RAFAKO S.A.

PBG GROUP

FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31ST 2018

with the auditor's report on the financial statements

COPY NO. 1

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Statement of comprehensive income

for the 12 months ended December 31st 2018

	Note	*12 months ended Dec 31 2018*	*12 months ended Dec 31 2017 (restated)*
Continuing operations			
Revenue		**643,313**	**616,631**
Revenue from sale of products and services	12.1	640,517	614,071
Revenue from sale of materials	12.2	2,796	2,560
Cost of products and services sold	13.1	(579,551)	(561,891)
Cost of materials sold		(1,865)	(1,427)
Gross profit/(loss)		**61,897**	**53,313**
Other income	13.4	16,587	8,144
Distribution costs	13.1	(24,053)	(32,243)
Administrative expenses	13.1	(38,959)	(42,893)
Other expenses	13.5	(5,618)	(16,505)
Research and development costs		(6,151	(6,926)
Operating profit/(loss)		**3,703**	**(37,110)**
Finance income	14	8,404	1,156
Finance costs	14.2	(5,176)	(10,855)
Profit/(loss) before tax		**6,931**	**(46,809)**
Income tax expense	15	(2,629)	(17,296)
Net profit/(loss) from continuing operations	17	**4,302**	**(64,105)**
Other comprehensive income for period			
Items to be reclassified to profit/(loss) in subsequent reporting periods			
Translation reserve		337	(268)
Other net comprehensive income to be reclassified to profit/(loss) in subsequent reporting periods		**337**	**(268)**
Items that will not be reclassified to profit/(loss) in subsequent reporting periods			
Other comprehensive income from actuarial gains/(losses)		(4,275)	324
Tax on other comprehensive income	15.1	812	(62)
Other net comprehensive income not subject to reclassification to profit/(loss) in subsequent reporting periods		**(3,463)**	**262**
Total comprehensive income for period		**1,176**	**(64,111)**
Weighted average number of shares	17	127,431,998.00	85,397,751
Basic earnings/(loss) per share, PLN	17	0.03	(0.75)
Diluted earnings/(loss) per share, PLN	17	0.03	(0.75)

Racibórz, April 29th 2019

Jerzy Wiśniewski	Jarosław Dusiło	Agnieszka Wasilewska-Semail	Jolanta Markowicz
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 2018

	Note	*Dec 31 2018*	*Dec 31 2017 (restated)*	*Jan 1 2017 (restated)*
ASSETS				
Non-current assets				
Property, plant and equipment	20	132,814	140,364	147,968
Goodwill	23	1,774	1,774	1,774
Intangible assets	23	7,594	8,739	9,284
Other long-term receivables	25	5,224	5,389	284
Shares	24	36,520	35,333	29,576
Other non-current financial assets	26; 26.1	36,242	33,945	34,994
Deferred tax assets	15.3	36,304	38,444	50,969
Long-term prepayments and accrued income		5,603	1,689	–
		262,075	**265,677**	**274,849**
Current (short-term) assets				
Inventories	27	29,391	26,320	13,039
Short-term trade and other receivables	28	392,644	289,002	280,179
Contract assets	11	205,149	137,583	155,257
Income tax asset		–	–	10,918
Derivative instruments		–	479	–
Other current financial assets	30.1	7,608	4,747	11,130
Short-term loans advanced		–	396	458
Cash and cash equivalents	30.2	5,404	158,921	65,882
Short-term prepayments and accrued income	29	15,301	20,669	20,177
		655,497	**638,117**	**557,040**
Non-current assets held for sale	22	163	108	7
TOTAL ASSETS		**917,735**	**903,902**	**831,896**

Statement of financial position

as at December 31st 2018

	Note	*Dec 31 2018*	*Dec 31 2017 (restated)*	*Jan 1 2017 (restated)*
EQUITY AND LIABILITIES				
Equity				
Share capital	32.1	254,864	254,864	169,864
Share premium	32.4	165,119	173,708	95,340
Reserve funds		11,600	69,061	131,301
Translation reserve		–	(337)	(69)
Retained earnings/accumulated losses, including:		(37,157)	(104,046)	(79,579)
Profit/(loss) brought forward		(41,459)	(39,941)	(17,339)
Net profit/(loss) for period		4,302	(64,105)	(62,240)
		394,426	**393,250**	**316,857**
Non-current liabilities				
Finance lease liabilities	21	1,223	1,046	2,662
Employee benefit obligations and provisions	35	23,495	21,096	23,233
Other non-current liabilities	36.1	9,647	14,674	12,420
Other long-term provisions	36.2	14,515	16,567	20,413
		48,880	**53,383**	**58,728**
Current liabilities				
Bank and other borrowings	34	100,831	98,568	149,112
Finance lease liabilities	21	1,148	1,696	1,616
Short-term trade and other payables	36.3	206,429	268,641	179,092
Employee benefit obligations and provisions	35	19,091	21,465	26,620
Amounts due to customers for contract work	11	132,656	28,614	74,239
Other short-term provisions	36.4	13,088	37,930	25,055
Short-term accruals and deferred income		139	75	56
Grants	37	1,047	280	521
		474,429	**457,269**	**456,311**
Total liabilities		**523,309**	**510,652**	**515,039**
TOTAL EQUITY AND LIABILITIES		**917,735**	**903,902**	**831,896**

Racibórz, April 30th 2019

Jerzy Wiśniewski	Jarosław Dusiło	Agnieszka Wasilewska-Semail	Jolanta Markowicz
President of the Management Board	Vice President of the Management Board	Vice President of the Management Board	Chief Accountant

Statement of cash flows
for the 12 months ended December 31st 2018

	Note	*12 months ended Dec 31 2018*	*12 months ended Dec 31 2017 (restated)*
Cash flows from operating activities			
Profit/(loss) before tax		**6,931**	**(46,809)**
Adjustments for:		**(159,968)**	**35,671**
Depreciation and amortisation		10,904	10,674
Foreign exchange gains/(losses)		4	27
Interest and dividends, net		4,177	3,646
(Gain)/loss from investing activities		(3,280)	(519)
Increase/(decrease) in liabilities under FX contracts		479	(479)
(Increase)/decrease in receivables	18	(109,348)	(33,312)
(Increase)/decrease in inventories		(3,071)	982
Increase/(decrease) in liabilities and provisions, excluding borrowings	18	(60,442)	85,479
Change in provisions, accruals and deferrals	18	(25,376)	12,111
Change in contract assets and liabilities	18	25,611	(42,060)
Income tax (paid)/received		323	(857)
Other		51	(21)
Net cash from operating activities		**(153,037)**	**(11,138)**
Cash flows from investing activities			
Sale of property, plant and equipment and intangible assets		451	531
Purchase of property, plant and equipment and intangible assets	18	(1,209)	(3,359)
Purchase of financial assets		(1,249)	–
Acquisition of shares in subsidiary		–	(5,742)
Sale of financial assets		4,139	5,659
Dividends and interest		3	7
Other		402	36
Net cash from investing activities		**2,537**	**(2,868)**
Cash flows from financing activities			
Proceeds from issue of shares		–	163,368
Payment of finance lease liabilities		(2,321)	(1,801)
Proceeds from borrowings		2,267	–
Repayment of borrowings		–	(50,331)
Interest paid		(2,976)	(2,611)
Bank fees		(1,102)	(1,096)
Other		777	(222)
Net cash from financing activities		**(3,355)**	**107,307**
Net increase/(decrease) in cash and cash equivalents		(153,855)	93,301
Net foreign exchange gains (losses)		338	(262)
Cash at beginning of period	30.2	158,921	65,882
Cash at end of period	30.2	5,404	158,921

Racibórz, April 29th 2019

Jerzy Wiśniewski	Jarosław Dusiło	Agnieszka Wasilewska-Semail	Jolanta Markowicz
President of the Management Board	Vice President of the Management Board	Vice President of the Management Board	Chief Accountant

Statement of changes in equity

for the 12 months ended December 31st 2018

	Share capital	*Share premium*	*Statutory reserve funds*	*Exchange differences on translating foreign operations*	*Retained earnings/ accumulated losses*	*Total equity*
As at Jan 1 2018	**254,864**	**173,708**	**69,061**	**(337)**	**(71,222)**	**426,074**
Adjustment to opening balance following changes in accounting policies for provisions for warranty repairs	–	–	–	–	(9,959)	(9,959)
Adjustment to opening balance following implementation of new IFRS	–	–	–	–	(22,865)	(22,865)
As at Jan 1 2018 *(restated)*	**254,864**	**173,708**	**69,061**	**(337)**	**(104,046)**	**393,250**
Profit/(loss) from continuing operations	–	–	–	–	4,302	4,302
Other comprehensive income	–	–	–	337	(3,463)	(3,126)
Distribution of retained earnings	–	(8,589)	(57,461)	–	66,050	–
As at Dec 31 2018	**254,864**	**165,119**	**11,600**	**–**	**(37,157)**	**394,426**
As at Jan 1 2017	**169,864**	**95,340**	**131,301**	**(69)**	**(67,676)**	**328,760**
Adjustment to opening balance following changes in accounting policies for provisions for warranty repairs	–	–	–	–	(11,903)	(11,903)
As at Jan 1 2017 *(restated)*	**169,864**	**95,340**	**131,301**	**(69)**	**(79,579)**	**316,857**
Profit/(loss) from continuing operations	–	–	–	–	(64,105)	(64,105)
Other comprehensive income	–	–	–	(268)	263	(268)
Distribution of retained earnings	–	–	(62,240)	–	62,240	(5)
Issue of Series K shares	85,000	78,368	–	–	–	163,368
As at Dec 31 2017 *(restated)*	**254,864**	**173,708**	**69,061**	**(337)**	**(81,181)**	**416,115**

Racibórz, April 29th 2019

Jerzy Wiśniewski   Jarosław Dusiło   Agnieszka Wasilewska-Semail   Jolanta Markowicz

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 listed 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 Business Register maintained by the District Court in Gliwice, 10th Commercial Division of the National Court Register, under No. KRS 0000034143. The Company's Industry Identification Number (REGON) is 270217865. The Company shares are listed on the Warsaw Stock Exchange.

The Company's registered office is at ul. Łąkowa 33 in Racibórz, Poland. The parent's registered office is also its principal place of business.

The Company was established for an indefinite term.

The Company's principal business activity is engineering activities in the power sector and related technical consultancy (PKD 71.12.Z).

The Company provides general contractor services offering its proprietary technological solutions to the oil and gas industry and the power sector. It designs and manufactures steam generators, including supercritical steam generators, as well as environmental protection equipment, including flue gas desulfurization and NOx reduction units.

In 2018, the Company liquidated a self-reporting branch in Turkey, which prepared its financial statements in accordance with Turkish law. The functional currency of the branch was euro.

The direct parent of the Company is PBG S.A. of Wysogotowo near Poznań.

2. Identification of consolidated financial statements

The Company has also prepared the consolidated financial statements of the RAFAKO Group for the year ended December 31st 2018, authorised for issue on April 29th 2019.

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

In the 12 months ended December 31st 2018 and as at the date of these financial statements, there were changes in the composition of the Company's Management Board. On February 20th 2018, Krzysztof Burek resigned from the position of Vice President of the Company's Management Board. The Supervisory Board appointed Karol Sawicki as Vice President of the Management Board. On October 30th 2018, changes were made in the Company's governing bodies, resulting from the implementation of the Company's strategy and the internal reorganisation of RAFAKO S.A.:

- Mr Edward Kasprzak, Mr Tomasz Tomczak and Mr Karol Sawicki tendered their resignations as members of the Management Board of RAFAKO S.A.;
- The Supervisory Board decided that the Company's Management Board would be composed of three members;
- The Supervisory Board removed Ms Agnieszka Wasilewska-Semail from the position of President of the Management Board, appointing her as Vice President of the Management Board.
- The Supervisory Board appointed Mr Jerzy Wiśniewski to the Company's Management Board as its President.

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

Jerzy Wiśniewski	– President of the Management Board
Jarosław Dusiło	– Vice President of the Management Board
Agnieszka Wasilewska-Semail	– Vice President of the Management Board

In the 12 months ended December 31st 2018 and as at the date of these financial statements, there were changes in the composition of the Company's Supervisory Board.

- On October 30th 2018, Mr Jerzy Wiśniewski resigned as member of the Company's Supervisory Board. In the exercise of its special right referred to in Art. 17.3 and Art. 17.4 of the Company's Articles of Association, PBG S.A. (a shareholder) appointed Ms Helena Fic to the Supervisory Board as its Chair;
- On December 18th 2018 the Extraordinary General Meeting of RAFAKO S.A. appointed Michał Sikorski to the Company's Supervisory Board.

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

Helena Fic	– Chairwoman of the Supervisory Board

Małgorzata Wiśniewska – Deputy Chairwoman of the Supervisory Board
Przemysław Schmidt – Secretary of the Supervisory Board (independent member)
Krzysztof Gerula – Member of the Supervisory Board (independent member)
Dariusz Szymański – Member of the Supervisory Board
Adam Szyszka – Member of the Supervisory Board (independent member)
Michał Sikorski – Member of the Supervisory Board

4. Authorisation of the financial statements

These financial statements for the year ended December 31st 2018 were authorised for issue by the Management Board on April 29th 2019.

5. Company's investments

In the reporting period, the Company held investments in the following subsidiaries, jointly-controlled entities and associates:

Name and principal place of business	*Principal business activity*	*Ownership interest in the share capital (%)*	
		December 31st 2018	*December 31st 2017*
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	51.05%	51.05%
ENERGOTECHNIKA ENGINEERING Sp. z o.o. of Gliwice	Construction and process design, urban planning, engineering consultancy	100%	100%
RAFAKO ENGINEERING SOLUTION doo of Belgrade, Serbia	Process design, including construction, industry, and environmental protection consultancy and supervision	77%	77%
RAFAKO Hungary Kft. of Budapest, Hungary	Equipment assembly in the power and chemical industries	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%
RENG-NANO Sp. z o.o. Racibórz	Manufacture of metal structures and components, repair and maintenance of finished metal goods	30.63%	30.63%
RAFAKO MANUFACTURING Sp. z o.o. Racibórz	Production of steam generators, excluding hot water central heating boilers	100%	–

* Subsidiary of RAFAKO ENGINEERING Sp. z o.o., an indirect subsidiary of RAFAKO S.A.

As at December 31st 2018 and December 31st 2017, the Company's share in total voting rights in the subsidiaries was equal to the Company's holdings in the share capital of these entities.

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

6. Material judgements and estimates

6.1. Professional judgement

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

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

Classification of leases where the Company is the lessee

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

Embedded derivatives

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

Consortium agreements

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

6.2. 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 assets and liabilities in the next reporting period are discussed below. The Company made 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 presented in these financial statements may change in the future due to market developments or factors beyond the Company's control. Such developments or factors will be reflected in the estimates or assumptions as and when they occur.

Impairment of assets

At the end of a reporting period, the Company conducts a test for impairment of goodwill and an analysis of the impairment of property, plant and equipment and intangible assets with defined useful lives for which indications of impairment have been identified. This requires an estimation of the recoverable amount of the cash-generating unit to which these assets belong. The recoverable amount is equal to the higher of two – value in use or fair value less costs to sell. Estimating the value in use requires making an estimate of the expected future cash flows from the cash-generating unit and determining a suitable discount rate in order to calculate the present value of those cash flows. The Company made an assessment of whether there are any indications of impairment of assets. The analysis showed that during the 12 months ended December 31st 2018 there were no indications of impairment.

