging instruments	Other financial liabilities at amortised cost	–	–	–	–	–	–	–
Financial derivatives, including:	At fair value through profit or loss	–	–	–	–	–	–	–
- currency forwards	At fair value through profit or loss	–	–	–	–	–	–	–
Total		**(14,067)**	**(941)**	–	**(459)**	–	**(1,445)**	**(16,912)**

(PLN '000)

52.3. Interest rate risk

The tables below present the carrying amounts of the Company's financial instruments exposed to the interest rate risk, broken by maturity.

Dec 31 2014

Fixed interest	*<1 year*	*1-2 years*	*2-3 years*	*3-4 years*	*4-5 years*	*>5 years*	*Total*
Non-current deposits	–	–	–	–	–	–	–
Current deposits	–	–	–	–	–	–	–
Variable interest							
Cash and cash equivalents	14,348	–	–	–	–	–	14,348
Loans advanced	70	38	–	–	–	–	108
Liabilities under finance leases and lease agreements with a purchase option	560	588	592	377	23	–	2,140
Borrowings	130,229	–	–	–	–	–	130,229
	145,207	**626**	**592**	**377**	**23**	–	**146,825**

(PLN '000)

Dec 31 2013

Fixed interest	*<1 year*	*1-2 years*	*2-3 years*	*3-4 years*	*4-5 years*	*>5 years*	*Total*
Non-current deposits	–	–	–	–	–	–	–
Current deposits	–	–	–	–	–	–	–
Variable interest							
Cash and cash equivalents	24,182	–	–	–	–	–	24,182
Loans advanced	–	–	–	–	–	–	–
Liabilities under finance leases and lease agreements with a purchase option	143	222	–	–	–	–	365
Borrowings	258,869	–	–	–	–	–	258,869
	283,194	**222**	–	–	–	–	**283,416**

Interest on financial instruments earning interest at variable rates is updated in periods of less than one year. Interest on financial instruments earning interest at fixed rates remains unchanged until the maturity of the instruments. Other financial instruments held by the Company, not included in the above tables, earn no interest and are therefore not exposed to the interest rate risk.

53. Employment

Between January and December 2014, the average headcount within the Company was 2,110.

54. Events after the end of the reporting period

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

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

The Agreement was executed on the following terms:

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

The Agreement will become effective provided it is approved by:

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

As at the issue date of these financial statements, the SPV had obtained RAFAKO S.A.'s consent to enter into the Agreement.

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

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

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

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

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

(PLN '000)

These financial statements of RAFAKO S.A. were authorised for issue on March 23rd 2015 by virtue of Resolution No. 23/2015 of RAFAKO S.A. Management Board dated March 23rd 2015.

Signatures:

March 23rd 2015	Agnieszka Wasilewska-Semail	President of the Management Board	....
March 23rd 2015	Krzysztof Burek	Vice-President of the Management Board	....
March 23rd 2015	Jarosław Dusiło	Vice-President of the Management Board	....
March 23rd 2015	Edward Kasprzak	Vice-President of the Management Board	....
March 23rd 2015	Tomasz Tomczak	Vice-President of the Management Board	....
March 23rd 2015	Jolanta Markowicz	Chief Accountant	....