For further information on asset impairment as at the end of the reporting period, see Notes 20, 25, 26, 26.1, 28 and 30.1 to these financial statements.

Measurement of employee benefit provisions

Employee benefit provisions (retirement severance pays and length-of-service awards) were estimated using actuarial methods. The underlying assumptions are presented in Note 35.1 The change in employee benefit provisions in the reporting period resulted from the recognition of current service costs, interest expense and benefits paid.

Deferred tax asset

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

Fair value of financial instruments

Fair value of financial instruments for which there is no active market is determined with the use of appropriate measurement techniques. In selecting appropriate valuation methods and assumptions, the Company relies on professional judgement. For information on the fair value measurement method for individual financial assets, see Note 48.

Depreciation and amortisation rates

Depreciation and amortisation rates and charges are determined based on the anticipated economic useful lives of property, plant and equipment and intangible assets, as well as their estimated residual values. The Company reviews the useful lives of its assets annually, on the basis of current estimates. In the Management Board's opinion, as at December 31st 2018, the useful lives of assets assumed by the Company for depreciation and amortisation purposes reflect the expected periods of the assets remaining useful. However, the actual periods of usefulness of the assets may differ from those assumed due to technical wear and tear, among other factors. The carrying amount of property, plant and equipment and intangible assets subject to depreciation/amortisation is presented in Notes 20 and 23.

Revenue recognition

The Company recognises revenue at the transaction price, which is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer.

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

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

The Company makes these estimates based on historical data on settlements with customers and contractual provisions in the event of contract price indexation.

The Company recognises revenue as follows:

a) Revenue from sale of products and provision of services is recognised by reference to the stage of completion based on the expenditure incurred to perform the contract.

b) Revenue from sale of goods is recognised at a point in time, i.e. when the customer obtains control of the merchandise. The customer obtains control of goods at the time of their receipt or delivery to the place of destination, depending on the contractual terms of delivery.

The Company recognises revenue over time because:

a) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; and

b) the entity's performance does not create an asset with an alternative use for the company and the Company has an enforceable right to payment for performance completed to date.

The Company assesses whether the contract includes a significant financing component. The Company does not adjust the promised amount of consideration for the effect of a significant financing component if the Group expects, at contract inception, that the period between when the Group transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

Revenue arising from the rendering of services is recognised and disclosed in line with the policies discussed in Note 8.24**Błąd! Nie można odnaleźć źródła odwołania.**.

Provision for expected losses under ongoing contracts

At the end of each reporting period the Company remeasures total estimated revenues and costs of ongoing contracts accounted for using the percentage of completion method. Any expected loss is recognised as an expense in accordance with IAS 37. Details of accounting for construction contract revenue and costs in the financial year are presented in Notes 8.24 and 11 to these financial statements.

Provision for costs due to late contract completion

The Company recognises a provision for liquidated damages due to late contract completion if the probability of being charged for late completion is significant and the delay is due to the fault of the Company as a contractor. The amount of the provision reflects the amount of liquidated damages that may be charged for the delay. For details of provisions estimated in accordance with this policy, see Note 11 to these financial statements.

Provision for warranty repairs

The warranties provided by the Company represent exclusively the assurance that the products or services provided will operate in accordance with the agreed specification and the parties' intentions. Therefore, the Company does not recognise a separate performance obligation.

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

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

Impairment of financial assets

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

Uncertainty related to tax settlements

The Polish tax legislation is subject to frequent changes, leading to significant differences in its interpretation and significant uncertainty in its application. The tax authorities are entitled to verify the tax base (in most cases for the last five financial years) and to impose penalties and fines. Since July 15th 2016, the Tax Legislation has also taken into account the provisions of the General Anti-Abuse Rule (GAAR), which is intended to prevent the creation and use of artificial schemes to avoid paying taxes. The GAAR should be applied both with respect to transactions made after its effective date and with respect to the transactions which were made before its effective date in the case of which tax benefits continued or still continue after that date. Consequently, the determination of tax liabilities, deferred tax assets and deferred tax liabilities may require material judgements, including those relating to transactions already executed, and the amounts presented and disclosed in the financial statements may change in the future as a result of inspections by tax authorities.

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

The probability of utilising a deferred tax asset against future taxable profit is determined based on the Company's budget approved by its Management Board. If forecast financial results indicate that the Company will generate sufficient taxable income, deferred tax assets are recognised at full amount.

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

7. 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 have been prepared on the assumption that the Company will continue as a going concern for at least 12 months after the reporting period, i.e. December 31st 2018.

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

As at the end of December 2018, the value of the Company's order book was PLN 1,978m (compared with PLN 1,717m as at the end of December 2017). In pursuit of its strategy, from the beginning of 2018 to the issue date of these financial statements, the Company won new contracts worth PLN 1,230m, including PLN 756m in the power sector and PLN 356m in the oil and gas sector (the new strategic business area) and PLN 118m in the construction sector. Among the key contracts won in 2018 are: the contract to construct the FGD system II at Ostrołęka Power Plant B, with a VAT-exclusive value of PLN 199.2m (PLN 245m VAT inclusive), of which the Company's share is PLN 126.3m; the contract to upgrade FGD systems at units 3, 4, 5 and 6 at the Bełchatów Power Plant, with a VAT-exclusive value of PLN 181.6m (PLN 223.4m VAT inclusive), and the contract to construct the Goleniów-Płoty section of the DN 700 Szczecin-Gdańsk pipeline, with a VAT-exclusive value of PLN 124.9m (PLN 153.6m VAT inclusive). The largest contracts acquired to date in 2019 are: the contract to construct the Kędzierzyn Gas Compressor Station, signed as part of the consortium with PBG oil and gas Sp. z o.o., with a VAT-exclusive value of PLN 168.7m (PLN 207.5m VAT-inclusive), with the Company's share of 95%; and the contract to construct the Jan Paweł II Pamięć i Tożsamość (Memory and Identity) Museum in Toruń, with a VAT-exclusive value of PLN 117.7m (PLN 144.7m VAT-inclusive). The Company makes every effort to ensure that the value of contracts in the order book enables it to secure revenue necessary to cover its operating expenses and generate profit in the long term, also after the completion of the contract to construct the 910 MW power generation unit in Jaworzno. In line with the adopted growth directions, the Company is actively involved in tender procedures and expects to win new major contracts.

A key factor that may affect the ability to win new contracts is securing access to financing, including primarily such financial instruments as performance bonds and advance payment guarantees. To this end, in April 2018, the Company and HSBC Bank Polska S.A. entered into a EUR 20.5m guarantee facility agreement whereby the Company may obtain guarantees to finance the contracts it performs. On December 4th 2018, the Company increased the limit for issuing contract guarantees to EUR 24.5m. Furthermore, in June 2018, the Company signed an annex to the multi-purpose credit facility agreement with PKO BP S.A. Under the annex, the availability period of the facility was extended until June 2019, and limits were set for the credit products advanced to the Company, including: PLN 70m for the overdraft facility, up to PLN 80m for the revolving credit facility and up to PLN 150m for bank guarantees, with the proviso that the aggregate amount utilised under these instruments may not exceed PLN 200m. From the beginning of this year until the issue date of these financial statements, the Company obtained new bank guarantee facilities of PLN 81.5m (in February it executed a PLN 41.5m guarantee agreement with mBank S.A. and in April it entered into a PLN 40m guarantee facility agreement with Alior Bank S.A.). The current level of credit and guarantee facilities provided to RAFAKO S.A. is being used on an ongoing basis and, given the plans to expand the order book, the Company is seeking additional guarantee facilities.

The Company's current order book requires the Company to commit working capital, including from internally generated funds. The committed funds will be released gradually as contracts are completed and consecutive milestones are reached, in accordance with contractual provisions, schedules and budgets. The Company will be able to use the released funds as additional working capital required for new projects. Based on the analyses carried out by the Company, its liquidity position is stable, therefore the financial statements have been prepared on the assumption that the Company will continue as a going concern.

7.1. 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 elected the option, available if the EU-endorsed International Financial Reporting Standards are applied, to apply amendments to IAS 19 and amendments 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 IFRSs applicable to financial statements prepared for the year beginning on January 1st 2018.

7.2. 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.

The Polish zloty ("PLN") is the Company's functional and the presentation currency of these financial statements.

8. Significant accounting policies

8.1. Fair value measurement

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).

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.

8.2. 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:

	December 31st 2018	*December 31st 2017*
USD	3.7597	3.4813
EUR	4.3000	4.1709
GBP	4.7895	4.7001
CHF	3.8166	3.5672
SEK	0.4201	0.4243
TRY	0.7108	0.9235

8.3. Property, plant and equipment

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.

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.

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.

Assets are depreciated with the straight-line method over the estimated useful life, as detailed below.

Asset 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 Group's production facilities, a decision was made to classify the rights as an item of non-depreciable property, plant and equipment.

An item of property, plant and equipment is 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 are measured at cost less impairment losses, if any. Property, plant and equipment under construction are not depreciated until completed and placed in service.

At the end of each financial year the Company performs a review of its property, plant and equipment for potential impairment, adopted economic useful lives, residual amounts 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.

8.4. 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. Following initial recognition, intangible assets are measured at cost less accumulated amortisation and impairment losses, if any. Expenditure incurred on internally generated intangible assets, excluding capitalised development costs, is not capitalised and is charged against profits in the period in which it is incurred.

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.

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.

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 presented 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.

8.5. Goodwill

Goodwill arising on acquisition of an entity is initially recognised as the excess 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 the Company 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 Company recognises an impairment loss. If goodwill comprises a part of a cash-generating unit and the Company 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.

8.6. Shares in subsidiaries, associates and joint ventures

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

8.7. 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.

8.8. Impairment of non-financial non-current 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.

At the end of a reporting period the Company makes an assessment to determine whether there is any indication that its assets may be impaired. If such indications exist, an 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. 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 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.

Goodwill is tested for impairment annually. The test performed as at December 31st 2018 did not reveal any impairment of the goodwill disclosed in the financial statements.

8.9. 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.

8.10. Financial instruments

Any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity is a financial instrument.

A financial asset or financial liability is recognised on the statement of financial position when the Company becomes a party to the contractual provisions of the instrument. A regular way purchase or sale of financial assets and liabilities is recognised using trade date accounting.

A financial asset is derecognised from the statement of financial position when contractual rights to cash flows from the asset expire or when the financial asset and substantially all risks and rewards related to it are transferred to another entity.

A financial liability is derecognised from the statement of financial position when it is extinguished, i.e. when the obligations specified in the contract are discharged, cancelled or expired.

8.11. Financial assets (policies applicable until December 31st 2017)

On acquisition, the Company recognises financial assets at fair value, which is, in most cases, the fair value of the payment made. Transaction costs are included in the initial value of all financial assets, except in the case of financial assets at fair value through profit or loss.

For the purpose of measurement subsequent to initial recognition, financial assets other than hedging derivatives are classified by the Company as:

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

These categories define rules of measurement as at the reporting date and recognition of gains or losses on measurement in profit or loss or in other comprehensive income. Gains or losses recognised in profit or loss are presented as finance income or costs, except for impairment losses on trade receivables, which are presented under other expenses.

Except for financial assets at fair value through profit or loss, all financial assets are assessed at the end of each reporting period for indications of impairment. If there is objective evidence that a financial asset is impaired, an impairment loss is recognised. Indications of impairment are analysed separately for each category of financial assets, as discussed below.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost, using the effective interest rate method. Current receivables are measured at amounts expected to be received as the effect of discounting is immaterial.

Financial assets classified as loans and receivables are presented in the statement of financial position as:

- non-current assets - under 'Receivables and loans', and
- current assets - under 'Loans', 'Trade and other receivables', and 'Cash and cash equivalents'.

Allowances for doubtful receivables are estimated when the collection of the full amount of a receivable is no longer probable. All receivables of significant value are subject to individual assessment in the case of debtors whose balances are past due or when objective evidence has been obtained that the debtor is likely not to pay the amount due (e.g. the debtor is in a difficult financial position, judicial proceedings are pending against the debtor, there have been adverse changes in the economic environment of the debtor). In the case of receivables which are not subject to individual assessment, evidence of impairment is analysed for particular asset classes identified according to credit risk (e.g. specific to the sector, region or customer base). The ratio of impairment losses recognised in respect of any class is based on the recently observable trends as to debtors' payment difficulties.

Financial assets measured at fair value through profit or loss include assets which are classified as held for trading or which were designated on initial recognition as assets to be measured at fair value through profit or loss, because they met the criteria defined in IAS 39.

This category includes all derivatives disclosed in the statement of financial position separately as 'Derivative financial instruments', except for hedging derivatives, which are measured in accordance with the requirements of hedge accounting.

Instruments classified in this category are measured at fair value through profit or loss. Gains and losses on measurement of financial assets are the changes in their fair value established on the basis of prices quoted in an active market as at the reporting date, or - if there is no active market - using valuation techniques.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company intends and is able to hold to maturity, other than the assets which are classified as loans and receivables.

In this category the Company classifies bonds/notes and other debt securities held to maturity and presents themin the statement of financial position under 'Other financial assets'.

Investments held to maturity are measured at amortised cost using the effective interest rate method. If there is evidence that a held-to-maturity investment may be impaired (e.g. credit rating of an issuer of bonds or notes), the assets are measured at the present value of estimated future cash flows. Any changes in the carrying amount of an investment, including impairment losses, are recognised in profit or loss.

Financial assets available for sale are non-derivative financial assets that have been designated as available for sale or are not classified into any of the above categories.

The Company classifies in this category listed bonds or notes that are not held to maturity and shares in companies other than its subsidiaries or associates. In the statement of financial position, such assets are disclosed under 'Other financial assets'.

Shares of non-listed companies are measured at cost less impairment as it is impossible to reliably estimate their fair value. Impairment losses are recognised in profit or loss.

All other available-for-sale financial assets are measured at fair value. Gains and losses on measurement are recognised in other comprehensive income and accumulated in a revaluation reserve from measurement of financial instruments available for sale, except for impairment losses and foreign exchange gains or losses on monetary items, which are recognised in profit or loss. Interest which would be recognised at the measurement of these financial assets at amortised cost using the effective interest rate method is also recognised in profit or loss.

Reversals of impairment losses on available-for-sale financial assets are recognised in other comprehensive income, except in the case of impairment losses on debt instruments, the reversals of which are recognised in profit or loss if the increase of fair value of the asset may be objectively associated with an event that occurred after impairment was recognised.

On derecognition of an asset from the statement of financial position, all cumulative gains and losses previously recognised in other comprehensive income are reclassified from equity to profit or loss, and are presented in other comprehensive income as reclassification to profit or loss.

8.12. Financial assets (policies applicable as of January 1st 2018)

On acquisition, the Company recognises financial assets at fair value, which is, in most cases, the fair value of the payment made. Transaction costs are included in the initial value of all financial assets, except in the case of financial assets at fair value through profit or loss. Exception to this rule is trade receivables, which the Company measures at transaction price within the meaning of IFRS 15, except for those items of trade receivables where the payment term is longer than one year and which include a significant financing component as defined in IFRS 15.

For the purpose of measurement subsequent to initial recognition, financial assets other than hedging derivatives are classified by the Company as:

- financial assets at amortised cost,
- financial assets at fair value through other comprehensive income,
- financial assets at fair value through profit or loss, and
- equity instruments at fair value through other comprehensive income.

These categories define rules of measurement as at the reporting date and recognition of gains or losses on measurement in profit or loss or in other comprehensive income. The Company's classification of financial assets is based on its business model of financial asset management and the contractual cash flows characteristic for the financial asset.

A financial asset is measured at amortised cost if both of the following conditions are met (and has not been designated on initial recognition as at fair value through profit or loss):

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the nominal amount outstanding.

Financial assets measured at amortised cost include:

- loans,
- trade and other receivables (except for those to which IRSR 9 does not apply),
- debt securities.

These classes of financial assets are presented in the statement of financial position, broken down into non-current and current assets under 'Other non-current receivables', 'Trade and other receivables' and 'Other financial assets'. Current receivables are measured at amounts expected to be received as the effect of discounting is immaterial.

Given its immaterial amounts, the Company does not recognise interest income as a separate item, but includes it under finance income.

Impairment losses on financial assets measured at amortised cost less gains on reversals are recognised in profit or loss under 'Finance income' or 'Finance costs', as appropriate. Gains and losses arising on derecognition of assets in this category from the statement of financial position are recognised in profit or loss under 'Gains (losses) on derecognition of financial assets measured at amortised cost'. As at December 31st 2018 and December 31st 2017, the Company had no such assets. Other gains and losses on financial assets recognised in profit or loss, including foreign exchange gains and losses, are presented as finance income or costs.

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- the financial asset is held in the 'hold to collect and sell' business model, that is a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets,
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the nominal amount outstanding.

Interest income, impairment gains and losses, and foreign exchange gains and losses on such assets are calculated and recognised in profit or loss in the same manner as in the case of financial assets measured at amortised cost. Other changes in the fair value of these assets are recognised through other comprehensive income. When a financial asset measured at fair value through other comprehensive income is derecognised, accumulated gains or losses previously recognised in other comprehensive income are reclassified from equity to profit or loss.

In the reporting period, the Company did not hold any financial assets qualifying for this measurement category.

A financial asset is measured at fair value through profit or loss if it does not meet the criteria to be measured at amortised cost or at fair value through other comprehensive income and is not an equity instrument designated at initial recognition to be measured at fair value through other comprehensive income. In addition, the Company classifies in this category the financial assets designated on initial recognition to be carried at fair value through profit or loss because they meet the criteria defined in IFRS 9.

This category includes:

- all derivatives disclosed in the statement of financial position separately as 'Derivative financial instruments', except for hedging derivatives, which are measured in accordance with the requirements of hedge accounting,
- shares in companies other than its subsidiaries and associates.

Instruments classified in this category are measured at fair value through profit or loss under 'Finance income' or 'Finance costs', as appropriate. Gains and losses on measurement of financial assets are the changes in their fair value established on the basis of prices quoted in an active market as at the reporting date, or - if there is no active market - using valuation techniques.

Equity instruments measured at fair value through other comprehensive income include investments in equity instruments other than financial assets held for trading or contingent payments as part of a business combination, with respect to which, on initial recognition, the Company made an irrevocable election to present subsequent changes in the fair value of those instruments in other comprehensive income. The Company makes this election individually and separately for each equity instrument.

In this category, the Company recognises shares in companies other than subsidiaries or associates, disclosed in the statement of financial position under 'Shares'.

Accumulated gains or losses on fair value measurements, previously recognised through other comprehensive income, are not reclassified to profit or loss under any circumstances, including derecognition of the assets. Dividends on equity instruments classified in this category are recognised in profit or loss in finance income if the conditions for recognition of dividend income specified in IFRS 9 are met, unless the dividends clearly represent recovery of a portion of the investment cost.

Financial assets designated as measured at amortised cost and at fair value through other comprehensive income due to the business model and their cash flow characteristics are assessed at each reporting date in order to recognise expected credit losses, regardless of whether there is any indication of impairment. The method of making this assessment and estimating allowances for expected credit losses varies depending on class of financial assets:

- In the case of trade receivables, the Company applies a simplified approach based on the calculation of allowances for expected credit losses over the lifetime of the instrument. Allowances are estimated on a collective basis and the receivables have been grouped based on the number of days past due. Allowances are estimated based mainly on historical data on days past due and an analysis of days past due and actual payments over the last five years, taking into account available information relating to the future.
- As for the other asset classes, in the case of instruments for which credit risk has not increased significantly since initial recognition or for which credit risk is low, the Company in the first place recognises losses resulting from default events for the next 12 months. If the increase in credit risk since initial recognition has been significant, lifetime losses of the instrument are recognised.

As at the end of each reporting period, the Company assesses whether there were any indications that could result in classifying financial assets into the individual stages of determining allowances. The indications may include changes in the rating assigned to the debtor, major financial difficulties of the debtor, occurrence of a material adverse change in its economic, legal or market environment.

For the purpose of estimating expected credit losses, the probability of default is used, based on market valuation of credit derivatives for entities assigned a given rating and operating in a given sector.

The Company takes into account forward-looking information in the parameters of the model used by it to estimate expected losses by calculating the probability of default based on currently quoted market prices.

The Company has assumed that the risk increases significantly when the number of days past due is more than 90 or when the rating assigned to the debtor has changed or when the debtor has experienced major financial problems.

The Company has assumed that a default occurs when the number of days past due has reached 180 days or when the debtor has declared bankruptcy.

8.13. Financial liabilities

Financial liabilities other than derivative hedging instruments are presented in the statement of financial position under the following items:

- bank and other borrowings,
- finance leases,
- trade and other payables, and
- derivative financial instruments.

On acquisition, the Company measures financial liabilities at fair value, that is most frequently the fair value of the amount received. Transaction costs are included in the initial value of all financial liabilities, except in the case of financial liabilities at fair value through profit or loss.

Following initial recognition, financial liabilities are measured at amortised cost using the effective interest method, except for financial liabilities held for trading or designated as ones to be measured at fair value through profit or loss. Financial liabilities measured at fair value through profit or loss include derivatives other than hedging instruments. Short-term trade payables are measured at amounts expected to be paid as the effect of discounting is immaterial.

Any gains or losses on measurement of financial liabilities are recognised in profit or loss under financing activities.

8.14. Non-current assets classified as 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 and fair value less costs to sell.

8.15. 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.

The Company holds no hedging financial instruments.

8.16. Inventories

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

The cost of inventory items that are not ordinarily interchangeable and the cost of goods or services produced or segregated for specific projects is determined by employing specific identification.

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.

8.17. 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.

8.18. Share capital

Share capital is disclosed in the financial statements in the amount specified in the Articles of Association and disclosed 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.

8.19. Provisions

The Company recognises a provision if the Company 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 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.

8.20. Interest-bearing borrowings and other debt instruments

All borrowings and other debt instruments are initially recognised at 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, or accounting for a liability using the effective interest rate method, gains or losses are recognised in the statement of comprehensive income.

8.21. Trade and other payables

Liabilities (except for tax liabilities) meet the definition of financial liability laid down in IAS 32 *Financial Instruments: Presentation.*

On initial recognition, liabilities are measured at cost, i.e. in the amount equal to the fair value of the payment received, which is determined based on the transaction price or (if it is not possible to determine that price), the discounted sum of all future payments made.

After initial recognition, financial liabilities are measured, as a rule, at amortised cost using the effective interest rate method, except for liabilities held for trading and derivatives that are liabilities.

Liabilities held for trading and derivatives which are liabilities are measured at fair value.

Advance payments received from counterparties towards the performance of services are presented in the financial statements as contract liabilities in the balance sheet.

8.22. 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 Company also make transfers to the Social Fund in respect of its retired employees and 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 in respect of retired employees – 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 plans, including actuarial gains and losses, is recognised in other comprehensive income and is not subsequently reclassified to profit or loss.

8.23. Revenue (policies applicable until December 31st 2017)

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.

8.23.1. Revenue from sale of merchandise and finished goods

Revenue is recognised when the significant risks and rewards of ownership of merchandise and finished 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 Company as well as other services relating to the principal activities of the Company, determined at net prices, net of rebates and discounts granted by the Company and net of excise.

8.23.2. 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.

8.23.3. Interest

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

8.23.4. Dividends

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

8.23.5. Rental income

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

8.23.6. Construction contracts

Construction contracts are business contracts associated with the Company's principal business activity, 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-price transactions 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 to determine 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.

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

8.24. Revenue (policies applicable as of January 1st 2018)

Revenue comprises solely revenue from contracts with customers that fall within the scope of IFRS 15. Recognition of revenue in the Company's financial statements, including both its amount and timing, is defined in a five-step model:

- identification of the contract with a customer,
- identification of performance obligations,
- determination of the transaction price,
- allocation of the transaction price to the performance obligations,
- recognition of revenue when or as performance obligations are satisfied.

Identification of the contract with a customer

The Company recognises the contract with the customer only when all of the following criteria are met:

- the contract has been approved by the parties to the contract (in writing, orally or in accordance with other customary business practices) and the parties are obliged to perform their respective obligations;
- The Company can identify each party's rights regarding the goods or services to be transferred;
- The Company can identify the payment terms for the goods or services to be transferred;
- the contract has commercial substance (i.e. the risk, timing or amount of the Company's future cash flows can be expected to change as a result of the contract); and
- it is probable that the Company will collect the consideration to which it will be entitled in exchange for the goods or services to be transferred to the customer.

Identification of performance obligations

At the inception of the contract, the Company assesses the goods or services that have been promised to the customer, and identifies as a performance obligation each promised good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

A good or service promised to a customer is distinct if both of the following criteria are met:

- the customer can benefit from the good or services on its own or in conjunction with other readily available resources; and
- the Company's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract.

Determination of the transaction price

When making this determination, the Company considers the contract terms and its customary business practices. The transaction price is the amount to which the Company expects to be entitled in exchange for the transfer of promised goods or services to a customer, excluding amounts collected on behalf of third parties. The consideration specified in the contract with the customer may include fixed amounts, variable amounts, or both.

If the consideration specified in the contract includes a variable amount, the Company estimates the amount of consideration to which it will be entitled in exchange for transferring the promised goods or services to a customer. The Company estimates the amount of variable consideration using the most likely amount method, which is the single most likely amount in a range of possible consideration amounts (i.e., the single most likely outcome of the contract). This method is the best for predicting the amount of variable consideration as the company uses contractual terms and has experience in performing similar contracts.

The Company includes in the transaction price some or all of the variable consideration only to the extent that it is highly probable that there will not be a significant reversal of cumulative revenue after the uncertainty associated with the variable consideration is gradually resolved. The Company analyses market data affecting, for instance, the price indexation rate, the company verifies based on data observable during the manufacturing process and indicating the level of settlements with the customer on account of product weight, and assesses the risk of contractual penalties on an ongoing basis.

The Company usually satisfies a performance obligation as services are rendered by delivering to the customer an asset that the customer controls as the asset is created or enhanced. Payment terms of each contract are negotiated on a case-by-case basis. Usually, payments are due within 60 days.

If a contract contains a significant financing component, the Company adjusts the promised contractual consideration for the effects of the time value of money. A significant financing component arises if the contract provides for payment deadlines longer than one year. The Company uses a practical expedient under which it does not adjust contracts with the payment term of less than a year by the effect of a significant financing component.

The Company does not recognise the refund liability.

Guarantees provided by the Company for products/services sold are recognised in accordance with IAS 37, because their terms and conditions reflect only the assurance that the products/services provided by the Company will be in accordance with the agreed-upon specifications.

Allocation of the transaction price to performance obligations

The Company allocates the transaction price to each performance obligation (or to a distinct good or service) in an amount that reflects the amount of consideration to which the Company expects to be entitled in exchange for transferring the promised goods or services to the customer by reference to their relative standalone selling prices determined by increasing expected costs by the contract margin.

Recognition of revenue when or as performance obligations are satisfied

The Company recognises revenue when or as a performance obligation is satisfied by transferring the promised good or service to the customer.

a) Revenue from sale of products and provision of services is recognised by reference to the progress towards their completion, using the input method.

b) Revenue from sale of goods is recognised at a point in time, i.e. when the customer obtains control of the merchandise. The customer obtains control of goods at the time of their receipt or delivery to the place of destination, depending on the contractual terms of delivery.

The Company recognises revenue over time because:

a) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; and

b) the entity's performance does not create an asset with an alternative use for the company and the Company has an enforceable right to payment for performance completed to date.

The Company assesses whether the contract includes a significant financing component. The Company does not adjust the promised amount of consideration for the effect of a significant financing component if the Group expects, at contract inception, that the period between when the Group transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

The Company recognises additional costs of obtaining a contract as an asset if it expects to recover those costs. Costs which the Company does not expect to recover are recognised as costs of the period in which they are incurred. Capitalised costs include commissions paid only on obtaining a contract. Capitalised costs are presented in prepayments and accrued income and are amortised using the straight-line method over the expected contract term.

8.25. Taxes

8.25.1. 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 settled against equity.

8.25.1.1. 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.

8.25.1.2. Deferred income tax

For financial reporting purposes, the Company 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.

8.25.1.3. 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.

8.25.1.4. Assessment of tax uncertainties

If in the opinion of a Company it is probable that the tax authority will accept the Company's approach to a tax matter or a group of tax matters, the company determines taxable income (tax loss), tax base, unused tax losses, unused tax credits and tax rates, taking into consideration the company's taxation approach planned for or used in the company's tax return.

If in the opinion of the Company it is improbable that the tax authority will accept the company's approach to a tax matter or a group of tax matters, the company reflects the effect of uncertainty in determining taxable income (tax loss), unused tax losses, unused tax credits and tax rates. The company reflects this effect using the best of the following methods:

- The company identifies the most probable scenario – a single amount selected from among possible outcomes;
- The company discloses the expected value − the aggregate of amounts multiplied by their respective probabilities;
- the company uses the "all-or-nothing" method.

8.26. Earnings/(loss) per share:

Earnings/(loss) per share for each reporting period are calculated as quotient of the earnings/(loss) for the given accounting period and the weighted average number of Company shares outstanding in the given accounting period.

9. Changes in accounting policies (significant accounting policies)

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

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

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

9.2. New IFRS 15 Revenue from Contracts with Customers

The new standard replaced IAS 11, IAS 18 and the related interpretations and applies to all contracts with customers except for contracts excluded from the scope of IFRS 15, including contracts within the scope of other standards. The new IFRS 15 provides one coherent five-step model for revenue recognition:

- identification of the contract with a customer,
- identification of performance obligations in the contract,
- determination of the price,
- allocation of the price to performance obligations,
- recognition of revenue when or as performance obligations are satisfied.

Under the new model, revenue is recognised when the customer obtains control of the good or service.

The standard has also introduced additional disclosure requirements and guidance for:

- combining contracts,
- contract modifications,
- methods for measuring progress towards satisfaction of a performance obligation,
- variable consideration,
- right of return,
- warranties,
- principal versus agent considerations,
- options to purchase additional goods or services,
- non-refundable upfront fees,
- licences and royalties,
- repurchase arrangements,
- consignment arrangements,
- bill-and-hold arrangements,
- financial components embedded in contracts with customers (deferred or upfront payment),
- non-cash consideration,
- costs of contract, including the costs of obtaining a contract.

The Company's Management Board decided that IFRS 15 would be applied retrospectively, without restating comparative data. The effects of implementation of IFRS 15 were recognised as change of the opening balance of retained earnings as at January 1st 2018. The Company applied IFRS 15 retrospectively only to contracts that were not completed at the date of initial application of IFRS 15. In addition, the Company used a practical expedient for contracts modified before the earliest comparable period, by taking into account those modifications as if they had been part of the contracts from the beginning.

The effects of these modifications are as follows:

- revenue from sale of products previously recognised based on the stage of completion of work is recognised only once, after work for the customer is completed; the change included in the opening balance of retained earnings as at January 1st 2018 was PLN 48 thousand; had the previous recognition principles been applied, revenue and profit or loss would not have changed,
- contracts comprising separate units, previously treated as single contracts, are now treated as separate performance obligations and recognised separately; the change recognised in the opening balance of retained earnings as at January 1st 2018 was PLN 5,485 thousand; had the previous recognition principles been applied, revenue for 2018 would have been PLN 2,362 thousand higher, and the result would have decreased by PLN 34 thousand,
- in order to ensure consistent terminology with IFRS 15, amounts due from customers for construction contract work and amounts due to customers for construction contract work under IAS 11 have been renamed as contract assets and contract liabilities in the statement of financial position; in the financial statements prepared as at December 31st 2017, amounts due from customers for construction contract work were a separate item of the Group's statement of financial position, and amounts due to customers for construction contract work, of PLN 37,106 thousand, were disclosed under 'Amounts due to customers and provisions for construction contract work and deferred income'; capitalised costs of obtaining and performing a contract are presented under 'Prepayments and accrued income'.

The aggregate effect of the changes, recognised as a change in the initial balance of retained earnings as at January 1st 2018, was negative at PLN 4,500 thousand. The effect of the changes on financial data in the Company's statement of financial position is presented in Note 9.5.

Had IAS 18 and IAS 11 been applied to recognise revenue in the 12 months of 2018, the items reported in these financial statements would increase or decrease as follows:

Assets	
Deferred tax asset	(5,249)
Inventories	(11,014)
Contract asset and related accruals and deferrals	5,416
Equity and liabilities	
Retained earnings / accumulated losses, including:	22,379
profit/(loss) brought forward	4,509
net profit/(loss)	17,870
Trade and other payables	(1,549)
Amounts due to customers for contract work	(37,746)
Provisions for contract work	6,069
Statement of comprehensive income	
Revenue	25,331
Cost of sales	(2,873)
Profit/(loss) before tax	22,458
Income tax expense	(4,588)
Net profit/(loss)	17,870
Earnings/(loss) per share from continuing operations	0.14

9.3. New IFRS 9 Financial Instruments

The new standard replaced IAS 39. The changes introduced by the standard in accounting for financial instruments apply primarily to:

- other categories of financial assets, on which the asset measurement method depends:
  - measured at amortised cost,
  - measured at fair value through other comprehensive income,
  - measured at fair value through profit or loss (with the option for equity instruments to present value changes in other comprehensive income);

  Allocation of assets to particular categories is based on the business model within which the asset is held and the asset's cash flow characteristics,
- new hedge accounting rules that better reflect risk management, increasing the ability to designate instruments as hedges and eliminating the strict 80–125% effectiveness range,
- a new impairment model for financial assets, based on expected losses and providing for faster recognition of costs in profit or loss; previously, impairment losses were recognised only when objective evidence of impairment was identified, such as significant financial difficulties of the debtor or failure to comply with the contractual terms (e.g. delayed payment); in the new model, from the moment a financial asset is recognised the entity estimates the expected credit losses using a 3-stage model based on changes in credit risk; the standard provides for practical expedients for, among others, trade receivables and contract assets.

The Company's Management Board decided that IFRS 9 would be applied to classification and measurement retrospectively, without restating comparative data as it would not be possible without the use of hindsight. The effects of implementation of IFRS 9 were recognised as change in the opening balance of retained earnings as at January 1st 2018.

The effects of these modifications are as follows:

Previously, the Company only held assets classified as loans and receivables, debt instruments and non-hedging derivatives classified as financial assets at fair value through profit or loss. Under the new standard, they were all classified as measured at amortised cost (as the analysis performed by the Company on initial application showed that they were held to obtain contractual cash flows and the cash flows were solely payments of principal and interest) or at fair value through profit or loss. Neither the Company's assets nor its profit or loss were affected by the reclassification. The categories of financial liabilities remained unchanged.

Furthermore, the Company holds equity interests in non-listed companies, which under IAS 39 were measured at cost, and whose carrying amount as at December 31st 2017 was PLN 242 thousand. In accordance with IFRS 9, the Company classified them as at the date of initial application of the standard as assets at fair value. As regards listed shares, the Company assumed that they would be measured through profit or loss, because the Company does not rule out selling the assets when they reach a positive value. The amendment was introduced as of January 1st 2018 and did not change the value of the assets.

As at the date of initial application of IFRS 9, the categories and carrying amounts of financial assets and liabilities were as follows:

Class of financial assets	IAS 39		IFRS 9	
	Category	Carrying amount Jan 1 2018	Category	Carrying amount Jan 1 2018
Trade and other receivables	loans and receivables	280,188	at amortised cost	267,898
Other non-current financial assets at fair value through profit or loss		16,245	equity instruments at fair value through profit or loss	16,245
Bonds	held to maturity	29,970	at amortised cost	22,447
Derivative financial instruments	at fair value through profit or loss	479	at fair value through profit or loss	479
Long-term shareholdings	available for sale	223	at fair value through profit or loss	242
Cash and cash equivalents	loans and receivables	158,921	at amortised cost	158,921

*Change in value results from change in impairment model.

Class of financial liabilities	IAS 39		IFRS 9	
	Category	Carrying amount Jan 1 2018	Category	Carrying amount Jan 1 2018
Non-current liabilities				
Borrowings and other debt instruments	at amortised cost	98,568	at amortised cost	98,568
Trade and other payables	at amortised cost	200,570	at amortised cost	200570

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

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

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

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

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

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

	Retained earnings / accumulated losses	*Long-term trade and other payables*	*Long-term employee benefit obligations and provisions*	*Other long-term provisions*	*Short-term trade and other payables*	*Gross amount due to customers for contract work*	*Employee benefit obligations and provisions*	*Other short-term provisions*	*Short-term accruals and deferred income*
Before adjustment	**(71,222)**	**19,594**	**20,448**	**–**	**276,752**	**57,747**	**2,737**	**–**	**–**
Adjustments to opening balance									
IFRS 15	(4,509)	–	–	–	11,426	6,509	–	(63)	–
IFRS 9 (impairment due to expected credit losses)	(18,356)	–	–	–	1,617	–	–	–	–
Provisions for warranty repairs	(9,959)	–	–	12,295	–	–	–	–	–
Presentation adjustments									
Provision for voluntary redundancy programme	–	(153)	153	–	(1,443)	–	1,443	–	–
Provision for bonuses	–	(495)	495	–	(621)	–	621	–	–
Provision for holiday entitlements	–	–	–	–	(3,875)	–	3,875	–	–
Provision for warranty repairs	–	(4,272)	–	4,272	(13,216)	–	–	13,216	–
Accrued salaries and wages	–	–	–	–	(6,224)	–	6,224	–	–
Accrued social security	–	–	–	–	(6,565)	–	6,565	–	–
Provisions for losses	–	–	–	–	–	(15,844)	–	15,844	–
Provision for liquidated damages	–	–	–	–	–	(8,069)	–	8,069	–
Audit provision	–	–	–	–	(75)	–	–	–	75
Provision for future costs	–	–	–	–	–	(864)	–	864	–
Adjusted	**(104,046)**	**14,674**	**21,096**	**16,567**	**257,776**	**39,479**	**21,465**	**37,930**	**75**

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

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

The comparative data in the statement of comprehensive income for the 12 months ended December 31st 2017 the presentation of which was changed compared with the presentation in the financial statements for the 12 months ended December 31st 2017 has been restated as follows:

	Distribution costs	*Other expenses*	*Cost of products and services sold*	*Costs of merchandise and materials sold*	*Research and development costs*
Before adjustment	**(35,383)**	**(13,365)**	**(572,644)**	–	–
					–
Adjustment to presentation of impairment losses on trade receivables	3,140	(3,140)	–	–	–
Adjustment to presentation of cost of merchandise and materials sold	–	–	1,427	(1,427)	–
Provisions for warranty repairs	–	–	2,400	–	–
Research and development costs	–	–	6,926	–	(6,926)
Adjusted	**(32,243)**	**(16,505)**	**(561,891)**	**(1,427)**	**(6,926)**

9.7. Amendments to other standards and interpretations, effective and applied by the Company in 2018

- Amendments to IFRS 2 *Share-based payments*

  The IAS Board resolved three matters:
  - accounting for non-vesting conditions in the measurement of cash-settled plans;
  - classification of share-based payments where the entity is required to withhold tax on an employee;
  - plan modification from cash-settled to equity-settled.

  The Company did not launch any share-based payment plans, therefore these amendments had no impact on its financial statements.

- Amendments to IFRS 4 *Insurance Contracts*

  Following the entry into force of a new standard on financial instruments (IFRS 9) in 2018, the IASB introduced transitional rules for the application of new accounting policies on financial instruments in the financial statements of insurers until the new IFRS 17 comes into force. Otherwise, their profit or loss would be threatened by considerable volatility. Two alternative approaches were proposed:
  - making an adjustment for the volatility resulting from IFRS 9 in certain assets through a separate item in the statement of profit or loss and other comprehensive income;
  - exemption from the application of IFRS 9 until the entry into force of a new standard on insurance (or until 2021).

  The amendments to the Standard will have no effect on the Company's financial statements as the Company does not conduct any insurance activities. The amendments apply upon application of IFRS 9.

- Amendments to IAS 28 *Investments in Associates and Joint Ventures*

  The amendments, issued under the 'Annual Improvements to IFRS Standards 2014–2016 Cycle', clarify that where IAS 28 permits investments to be measured using either the equity method or at fair value (by venture capital organisations, mutual funds, etc. or shares in investment entities), the choice may be made separately for each investment. The Company does not have any investments in associates, therefore the amendments had no impact on the Company's financial statements.

- Amendments to IAS 40 *Investment property*

  The amendments clarify the rules for reclassifying property to or from investment property from or to property, plant and equipment or inventories.
  Most importantly, property is transferred between categories when there is evidence of change in its use. The standard expressly states that a change in management's intentions for the use of a property by itself is not sufficient.
  The amendments apply to all changes in use introduced after their effective date and to all investment property held as at their effective date.
  The Company does not have any investment property, therefore the amendments had no impact on the Company's financial statements.

- New IFRIC 22 *Foreign Currency Transactions and Advance Consideration*

  The interpretation specifies which exchange rate should be applied in sale or purchase transactions in a foreign currency that include the receipt or payment of advance payment in that currency. As per the new interpretation, an advance payment should be recognised on the date of its payment at the exchange rate effective for that date. Subsequently, revenue generated in a foreign currency or cost or purchased asset should be recognised in profit or loss using the exchange rate effective for the date when the advance payment and not the revenue, cost or purchased asset was recognised.
  The Company does not enter into any material transactions that would fall within the scope of IFRIC 22, therefore its entry into force had no material impact on the Company's financial statements.

10. New standards and interpretations issued but not yet effective

Standard/Interpretation	***Effective date***	***Amendments to the Standard/Interpretation***
Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*	No effective date – voluntary application Endorsement by the European Commission has been suspended	Under previous guidance on accounting for loss of control of a subsidiary, a gain or loss had to be recognised as at the date of loss of control. On the other hand, the equity method required that gains or losses resulting from transactions with equity-accounted entities be recognised only to the extent of unrelated investors' interests. If a parent were to sell or contribute interests in a subsidiary to an equity-accounted entity and lose control of the subsidiary as a result of doing so, these regulations would be contradictory. The amendments to IFRS 10 and IAS 28 resolve this conflict in the following way: • if the entity over which control was lost constitutes a business, gains or losses on the transaction are recognised in full; • if the entity over which control was lost does not constitute a business, gains or losses are recognised only to the extent of unrelated investors' interests.
IFRS 16 *Leases*	Annual periods beginning on or after January 1st 2019 The Standard has been endorsed by the European Commission	The new Standard on leases (including lease and rental contracts) provides a new definition of a lease. The Standard introduces material changes concerning lessees, requiring lessees to recognise the right-of-use asset and a corresponding lease liability for each lease contract in the statement of financial position. Subsequently, the right-of-use asset is depreciated and the lease liability is measured at amortised cost. Practical expedients may be applied to short-term leases (of 12 months or less) and low-value assets. The accounting treatment of leases by lessors is similar to that prescribed under IAS 17.
New IFRS 17 *Insurance Contracts*	Annual periods beginning on or after January 1st 2021 The Standard has not been endorsed by the European Commission	A new standard governing recognition, measurement, presentation and disclosure of insurance and reinsurance contracts. The Standard replaces the existing IFRS 4.
New IFRIC 23: Uncertainty over Income Tax Treatments	Annual periods beginning on or after January 1st 2019 The Standard has not been endorsed by the European Commission	The interpretation of IAS 12 *Income Taxes* prescribes the approach to be taken when the interpretation of income tax laws is not unequivocal and it cannot be definitely established which tax treatment will be accepted by the taxation authority or a court. Management should assess which tax treatment will be accepted by the authorities using the most-likely-amount or expected-value method. A company should consider any changes in facts and circumstances affecting the estimated value or amount. Any adjustments to the value or amount are treated as a change of estimate in accordance with IAS 8.

Standard/Interpretation	Effective date	Amendments to the Standard/Interpretation
Amendments to IFRS 9 *Financial Instruments*	Annual periods beginning on or after January 1st 2019 The amendments have been endorsed by the European Commission	The amendments allow for instruments on which an entity would receive a prepayment amount substantially less than unpaid amounts of principal and interest (negative compensation) to be measured at amortised cost. Furthermore, in the statement of reasons the Board clarified that when a financial liability measured at amortised cost is modified without this modification resulting in derecognition, a gain or loss should be recognised in profit or loss (this amendment enters into force on the effective date of IFRS 9).
Amendments to IAS 28 *Investments in Associates and Joint Ventures*	Annual periods beginning on or after January 1st 2019 The amendments have not been endorsed by the European Commission	The amendments clarify that IFRS 9 should be applied to financial instruments other than equity-accounted financial instruments in associates and joint ventures even if the instruments are part of the net investment in the entity.
Amendments to IAS 12, IAS 23, IFRS 3, and IFRS 11	Annual periods beginning on or after January 1st 2019 The amendments have not been endorsed by the European Commission	Minor improvements to standards, introduced as part of annual improvements to standards (2015−2017 cycle): • IAS 12: The IASB clarified a method for recognising income tax consequences of dividends. The tax should be recognised when a liability to pay dividend is recognised. The income tax consequences should be recognised in profit or loss, other comprehensive income or equity according to where the past transactions that generated distributable profits were originally recognised. • IAS 23: It was clarified that any borrowing originally made to finance an asset which has been completed should be treated as part of general borrowings, whose cost may then be capitalised in other assets. • IFRS 3: The IASB clarified that the rules for accounting for a business combination implemented in stages, including the need to measure shares, also apply to previously held interests in joint operations. • IFRS 11: The IASB clarified that a party to a joint operation that does not have joint control, on obtaining joint control of a joint operation that is a business should not remeasure its interests in that joint operation.
Amendments to IAS 19 *Employee Benefits*	Annual periods beginning on or after January 1st 2019 The amendments have not been endorsed by the European Commission	Under the amendment, if the net asset or liability under a defined benefit plan is remeasured as a result of amendment, curtailment or settlement, an entity should: • determine the current service cost and the net interest for the period after remeasurement using the assumptions used for the remeasurement; and • determine the net interest for the remaining period on the basis of the remeasured net asset or liability.

Standard/Interpretation	***Effective date***	***Amendments to the Standard/Interpretation***
Amendments to IFRS 3 *Business Combinations*	The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1st 2020 and to asset acquisitions that occur on or after the beginning of that period. The amendments have not been endorsed by the European Commission	The amendments regard the definition of a business and cover mainly the following issues: • they clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs; • they narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce cost; • add guidance and illustrative examples to help entities assess whether a substantive process has been acquired; • remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and • add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.
Amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*	Annual periods beginning on or after January 1st 2019 The amendments have not been endorsed by the European Commission	The amendments introduce a new definition of 'material' (with regard to omission or misstatement in financial statements). The existing definition in IAS 1 and IAS 8 differed from that contained in the Conceptual Framework for Financial Reporting, which could cause difficulties in making judgements by entities preparing financial statements. The amendments will align the definition used in the Conceptual Framework and all effective IASs and IFRSs.

** - effective date set by the IASB; the date of entry into force in the EU is different*

10.1. Implementation of IFRS 16

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

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

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

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

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

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

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

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

The Company estimates that the new standard will have a material effect on its financial statements. As at the end of 2018, the Company was the lessee under 52 operating lease and rental agreements concluded for periods from one to two years, under which the Company has the right to use properties and technical facilities.

The Company also holds a perpetual usufruct right to land, which as at December 31st 2018 was treated as ownership right and which meets the definition of a lease under IFRS 16.

The Company plans to apply IFRS 16 using a modified retrospective method, i.e. without restating the comparative data, with the combined effect of the first application of the standard recognised as an adjustment to the opening balance of retained earnings on the date of initial application.

In addition, the Company intends to apply the following practical expedients permitted by the standard:

- the value of the right-of-use assets under all contracts previously classified by the Company as an operating lease in accordance with IAS 17 as at the date of initial application of IFRS 16 will be determined as the amount of lease liability adjusted for the fees and prepayments recognised in the statement of financial position immediately before the date of initial application;
- leases ending in 2019 are recognised by the Company as expenses on a straight-line basis over the lease term.

Following the application of IFRS 16, the Company will recognise, as at the date of initial application, a right-of-use asset of PLN 7,164 thousand and lease liabilities of PLN 5,222 thousand. Right-of-use assets will be presented in the statement of financial position under 'Non-current assets in use', while lease liabilities under 'Lease liabilities', broken down into current and non-current.

Moreover, the Company will discontinue to recognise property in perpetual usufruct with a carrying amount of PLN 9,108 thousand, presented as at December 31st 2018 under 'Property, plant and equipment'. The Company has estimated that the combined effect of the first application of the standard on retained earnings as at the date of initial application will be PLN 319 thousand.

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

11. Contract assets and liabilities

Contract assets and liabilities as at the end of the reporting period are presented in the table below.

	Dec 31 2018	*Dec 31 2017 (restated)*
Gross contract assets	206,997	138,923
Impairment of contract assets (-)	(1,848)	(1,340)
Contract assets	205,149	137,583
Contract liabilities, including advance payments	132,656	39,479

In order to ensure consistent terminology with IFRS 15, amounts due from customers for construction contract work and amounts due to customers for construction contract work under IAS 11 have been renamed as contract assets and contract liabilities in the statement of financial position. In the financial statements as at December 31st 2017, amounts due from customers for construction contract work were a separate item of the Company's statement of financial position, while amounts due to customers for construction contract work, of PLN 16,543 thousand, were disclosed under 'Amounts due to customers and provisions for construction contract work and deferred income'.

Contract assets are subject to IFRS 9 with respect to estimating impairment losses.

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

	Dec 31 2018	*Dec 31 2017 (restated)*
Revenue initially agreed in contract	2,987,821	2,421,422
Change in contract revenue	69,565	8,450
Aggregate contract revenue	**3,057,386**	**2,429,872**
Contract costs incurred as at reporting date	1,114,203	1,252,044
Costs expected to be incurred by contract completion date	1,696,048	1,016,538
Estimated aggregate contract costs	**2,810,251**	**2,268,582**
Estimated aggregate profit/(loss) on contracts, including:	**247,135**	**161,290**
profit	302,086	272,512
loss (-)	(54,951)	(111,222)

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

	Dec 31 2018	*Dec 31 2017 (restated)*
Advance payments received as at reporting date	76,064	30,819
Advance payments that can be set off against amounts due from customers for construction contract work	11,382	7,882
Contract costs incurred as at reporting date	1,118,280	1,265,934
Cumulative profit as at reporting date (+)	162,385	186,350
Cumulative loss as at reporting date (+)	(54,951)	(111,223)
Cumulative contract revenue as at reporting date	1,225,713	1,341,061
Amounts invoiced as at reporting date (progress billings)	1,074,902	1,210,799
Settlement of contracts (balance) as at the reporting date, including:	**150,811**	**130,262**
Contract assets less advance payments that can be offset	206,997	138,923
Contract liabilities	67,566	16,543

The Company analysed changes in contract assets and liabilities and reasons behind those changes in 2018. As the Company elected to apply IFRS 15 retrospectively, without restating the comparative data on first application, it did not carry out such analysis with respect to 2017.

The key reasons for changes in contract assets and liabilities in the reporting period are presented in the tables below.

Contract assets:

	Dec 31 2018
Contract assets at beginning of period	137,583
Revenue charged in the reporting period to contract assets	122,630
Total revenue restatements charged to contract assets	–
Changes in impairment losses on contract assets	(507)
Reclassification to trade receivables (-)	(54,557)
Contract assets at end of period	**205,149**

Contract liabilities:

	Dec 31 2018
Contract liabilities at beginning of period	39,479
Performance obligations recognised in the reporting period as contract liabilities	127,201
Total revenue restatements charged to contract liabilities	–
Recognition of revenue recognised in contract liabilities at beginning of period (-)	(34,024)
Contract liabilities at end of period	**132,656**

Disclosures concerning capitalised costs of obtaining and performing contracts are presented by the Company under 'Short-term prepayments and accrued income' (Note 29).

11.1. Key contracts executed by the Company

11.1.1. Jaworzno Project

RAFAKO S.A., as a member of the consortium comprising RAFAKO S.A. (consortium leader) and MOSTOSTAL WARSZAWA S.A., is performing the contract for '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: Steam boiler, turbine generator set, main building, electrical and I&C systems'. The final division of work within the Consortium was agreed on August 4th 2013 based on the amendments made to the consortium agreement, which related to RAFAKO S.A. taking over 99.99% of the project deliveries (with 0.01% remaining for Mostostal Warszawa) and changing the distribution of consideration due to the consortium members to reflect the members' actual shares in the project. The contract for the construction of the Jaworzno III Power Generation Unit was concluded on April 17th 2014. The current value of the contract (following the execution of Annex 5) is approximately PLN 4.5bn (VAT exclusive). In terms of value, it is the largest contract ever performed by RAFAKO S.A. Currently, work is being performed on the last phase of the Jaworzno project, i.e. the start-up and commissioning phase, which will be continued until Unit is placed in service. In accordance with the contract schedule the Unit should be placed in service by November 20th 2019. The completion of this milestone by the contractual deadline is the last key stage of construction of the entire project. After the completion of the milestone relating to placement of the Unit in service, the Warranty Period under the Contract commences, during which the final Guaranteed Technical Parameters Measurements are to be performed within 12 months from placing the Unit in service. During the Warranty Period, the Employer will receive the as-built documentation and the invoice for the last milestone, which is planned for February 2020 in the Schedule of Works and Expenditures. During the Warranty Period, until the Guaranteed Parameters Measurements are performed, additional optimisation work is planned to prepare the Unit for these measurements. The contract will be completed on time if the individual stages of the start-up process go smoothly. Any identified defect or failure of machinery or equipment, unexpected technical problems in process units or electrical systems, particularly at the interface between the units/electrical systems and equipment, as well as the necessity to perform unscheduled additional work may cause a delay in the contract performance. If the contract is not completed by the prescribed deadline, i.e. the Placement-in-Service Report is not signed by November 20th 2019, the Employer may charge penalties for delayed performance of the contract, which could have a material adverse effect on the performance and financial position of both RAFAKO S.A. and the SPV implementing the project. Given the current progress of the commissioning phase, the Company perceives no risk of failure to meet the deadline for placing the Unit in service.

Accounting for the Jaworzno Project:

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

For the purposes of the project, RAFAKO S.A. and E003B7 Sp. z o.o. concluded agreements with financial institutions, whereby they obtained bank/insurance guarantees required to carry out the project, currently worth PLN 604m. Under the same agreements, security for the guarantees was established over the assets of RAFAKO S.A. and E003B7 Sp. z o.o. On March 1st 2017, RAFAKO S.A. signed an annex to the contract with the employer. Under the annex, the project completion date was postponed and the contract value was increased, as described in detail in Note III.1 to the Directors' Report on the RAFAKO Group's operations in 2017.

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

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

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

11.1.2. Opole project

In February 2012, the Company, acting as the leader of a consortium comprising RAFAKO S.A., Polimex-Mostostal S.A. and Mostostal Warszawa S.A., executed a PLN 9.4bn (PLN 11.6bn with VAT included) contract with PGE Elektrownia Opole S.A. (currently PGE Górnictwo i Energetyka Konwencjonalna S.A. − the "employer") for turn-key design, delivery, construction, assembly, start-up and performance of all related services with respect to a facility consisting of power unit No. 5 and power unit No. 6 at the Opole Power Plant, together with equipment and devices as well as all related buildings and structures.

The subsidiary E001RK Sp. z o.o. ("SPV-Rafako") was appointed by RAFAKO S.A. as its subcontractor in charge of the entire scope of work and services related to the construction of the power generating units at Elektrownia Opole. SPV-RAFAKO's VAT-exclusive consideration for the performance of the work and services is PLN 3.96bn (PLN 4.9bn VAT inclusive).

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

On October 10th 2018, RAFAKO S.A., Polimex-Mostostal S.A., Mostostal Warszawa S.A., and GE Power signed with PGE Górnictwo i Energetyka Konwencjonalna S.A. an annex to the contract of February 15th 2012 for the construction of power generating units No. 5 and No. 6 at the Opole Power Plant of PGE GiEK S.A., performed by the Consortium and GE Power sp. z o.o., which is a general designer and consortium leader managing the execution of the Project. Under the Annex, the deadlines for commissioning units No. 5 and No. 6 were changed to June 15th 2019 and September 30th 2019, respectively.

Rules of accounting for the Opole Project:

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

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

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

11.2. Provision for contract losses

The Company recognises provisions if it is probable that the total construction cost will exceed the total contract revenue. An anticipated loss is immediately expensed. The loss amount is determined irrespective of whether the contract work has commenced, of the progress of contract work or expected profits under other contracts which are not individual construction service contracts. Any change in provisions for expected losses increases or reduces the cost of sales under the construction contract to which the provision relates.

	Dec 31 2018	*Dec 31 2017 (restated)*
Opening balance	15,844	19,239
Adjustment to opening balance	(1,754)	–
Opening balance after adjustment	14,090	19,239
Provision for the obligation	5,328	22,391
Reversal of provision for the obligation	–	–
Utilisation of provision for liability	(15,341)	(25,786)
Closing balance	**4,077**	**15,844**
Short-term as at	4,077	15,844
Long-term as at	–	–

	4,077	**15,844**

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

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

During the 12 months ended December 31st 2018, the Company reviewed the amount of the provision for damages due to late contract completion (including delays in meeting contractual obligations and the terms of assessing damages) under current contracts.

During the 12 months ended December 31st 2018, the Company used PLN 3,404 thousand of the provision.

	Dec 31 2018	*Dec 31 2017 (restated)*
Opening balance	8,069	4,856
Adjustment to opening balance	1,691	–
Opening balance after adjustment	9,760	4,856
Recognition of provision for liability	322	9,027
Utilisation of provision for liability	(3,404)	(4,205)
Reversal of provision for liability	(6,678)	(1,609)
Closing balance	–	**8,069**
Short-term as at	–	8,069
Long-term as at	–	–
	–	**8,069**

12. Revenue and operating segments

12.1. Revenue from sale of goods and services

	12 months ended Dec 31 2018	*12 months ended Dec 31 2017 (restated)*
Net revenue from sale of products	44,085	123,936
including: from related entities	3,796	4,039
Net revenue from sale of services	591,578	487,041
including: from related entities	5,655	2,660
Revenue from sale of other goods	4,382	4,352
Other income	317	839
Exchange differences on trade receivables	155	(2,098)
Net revenue from sale of goods and services, total	**640,517**	**614,071**
including: from related entities	9,451	6,699

*For a detailed description of the provision for liquidated damages, affecting the Company's revenue, see Note 11.3.

The sales increase recorded in 2018 was mostly due to the Company's greater involvement in execution of two major contracts secured in the second half of 2016 (contract for the construction of a biomass-fired co-generation unit for UAB VILNIAUS KOGENERACINE JEGAINE of Lithuania and for the delivery and installation of an SCR system and upgrade of electrostatic precipitators at the Kozienice Power Plant for ENEA Wytwarzanie).

The standalone sales volumes and net profit of RAFAKO S.A. are strongly affected by the fact that RAFAKO S.A. is responsible only for approximately 11.3% of the value of the contract to construct the 910 MW supercritical power generation unit at the Jaworzno III Power Plant. The remaining 88.7% of the contract is being performed by E003B7 Sp. z o.o., an SPV. The aggregate value of revenue and profit from the Jaworzno contract is disclosed in the consolidated financial statements only.

12.2. Revenue from sale of materials

	12 months ended Dec 31 2018	*12 months ended Dec 31 2017 (restated)*
Revenue from sale of materials	2,796	2,560
including: from related entities	–	1
Net revenue from sale of merchandise and materials, total	**2,796**	**2,560**
including: from related entities	–	1

Revenue from sales to related entities is presented in detail in Note 43 to these financial statements.

Sales of particular product groups by market are presented in section II.3.2 of the Directors' Report on RAFAKO S.A.'s operations for 2018.

12.3. Revenue by geography

	12 months ended Dec 31 2018	*12 months ended Dec 31 2017 (restated)*
Revenue from sales to domestic customers	376,594	466,877
including: from related entities	5,954	3,376
Revenue from sales to foreign customers	266,719	149,754
including: from related entities	3,497	3,324
Net sales revenue, total	**643,313**	**616,631**
including: from related entities	9,451	6,700

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.

The following table presents the trading partners accounting for more than 10% of total revenue each:

Trading partner	*% of total sales*	*12 months ended Dec 31 2018*
Enea Wytwarzanie Sp. z o.o.	23%	147,056
UAB VILNIAUS KOGENERACINE JEGAINE	19%	120,431
Nowe Jaworzno Grupa TAURON Sp. z o.o.	10%	61,126
Other	48%	314,700
Total	**100%**	**643,313**

12.4. Operating segments

The Company identifies one operating segment, namely the Power and Environmental Protection Facilities segment. The Management Board assesses the Company's performance on the basis of its financial statements.

The Company's core business comprises the manufacture of the following product groups:

Product group name	*12 months ended Dec 31 2018*	*12 months ended Dec 31 2017 (restated)*
Power generation units and steam generators	155,917	83,711
Revenue under the Jaworzno 910 MW project	61,152	108,601
Air pollution control systems	269,477	255,009
Power equipment, machinery and components, and related services	121,809	109,794
Services and products for oil and gas sector	28,829	–
Other revenue	6,129	59,516
Total	**643,313**	**616,631**

13. Operating income and expenses

13.1. Expenses by nature

	12 months ended Dec 31 2018	*12 months ended Dec 31 2017 (restated)*
Depreciation and amortisation	10,904	10,674
Raw materials and consumables used	142,166	282,528
Services	372,422	180,701
Taxes and duties	5,838	6,769
Salaries and wages	106,835	114,764
Social security and other employee benefits	22,693	26,974
Business travel expenses	4,055	5,801
Advertising expenses	1,825	3,552
Foreign exchange differences	970	(1,270)
Cost of insurance	559	798
Other expenses	1,087	2,047
Total expenses by nature	**669,354**	**633,338**
Change in inventories, provisions, accruals and deferrals	(19,337)	12,392
Cost of merchandise and materials sold	1,865	1,427
Work performed by entity and capitalised	(1,303)	(1,777)
	650,579	**645,380**
Distribution costs (negative value)	(24,053)	(32,243)
Administrative expenses (negative value)	(38,959)	(42,893)
Research and development costs (negative value)*	(6,151)	(6,926)
Cost of products and materials sold	**581,416**	**563,318**

*-the amount does not include costs capitalised in the statement of financial position, which were PLN 7,775 thousand in 2018 (December 31st 2017: PLN 1,520 thousand).

The increase in cost of products and materials sold compared with 2017 followed mainly from higher revenue.

In 2018, distribution costs were PLN 24,053 thousand, having decreased by PLN 8,190 thousand year on year. The main reasons behind this decline were lower costs of bid preparation, lower costs of promotion and advertising, and lower salaries and wages.

Administrative expenses in 2018 totalled PLN 38,959 thousand, having fallen by PLN 3,934 thousand year on year. The decrease in costs is mainly due to a reduction in the cost of advisory services.

13.2. Depreciation, amortisation, impairment losses, exchange differences and inventories recognised in the statement of profit or loss

	12 months ended Dec 31 2018	*12 months ended Dec 31 2017 (restated)*
Items recognised as cost of sales (cost of merchandise and finished goods sold)		
Depreciation of property, plant and equipment	6,793	7,135
Amortisation of intangible assets	1,206	1,123
Warranty provisions	(6,832)	13,488
Net foreign exchange gains (losses)	970	(1,270)
Inventory write-downs	(818)	(874)
	1,319	**19,602**
Items recognised as distribution costs		
Depreciation of property, plant and equipment	418	461
Amortisation of intangible assets	89	72
	507	**533**
Items recognised as administrative expenses		
Depreciation of property, plant and equipment	2,186	1,768
Amortisation of intangible assets	212	115
	2,398	**1,883**

13.3. Employee benefits expense

	12 months ended Dec 31 2018	*12 months ended Dec 31 2017 (restated)*
Salaries and wages, including:	103,644	108,890
- current wages and salaries expense	106,835	114,764
- post-employment benefits	(2,104)	(1,027)
- provision for bonuses*	(306)	(5,113)
- provision for holiday entitlements	(781)	266
Social security, including:	22,464	25,963
- social security relating to salaries and wages	19,270	20,869
- social security relating to provision for bonuses	(64)	(1,066)
- social security relating to provision for holiday entitlements	(165)	55
- other benefits	3,423	6,105
	126,108	**134,853**
Items recognised as cost of sales (cost of merchandise and finished goods sold)	90,461	103,049
Items recognised as distribution costs	10,232	10,962
Items recognised as administrative expenses	25,415	20,842
	126,108	**134,853**

*In 2017, the Company reversed the provision for bonuses, as described in detail in Note 36.7.2

13.4. Other income

	12 months ended Dec 31 2018	*12 months ended Dec 31 2017 (restated)**
Income from liquidated damages	135	141
Reversal of impairment loss on non-financial assets	–	12
Gain on sale of property, plant and equipment	108	58
Compensation received	397	–
Grants	1,266	897
Income under issued surety**	5,389	5,272
Reversal of restructuring provision and Voluntary Redundancy Programme provision	5,857	–
Reversal of provision for other costs***	2,813	1,237
Reversal of impairment loss on other receivables	–	313
Other	622	214
	16,587	**8,144**

* The Company implemented IFRS 9 without restating comparative data and presented new items of the statement of comprehensive income, statement of financial position, statement of cash flows and statement of changes in equity resulting from the adoption of the standard exclusively in the current reporting period. In the comparative periods, the Company presented data consistent with that used to prepare the financial statements for the financial year ended December 31st 2017.

** In 2015, the Company executed a surety agreement whereby it provided an irrevocable and unconditional surety for proper performance of all of the subsidiary's contractual obligations; in 2018, income under the surety less discount was PLN 5,389 thousand (2017: PLN 5,272 thousand).

*** In 2017 and 2018, the Company reversed the provision for other costs as the statute of limitations had passed on a trading partner's claims.

13.5. Other expenses

	12 months ended Dec 31 2018	*12 months ended Dec 31 2017 (restated)**
Donations	283	1,930
Scrapping of property, plant and equipment	124	148
Scrapping of materials	569	377
Repairs of property, plant and equipment	163	225
Legal costs	–	121
Impairment loss on assets, including:	2,004	3,731
- property, plant and equipment and intangible assets	177	53
- trade receivables	1,320	3,140
- other receivables	507	538
Recognition of restructuring provision**	–	8,368
Recognition of provisions for other costs	536	403
Costs of membership fees	–	268
Cost of winding up the Turkish branch	688	–
Other	1,251	934
	5,618	**16,505**

* The Company implemented IFRS 9 without restating comparative data and presented new items of the statement of comprehensive income, statement of financial position, statement of cash flows and statement of changes in equity resulting from the adoption of the standard exclusively in the current reporting period. In the comparative periods, the Company presented data consistent with that used to prepare the financial statements for the financial year ended December 31st 2017.

**In 2017, the Company recognised a restructuring provision, as described in detail in Note 36.7.5.

14. Finance income and expenses

14.1. Finance income

	12 months ended Dec 31 2018	*12 months ended Dec 31 2017 (restated)**
Interest on financial instruments, including interest on loans, past due receivables, deposits, and bank accounts, measurement of long-term settlements	6,621	614
Interest on security deposits provided	349	524
Foreign exchange gains	1,241	–
Income from measurement of financial instruments	90	15
Reversal of impairment of financial assets	100	
Other finance income	3	3
	8,404	**1,156**

*The Company implemented IFRS 9 without restating comparative data and presented new items of the statement of comprehensive income, statement of financial position, statement of cash flows and statement of changes in equity resulting from the adoption of the standard exclusively in the current reporting period. In the comparative periods, the Company presented data consistent with that used to prepare the financial statements for the financial year ended December 31st 2017.

14.2. Finance costs

	12 months ended Dec 31 2018	*12 months ended Dec 31 2017 (restated)**
Interest on financial instruments, including interest on bank and other borrowings, lease, past due liabilities, and bank loan fees	4,216	3,736
Interest on employee benefits	741	769
Other interest	–	234
Foreign exchange losses	–	5,397
Costs on measurement of financial instruments	153	–
Recognition of provision for interest expense	64	662
Other finance costs	2	57
	5,176	**10,855**

*The Company implemented IFRS 9 without restating comparative data and presented new items of the statement of comprehensive income, statement of financial position, statement of cash flows and statement of changes in equity resulting from the adoption of the standard exclusively in the current reporting period. In the comparative periods, the Company presented data consistent with that used to prepare the financial statements for the financial year ended December 31st 2017.

15. Income tax

15.1. Income tax expense

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

	12 months ended Dec 31 2018	*12 months ended Dec 31 2017 (restated)*
Statement of profit or loss		
Current tax	323	135
Current income tax expense	–	–
Adjustments to current income tax from previous years	323	135
Deferred tax	(2,952)	(17,431)
Related to recognition and reversal of temporary differences	(2,952)	(17,431)
Adjustments to deferred tax from previous years	–	–
Income tax expense in the statement of profit or loss	**(2,629)**	**(17,296)**
Deferred tax on other comprehensive income	812	(62)
Related to recognition and reversal of temporary differences	812	(62)
Income tax expense recognised in other comprehensive income	**812**	**(62)**

In the reporting period, the Company filed with tax authorities corrected corporate tax returns (CIT-8) for 2017. As a result of the correction, the tax loss was reduced. The returns were corrected following adjustment of both taxable income and deductible costs.

15.2. 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 year ended December 31st 2018:

	12 months ended Dec 31 2018	*12 months ended Dec 31 2017 (restated)*
Profit before tax from continuing operations	6,931	(46,809)
Tax rate applied by the Company	19%	19%
Income tax calculated at the tax rate applied by the Company	**1,317**	**(8,894)**
Reconciliation of income tax on account of:		
Non-taxable income (-)	(2,081)	(319)
Expenses which are permanently non-tax-deductible (+)	1,785	4,586
Use of previously unrecognised tax losses (-)	–	–
Unrecognised deferred tax asset on negative temporary differences (+)	–	–
Unrecognised deferred tax asset on tax losses (+)	1,806	22,006
Adjustment to tax expense for previous periods (+/-)	(323)	(135)
Other items	125	52
Income tax	**2,629**	**17,296**
Average tax rate applied	38%	-37%

15.3. Deferred income tax calculated as at December 31st 2018

Deferred income tax calculated as at December 31st 2018 relates to the following items of the financial statements:

	Statement of financial position		*Statement of comprehensive income for 12 months ended*	
	Dec 31 2018	*Dec 31 2017 (restated)*	*Dec 31 2018*	*Dec 31 2017 (restated)*
- investment reliefs	(2)	(2)	–	–
- difference between tax base and carrying amount of property, plant and equipment and intangible assets	(14,165)	(15,742)	1,577	(54)
- difference between tax base and carrying amount of assets measured at fair value through profit or loss	2,113	2,986	(873)	33
- difference between tax base and carrying amount of loans and receivables	4,117	3,784	333	457
- difference between tax base and carrying amount of gross amount due from customers for contract work and related accruals and deferrals	(28,506)	(24,688)	(3,818)	(6,241)
- difference between tax base and carrying amount of inventories	1,954	2,110	(156)	(166)
- provisions	11,248	16,442	(5,194)	(3,559)
- difference between tax base and carrying amount of financial liabilities measured at amortised cost	27	28	(1)	(6)
- difference between tax base and carrying amount of payables, provisions, and accruals and deferrals relating to accounting for construction contracts	39,418	31,082	8,336	(5,443)
- tax loss	16,178	17,418	(1,240)	335
- adjustment to costs of unpaid invoices	3,856	4,465	(609)	(3,298)
- other	66	561	(495)	449
Deferred tax expense/benefit disclosed in the statement of profit or loss			(2,952)	(17,431)
Deferred tax expense/benefit disclosed in other comprehensive income			812	(62)
			(2,140)	**(17,493)**
Net deferred tax asset/(liability) including:	**36,304**	**38,444**		
Deferred tax assets	36,304	38,444		
Deferred tax liability	–	–		

As at December 31st 2018, the Company recognised a deferred tax asset on a tax loss of PLN 85,146 thousand, which will be offset against profits in future reporting periods.

In the 12 months of 2018, the Company recorded a tax loss of PLN 2,977 thousand. The Company assessed its ability to realise a deferred tax asset on account of a tax loss based on tax forecasts. In line with the prudent valuation principle, the Management Board decided not to recognise a deferred tax asset on the tax loss recorded in the 12 months of 2018. The total amount of tax loss for 2015, 2016, 2017 and 2018 which was not recognised in deferred tax is PLN 160,517 thousand.

16. Recommendation of profit distribution for 2018

The Company's Management Board recommends that the net profit of PLN 4,302 thousand be allocated to the Company's statutory reserve funds.

17. Earnings /(loss) per share

Earnings/(loss) per share are calculated as the quotient of net profit/(loss) for the reporting period attributable to holders of ordinary shares of the Company and the weighted average number of ordinary shares of the Company outstanding in the period.

Net profit/(loss) and shares applied to calculate earnings per share:

	12 months ended Dec 31 2018	*12 months ended Dec 31 2017 (restated)*
Net profit/(loss) from continuing operations	4,302	(64,105)
Profit/(loss) from discontinued operations	–	–
Net profit/(loss)	4,302	(64,105)
Net profit/(loss) attributable to holders of ordinary shares, applied to calculate earnings per share	**4,302**	**(64,105)**
Weighted average number of outstanding ordinary shares, applied to calculate basic earnings/(loss) per share	127,431,998	85,397,751
Dilutive effect:	–	–
Stock options	–	–
Cancellable preference shares	–	–
Adjusted weighted average number of ordinary shares used to calculate diluted earnings/(loss) per share	127,431,998	85,397,751
Earnings/(loss) per share		
– basic earnings/(loss) from profit/(loss) for the period	0.03	(0.75)

The Company does not present diluted earnings/(loss) per share for the 12 months ended December 31st 2018 as it does not have any dilutive financial instruments.

18. Significant items disclosed in the statement of cash flows

The PLN 109,348 thousand increase in receivables disclosed in the statement of cash flows for the 12 months ended December 31st 2018 resulted mainly from:

- PLN 9,706 thousand decrease in trade receivables,
- PLN (2,348) thousand increase in receivables from the state budget (including VAT),
- PLN (80,957) thousand increase in advance payments made,
- PLN (26,376) thousand increase in security deposits receivable,
- PLN (5 931) thousand increase in receivables under sureties,
- PLN (3 442) thousand increase in other receivables.

For a detailed description of changes in security deposits and disputed receivables in the 12 months ended December 31st 2018, see Note 28.

The PLN 60,442 thousand decrease in liabilities disclosed in the statement of cash flows was mainly caused by:

- PLN (13 824) thousand decrease in trade payables,
- PLN (25,422) thousand decrease in taxes and other duties payable,
- PLN (21,221) thousand decrease in other liabilities.

The PLN 25,611 thousand change in gross amounts due to and from customers for contract work disclosed in the statement of cash flows was caused primarily by:

- PLN (67,566) thousand increase in amounts due from customers for contract work,
- PLN 93,177 thousand increase in gross amounts due to customers for contract work,

The PLN (25,376) thousand change in provisions, accruals and deferrals disclosed in the statement of cash flows resulted mainly from:

- PLN (6 833) t thousand decrease in the provision for warranty repairs,
- PLN (10 013) thousand decrease in the provision for expected contract losses,
- PLN (9 760) thousand decrease in the provision for liquidated damages,
- PLN 1,518 thousand change in accruals and deferrals,
- PLN (288) thousand change in other provisions.

The cash flows of PLN 1,209 thousand relating to the purchase of property, plant and equipment and intangible assets resulted from acquisition of property, plant and equipment for PLN 847 thousand and of intangible assets for PLN 362 thousand.

19. Assets and liabilities of the Company Social Benefits Fund

The Act on Company Social Benefits Fund of March 4th 1994, as amended, stipulates that every employer with more than 50 full-time employees is obliged to create a social benefits fund and make periodic (basic and post-employment) contributions to the fund. The objective of the fund is to finance the Company's social activities, loans advanced to its employees and other social expenditure.

	Dec 31 2018	*Dec 31 2017 (restated)*
Assets of Company's social benefits fund:	1,794	4,144
Cash	1,371	3,764
Loans advanced to employees	423	380
Liabilities to Social Benefits Funds	(1,705)	(3,869)
Net balance	**89**	**275**

	12 months ended Dec 31 2018	*12 months ended Dec 31 2017 (restated)*
Contributions to the Social Benefits Fund during the reporting period	635	2,371
	635	**2,371**

20. Property, plant and equipment

Dec 31 2018	*Land*	*Buildings and structures*	*Plant and equipment*	*Vehicles*	*Other*	*Property, plant and equipment under construction*	*Total*
Net carrying amount as at January 1st 2018	**9,232**	**79,329**	**46,303**	**5,495**	**–**	**5**	**140,364**
Acquisitions	–	–	–	–	–	669	669
Lease agreements	–	–	178	1,660	–	–	1,838
Liquidation/sale	(48)	(5)	(45)	(395)	–	–	(492)
Transfers from property, plant and equipment under construction	–	57	617	–	–	(674)	
Translation reserve	–	–	(11)	–	–	–	(11)
Depreciation for period	–	(2,629)	(5,208)	(1,560)	–	–	(9,397)
Impairment of property, plant and equipment in period	–	–	(51)	(113)	–	–	(164)
Other, including reclassification of property, plant and equipment to/from assets held for sale	–	–	(80)	88	–	–	8
Net carrying amount as at Dec 31 2018	**9,184**	**76,752**	**41,703**	**5,175**	**–**	**–**	**132,814**
As at Jan 1 2018							
Gross carrying amount	9,232	108,342	113,797	10,560	2,467	5	244,403
Accumulated depreciation and impairment	–	(29,013)	(67,494)	(5,065)	(2,467)	–	(104,039)
Net carrying amount	**9,232**	**79,329**	**46,303**	**5,495**	**–**	**5**	**140,364**
As at Dec 31 2018							
Gross carrying amount	9,184	108,390	113,055	10,838	2,466	–	243,933
Accumulated depreciation and impairment	–	(31,638)	(71,352)	(5,663)	(2,466)	–	(111,119)
Net carrying amount	**9,184**	**76,752**	**41,703**	**5,175**	**–**	**–**	**132,814**

*Tangible assets pledged as security for the Company's liabilities as at the reporting date are presented in Note 31.1

Dec 31 2017	*Land*	*Buildings and structures*	*Plant and equipment*	*Vehicles*	*Other*	*Property, plant and equipment under construction*	*Total*
Net carrying amount as at Jan 1 2017	**9,280**	**81,093**	**49,383**	**6,987**	**–**	**1,225**	**147,968**
Acquisitions	–	–	–	–	–	2,022	2,022
Lease agreements	–	–	–	110	–	–	110
Liquidation/sale	(48)		(29)	(150)	–	–	(227)
Transfers from property, plant and equipment under construction	–	821	2,421	–	–	(3,242)	–
Translation reserve	–	–	(2)	–	–	–	(2)
Depreciation for period	–	(2,585)	(5,405)	(1,375)	–	–	(9,365)
Impairment of property, plant and equipment in period	–	–	(53)	12	–	–	(41)
Other, including reclassification of property, plant and equipment to/from assets held for sale	–	–	(12)	(89)	–	–	(101)
Net carrying amount as at Dec 31 2017	**9,232**	**79,329**	**46,303**	**5,495**	**–**	**5**	**140,364**
As at Jan 1 2017							
Gross carrying amount	9,280	107,521	112,471	11,047	2,471	1,225	244,015
Accumulated depreciation and impairment	–	(26,428)	(63,088)	(4,060)	(2,471)	–	(96,047)
Net carrying amount	**9,280**	**81,093**	**49,383**	**6,987**	**–**	**1,225**	**147,968**
As at Dec 31 2017							
Gross carrying amount	9,232	108,342	113,797	10,560	2,467	5	244,403
Accumulated depreciation and impairment	–	(29,013)	(67,494)	(5,065)	(2,467)	–	(104,039)
Net carrying amount	**9,232**	**79,329**	**46,303**	**5,495**	**–**	**5**	**140,364**

21. Leased assets

As a lessee, the Company uses property, plant and equipment under finance lease contracts. The carrying amounts of assets held under finance leases are as follows:

	Plant and equipment	*Vehicles*	*Total*
As at Jan 1 2018			
Gross carrying amount	559	7,209	7,768
Accumulated depreciation and impairment	(168)	(2,678)	(2,846)
Net carrying amount	**391**	**4,531**	**4,922**
As at Dec 31 2018			
Gross carrying amount	738	6,621	7,359
Accumulated depreciation and impairment	(261)	(2,466)	(2,727)
Net carrying amount	**477**	**4,155**	**4,632**

The economic useful lives of those assets are consistent with the lease terms, ranging from 24 to 60 months. The Company depreciates leased assets with the straight-line method.

As at December 31st 2018, future minimum lease payments under finance leases and rental contracts purchase option and the net present value of minimum lease payments were as follows:

	Dec 31 2018		*Dec 31 2017*	
	Minimum payments	*Present value*	*Minimum payments*	*Present value*
up to 1 year	1,373	1,148	1,814	1,696
from 1 to 5 years	1,376	1,223	1,221	1,046
Total minimum lease payments	**2,749**	**2,371**	**3,035**	**2,742**
Less finance costs	(378)	–	(293)	–
Present value of minimum lease payments, including:	**2,371**	**2,371**	**2,742**	**2,742**
short-term	1,148	1,148	1,696	1,696
long-term	1,223	1,223	1,046	1,046

In the reporting period, no expenses were recognised on account of contingent lease payments and no sublease payments were made as the assets are used exclusively by the Company.

22. Non-current assets held for sale

As at December 31st 2018, the Company classified non-current assets worth PLN 163 thousand (December 31st 2017: PLN 108 thousand) as assets held for sale.

	December 31st 2018	*December 31st 2017 (restated)*
Non-current assets held for sale, including:		
plant and equipment	99	19
vehicles	64	89
	163	**108**

23. Intangible assets

Dec 31 2018	*Goodwill*	*Patents and licences*	*Intangible assets under development*	*Total*
Net carrying amount as at January 1st 2018	**1,774**	**8,041**	**698**	**10,513**
Acquisitions	–	–	361	361
Transfers from intangible assets under development	–	1,031	(1,031)	–
Amortisation for the year	–	(1,507)	–	(1,507)
As at Dec 31 2018	**1,774**	**7,565**	**29**	**9,368**
As at Jan 1 2018				
Gross carrying amount	1,774	25,757	698	28,229
Accumulated amortisation and impairment	–	(17,716)	–	(17,716)
Net carrying amount	**1,774**	**8,041**	**698**	**10,513**
As at Dec 31 2018				
Gross carrying amount	1,774	26,681	29	28,484
Accumulated amortisation and impairment	–	(19,116)	–	(19,116)
Net carrying amount	**1,774**	**7,565**	**29**	**9,368**

*Intangible assets pledged as security for the Company's liabilities as at the reporting date are presented in Note 31.2.

Dec 31 2017	*Goodwill*	*Patents and licences*	*Intangible assets under development*	*Total*
Net carrying amount as at Jan 1 2017	**1,774**	**8,915**	**369**	**11,058**
Acquisitions	–	–	764	764
Transfers from intangible assets under development	–	435	(435)	–
Amortisation for the year	–	(1,309)	–	(1,309)
As at Dec 31 2017	**1,774**	**8,041**	**698**	**10,513**
As at Jan 1 2017				
Gross carrying amount	1,774	25,213	793	27,780
Accumulated amortisation and impairment	–	(16,298)	(424)	(16,722)
Net carrying amount	**1,774**	**8,915**	**369**	**11,058**
As at Dec 31 2017				
Gross carrying amount	1,774	25,757	698	28,229
Accumulated amortisation and impairment	–	(17,716)	–	(17,716)
Net carrying amount	**1,774**	**8,041**	**698**	**10,513**

Intangible assets included patents, licences and software. Intangible assets not placed in service by the reporting date are presented under 'Intangible assets under development'. The largest item is the licence for BENSON supercritical boilers, with a carrying amount of PLN 2,685 thousand as at December 31st 2018 (December 31st 2017: PLN 2,953 thousand). The remaining licence amortisation period is 10 years from December 31st 2018.

Goodwill

As at December 31st 2018, the Company disclosed goodwill of PLN 1,774 thousand, recognised on:

- acquisition of control of an organised part of the business of PBG AVATIA Sp. z o.o. by RAFAKO S.A., the Company disclosed goodwill of PLN 1,398 thousand;
- accounting for a 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) – PLN 376 thousand.

Test for goodwill impairment

At the end of the reporting period, goodwill was tested for impairment following acquisition of control of an organised part of the business of PBG AVATIA sp. z o.o. by RAFAKO. The test was carried out by an independent expert based on the present value of estimated five-year cash flows allocated to a separate cash generating unit (IT department) and the estimated residual value. The weighted average cost of capital (WACC) was assumed at 9.92%. The test did not reveal any impairment indicator.

Development work

In the 12 months ended December 31st 2018 and the 12 months ended December 31st 2017, the Company made no expenditure on development work which would be capitalised under intangible assets.

Business combinations

In the 12 months ended December 31st 2018 and 12 months ended December 31st 2017, the Company did not merge with another entity.

24. Shares in subsidiaries and other entities

	Dec 31 2018	*Dec 31 2017 (restated)*
Shares in listed subsidiaries		–
Shares in non-listed subsidiaries	35,132	35,091
Shares in other listed companies	160	223
Shares in other non-listed companies	1,228	19
	36,520	**35,333**

*Shares pledged as security for the Company's liabilities as at the reporting date are presented in Note 31.3.

In the 12 months ended December 31st 2018, the Company purchased one (1) share in KIC InnoEnergy SE with a view to expanding the existing cooperation and obtaining the status of a formal partner. Furthermore, in the 12 months ended December 31st 2018, a new company – RAFAKO MANUFACTURING Sp. z o.o. – was established. The shares in the company's share capital were acquired by RAFAKO S.A. for cash contributions. For a detailed description, see Note 4 in these financial statements.

25. Other long-term receivables

	Dec 31 2018	*Dec 31 2017 (restated)*
Financial receivables		
Security deposits	233	95
Other long-term receivables	4,991	5,294
Total long-term receivables, net	**5,224**	**5,389**

26. Other non-current financial assets

	December 31st 2018	*December 31st 2017 (restated)*
Receivables under sureties provided to related entities	22,176	16,245
Long-term bonds	14,066	17,700
	36,242	**33,945**

26.1. Receivables under sureties provided to related entities

In 2015, the Company executed a surety agreement whereby it provided an irrevocable and unconditional surety for proper performance of all of its subsidiary's contractual obligations in connection with the performance of the 'Construction of a 910 MW supercritical power generating unit at the Jaworzno III Power Plant – Power Plant II' contract. The terms of the agreement provide for deferred payment of amounts due under the agreement – by March 31st 2021. Income under the surety agreement is recognised at fair value of the consideration, and is measured using the effective interest method. The Company estimated a provision in connection with the surety, at PLN 1,547 thousand, presented in Note 36.

26.2. Bonds

On November 9th 2016, following the execution of annexes to restructuring documents, PBG S.A. announced that it had commenced the procedure to issue bonds, which were subsequently offered to creditors, including to RAFAKO S.A., whose claims were satisfied by PBG S.A. in accordance with the Arrangement (the "Bonds").

As a consequence, on January 20th 2017 the Company submitted a statement of acceptance of the invitation to purchase Bonds issued by PBG S.A. in eight series: from Series B1 to Series I1 (the Second Issue of PBG Bonds). RAFAKO S.A. acquired a total of 388,492 Bonds with a total nominal value of PLN 38,849,200.00. The Bonds were acquired through a set-off of the amounts owed to RAFAKO S.A. under the PBG arrangement against the issue price of the Bonds.

On February 9th 2017, the Bonds were allotted to RAFAKO S.A. The key terms and conditions of the bonds and their redemption by PBG S.A.are as follows:

1. As at the date of issue of these financial statements, the Bonds issued by PBG S.A. will be redeemed on the following dates and in the following amounts:

Redemption Date	Jun 30 2019	Dec 31 2019	Jun 30 2020
Series	G,G1 and G3	H,H1 and H3	I, I1 and I3
Amount of Bonds to be redeemed	PLN 61,934,800	PLN 46,875,600	PLN 238,445,700
including Bonds acquired by RAFAKO S.A.	*PLN 4,996,100*	*PLN 3,781,300*	*PLN 19,045,000*

2. In accordance with the terms of issue, the bonds issued by PGB S.A. have been and are secured bonds within the meaning of the Bonds Act of January 15th 2015. The bonds are secured primarily with a registered pledge over 42,466,000 RAFAKO shares in a book-entry form (currently representing 33.2% of RAFAKO's share capital), mortgages over the PBG Group's properties, registered pledges over other selected assets of the PBG Group, including over shares in selected companies of the PBG Group (including PBG oil and gas Sp. z o.o), sureties and declarations of voluntary submission to enforcement up to PLN 1,065,000,000.00.
3. PBG S.A. agreed to arrange for the Bonds to be converted into book-entry form and listed on the WSE ATS Market or Bondspot ATS Market within three months of their issue (from the date of each Bond Issue). By decisions of the Warsaw Stock Exchange Management Board of March 9th 2017 and April 19th 2017, the first listing of Series B, C, D, E, F, G, H and I bearer Bonds of PGB S.A. in the Catalyst alternative trading system took place on March 10th 2017 and the first listing of Series C1, D1, G1, H1 and I1 bonds – on April 20th 2017.

As at the date of these financial statements, the parent PBG S.A. redeemed Series B1, C1, D1, E1 and F1 bonds, worth in aggregate PLN 11,026,800, as scheduled.

As at the date of these financial statements, in accordance with the terms and conditions for the Bonds acquired by the Company and issued by PBG S.A., the outstanding bonds of PBG S.A. (with a total value of PLN 353.3m) were secured with the above security interests, including in particular a registered pledge over RAFAKO shares held directly and indirectly by PBG S.A. In the opinion of the Company's Management Board, the provided security and the total amount payable under the Bonds as at the date of these financial statements are sufficient to consider the receivables as recoverable.

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

As at December 31st 2018, the total net value of the bonds was PLN 21,674 thousand (of which PLN 7,608 thousand was recognised under other current financial assets as short-term bonds).

	Series E1 bonds	*Series F1 bonds*	*Series E1 bonds*	*Series E1 bonds*	*Series E1 bonds*	*TOTAL*
Instalment amount as at repayment date	4,139	1,229	4,996	3,781	19,045	33,190
Discount rate*	22.43%	22.43%	22.43%	22.43%	22.43%	
Net amount as at Jan 1 2018	**3,743**	**1,004**	**3,691**	**2,523**	**11,486**	**22,447**
Bond redemption in the period	(4,139)	(1,229)				(5,368)
Discount change in the period	396	225	828	566	2,580	4,595
Net amount as at Dec 31 2018	–	–	**4,519**	**3,089**	**14,066**	**21,674**
Discount rate*	22.41%	22.41%	22.41%	22.41%	22.41%	

*The discount rate also includes the risk related to bankruptcy of a related party.

	Series E1 bonds	*Series C1 bonds*	*Series D1 bonds*	*Series E1 bonds*	*Series E1 bonds*	*Series E1 bonds*	*Series E1 bonds*	*Series E1 bonds*	*TOTAL*
Instalment amount as at repayment date	–	–	–	–	–	–	–	–	–
Discount rate*	–	–	–	–	–	–	–	–	–
Net amount as at Jan 1 2017	–	–	–	–	–	–	–	–	–
Bond subpscription - nominal amount	165	3,521	1,973	4,139	1,229	4,996	3,781	19,045	38,849
Bond redemption in the period	(165)	(3,521)	(1,973)	–	–	–	–	–	(5,659)
Discount change in the period	–	–	–	(106)	(62)	(372)	(371)	(2,309)	(3,220)
Restatement under IFRS 9	–	–	–	(290)	(163)	(933)	(887)	(5,250)	(7,523)
Net amount as at Dec 31 2017	–	–	–	**3,743**	**1,004**	**3,691**	**2,523**	**11,486**	**22,447**
Discount rate*	22.43%	22.43%	22.43%	22.43%	22.43%	22.43%	22.43%	22.43%	

*The discount rate also includes the risk related to bankruptcy of a related party.

27. Inventories

	Dec 31 2018	*Dec 31 2017 (restated)*
Materials (at net realisable value)	29,391	26,320
At cost	39,678	37,425
At net realisable value	29,391	26,320
Total inventories, at the lower of cost and net realisable value	**29,391**	**26,320**

*Inventories pledged as security for the Company's liabilities as at the reporting date are presented in Note 31.4

27.1. Inventory write-downs

	12 months ended Dec 31 2018	*12 months ended Dec 31 2017 (restated)*
At beginning of period	(11,105)	(11,978)
- write-down recognised	(464)	(796)
- write-down reversed	384	1,669
- write-down used	898	–
At end of period	(10,287)	(11,105)

28. Short-term trade and other receivables

	Dec 31 2018	*Dec 31 2017 (restated)*
Financial receivables		
Trade receivables	198,667	207,062
Impairment losses on trade receivables (-)	(18,731)	(17,724)
Net trade receivables	**179,936**	**189,338**
Receivables on sale of property, plant and equipment and intangible assets	252	192
Security deposits	88,455	62,217
Receivables under court proceedings*	25,869	24,507
Other financial receivables	10,483	10,483
Impairment losses on financial receivables (-)	(24,189)	(24,228)
Total financial receivables, net	**280,806**	**262,509**

*The Company recognised an impairment loss on the receivables in an amount corresponding to the risk of their non-recoverability. For a detailed description of disputed receivables, see Note 42 to these financial statements.

	Dec 31 2018	*Dec 31 2017 (restated)*
Non-financial receivables		
Receivables under prepayments and advance payments	99,373	18,416
Receivables from the state budget	9,901	7,553
Other non-financial receivables	5,664	3,908
Impairment losses on non-financial receivables (-)	(3,100)	(3,384)
Total non-financial receivables, net	**111,838**	**26,493**
Total short-term receivables, net	**392,644**	**289,002**

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

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

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

The Company views the carrying amount of trade receivables as a reasonable approximation of their fair value.

Short-term trade receivables of PLN 179,936 thousand recognised in the statement of financial position as at December 31st 2018 relate to trading contracts with domestic and foreign trading partners.

Security deposits of PLN 88,455 thousand disclosed in the statement of financial position as at December 31st 2018 relate mainly to the following projects:

- Construction of a coal-fired steam unit – PLN 18,060 thousand;
- Construction of a gas pipeline (PLN 15,362 thousand);
- Upgrade of the flue gas desulfurization systems – PLN 11,168 thousand;
- SCR system – PLN 8,691 thousand;
- Manufacture of high-pressure parts of a boiler for the incineration plant (PLN 5,775 thousand).

The change in security deposits in the 12 months ended December 31st 2018 was primarily attributable to: a PLN 15,462 thousand cash deposit returned in connection with the construction of a coal-fired steam unit, a PLN 11,168 thousand cash deposit paid in connection with the upgrade of a flue gas desulfurization system, and a PLN 15,362 thousand cash deposit paid in connection with gas pipeline construction.

Advance payments represented a significant portion of other receivables, and amounted to PLN 99,373 thousand as at December 31st 2018, including:

- Advance payment of PLN 44,101 thousand under a contract to construct fuel storage tanks;
- Advance payment of PLN 18,295 thousand under a contract to construct a biomass boiler island;
- Advance payment of PLN 13,457 thousand under a contract for gas pipeline construction;
- Advance payment of PLN 5,837 thousand under a contract to construct an LNG storage tank;

28.1. Impairment losses on trade and other receivables

The Company assessed receivables for impairment in accordance with the accounting policies applied. Impairment losses on receivables, recognised in 2018 in the statement of comprehensive income, were as follows:

- with respect to trade receivables – impairment losses of PLN 1,007 thousand were recognised (2017: PLN 3,140 thousand),
- with respect to other current and non-current financial receivables – impairment losses of PLN 323 thousand were reversed (2017: impairment losses of PLN 85 thousand were recognised).

The tables below set forth changes in impairment losses on receivables in the period covered by these financial statements.

In accordance with the adopted accounting policy, in the case of trade receivables the Company applies a simplified approach based on the calculation of allowances for lifetime expected credit losses.

	Dec 31 2018	*Dec 31 2017 (restated)*
At beginning of period	(14,945)	(17,615)
Adjustment to opening balance	(2,779)	–
At beginning of period after adjustment	(17,724)	(17,615)
Allowances recognised as expense in period	(1,082)	(75)
Allowances reversed and recognised as income in period (-)	75	429
Allowances used (-)	–	2,316
At end of period	**(18,731)**	**(14,945)**

Allowances for other current and non-current financial receivables (i.e. other than trade receivables)

	Dec 31 2018	*Dec 31 2017 (restated)*
At beginning of period	(18,210)	(14,219)
Adjustment to opening balance	(9,402)	–
At beginning of period after adjustment	(27,612)	(14,219)
Allowances recognised as expense in period	(615)	(4,559)
- 12M expected losses	(615)	(4,559)
- significant increase in credit risk, but no impairment	–	–
- impaired assets	–	–
Allowances reversed and recognised as income in period (-)	345	568
- 12M expected losses	345	568
- significant increase in credit risk, but no impairment	–	–
- impaired assets	–	–
Allowances used (-)	593	–
- 12M expected losses	–	–
- significant increase in credit risk, but no impairment	–	–
- impaired assets	593	–
Other changes (net exchange differences)	–	–
At end of period	**(27,289)**	**(18,210)**

29. Short-term prepayments and accrued income

	Dec 31 2018	*Dec 31 2017 (restated)*
Prepayments and accrued income		
Costs of bank and insurance guarantees	3,572	9,204
Costs of obtaining contracts with customers	2,938	9,096
Other costs	8,791	2,369
Prepayments and accrued income	**15,301**	**20,669**

30. Current financial assets

30.1. Other current financial assets

	Dec 31 2018	*Dec 31 2017 (restated)*
Other current financial assets, including:	7,608	4,747
Advance payment to acquire the right to a loan	10,500	10,500
Impairment loss on advance payment to acquire the right to a loan	(10,500)	(10,500)
Short-term bonds	7,608	4,747
	7,608	**4,747**

*For a detailed description of bonds, see Note 26.1

30.2. Cash and cash equivalents

	Dec 31 2018	*Dec 31 2017 (restated)*
Cash at bank and in hand	5,386	158,567
Short-term deposits for up to 3 months, including:	18	354
- deposits pledged as security for contingent liabilities	–	–
	5,404	**158,921**

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

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

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

31.1. Property, plant and equipment pledged as security

As at December 31st 2018, property, plant and equipment pledged as security for liabilities amounted to PLN 128,394 thousand. The property, plant and equipment are pledged as security for liabilities under the multi-purpose credit facility agreement with PKO BP S.A.(mortgage of up to PLN 300m on property of which RAFAKO is the owner or perpetual usufructuary, except residential property, and a first-ranking registered pledge over a set of movables and rights) and in respect of the repayment of BGK's, PKO BP's, mBank's and PZU's claims towards RAFAKO S.A. under the Surety Agreement signed to secure the liabilities of E003B7 Sp. z o.o. arising in connection with the agreement providing for issuance of guarantees for the benefit of TAURON Wytwarzanie S.A. in connection with the implementation of the Jaworzno III 910 MW unit Project (a second-ranking registered pledge over a set of movables and rights).

	Dec 31 2018	*Dec 31 2017 (restated)*
Mortgaged property, plant and equipment, including:	85,754	88,384
land	9,162	9,208
buildings and structures	76,592	79,176
Property, plant and equipment encumbered with registered pledge, including:	42,640	47,035
plant and equipment	41,400	45,983
vehicles	1,200	1,052
	128,394*	**135,419***

*The disclosed amounts include property, plant and equipment of PLN 163 thousand classified as held for sale (December 31st 2017: PLN 108 thousand).

31.2. Intangible items pledged as security

As at December 31st 2018, intangible assets worth PLN 9,339 thousand were pledged as security for the Company's liabilities (December 31st 2017: PLN 9,815 thousand). The assets are pledged as security for liabilities under the Multi-Purpose Credit Facility Agreement with PKO BP S.A. (a first-ranking registered pledge over a set of movables and rights) and in respect of the repayment of BGK's, PKO BP's, mBank's and PZU's claims towards RAFAKO S.A. under the Surety Agreement signed to secure the liabilities of E003B7 Sp. z o.o. arising in connection with the agreement providing for issuance of guarantees for the benefit of TAURON Wytwarzanie S.A. in connection with implementation of the Jaworzno III 910 MW unit Project (a second-ranking registered pledge over a set of movables and rights).

31.3. Shares pledged as security

As at December 31st 2018, shares for an amount of PLN 36,520 thousand (December 31st 2017: PLN 35,333 thousand) were pledged as security for liabilities under the Multi-Purpose Credit Facility Agreement with PKO BP S.A. (a first-ranking registered pledge over a set of movables and rights) and in respect of the repayment of BGK's, PKO BP's, mBank's and PZU's claims towards RAFAKO S.A. under the Surety Agreement signed to secure the liabilities of E003B7 Sp. z o.o. arising in connection with the agreement providing for the issuance of guarantees for the benefit of TAURON Wytwarzanie S.A. in connection with implementation of the Jaworzno III 910 MW Project (a second-ranking registered pledge over a set of movables and rights).

31.4. Inventories pledged as security

As at December 31st 2018, inventories worth PLN 29,391 thousand were pledged as security for the Company's liabilities (December 31st 2017: PLN 26,320 thousand). Inventories are pledged as security for liabilities under the Multi-Purpose Credit Facility Agreement with PKO BP S.A. (a first-ranking registered pledge over a set of movables and rights) and in respect of the repayment of BGK's, PKO BP's, mBank's and PZU's claims towards RAFAKO S.A. under the Surety Agreement signed to secure the liabilities of E003B7 Sp. z o.o. arising in connection with the agreement providing for issuance of guarantees for the benefit of TAURON Wytwarzanie S.A. in connection with implementation of the Jaworzno III 910 MW unit Project (a second-ranking registered pledge over a set of movables and rights).

31.5. Trade receivables pledged as security

As at December 31st 2018, trade receivables of PLN 20,170 thousand were pledged as security for guarantees and borrowings received by the Company (December 31st 2017: PLN 96,482 thousand).

32. Equity

32.1. Share capital

In the 12 months ended December 31st 2018, RAFAKO S.A.'s share capital did not change and as at December 31st 2018 the share capital was PLN 254,864 thousand.

Equity	*Number of shares*	*Value of shares PLN '000*
Series A Shares	900,000	1,800
Series B Shares	2,100,000	4,200
Series C Shares	300,000	600
Series D Shares	1,200,000	2,400
Series E Shares	1,500,000	3,000
Series F Shares	3,000,000	6,000
Series G Shares	330,000	660
Series H Shares	8,070,000	16,140
Series I Shares	52,200,000	104,400
Series J Shares	15,331,998	30,664
Series K Shares	42,500,000	85,000
	127,431,998	**254,864**

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

32.2. Par value per share

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

32.3. Shareholders' rights

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

32.4. Share premium

In the 12 months ended December 31st 2018, the share premium changed due to the coverage of loss brought forward, and as at December 31st 2018 stood at PLN 165,119 thousand.

In the 12 months ended December 31st 2017, the Company increased the share premium account by PLN 78,368 thousand (the share premium was PLN 85,000 thousand, while the direct costs of the issue were PLN 6,632 thousand). As at December 31st 2017, the share premium account amounted to PLN 173,708 thousand.

32.5. Dividends paid

In 2018 and by the date of issue of these financial statements, the Company did not pay dividends nor did the Management Board declare such payment.

32.6. Capital management

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

	Dec 31 2018	*Dec 31 2018 (restated)*
Debt to equity		
Equity	394,426	393,250
Borrowed funds (bank and non-bank borrowings)	100,831	98,568
Total equity and liabilities	917,735	903,902
Capitalisation ratio (equity / total assets)	**0.43**	**0.44**
Total financing sources		
Equity	394,426	393,250
Borrowed funds (bank and non-bank borrowings)	100,831	98,568
Finance leases	2,371	2,742
Capital-to-total financing sources ratio	**3.82**	**3.88**
EBITDA		
Operating profit/(loss)	3,703	(37,110)
Depreciation and amortisation	10,904	10,674
EBITDA	**14,607**	**(26,436)**
Debt		
Borrowings and other debt instruments	100,831	98,568
Finance leases	2,371	2,742
Debt to EBITDA	**7.07**	**(3.83)**

33. Shareholders holding 5% or more of total voting rights at the General Meeting of RAFAKO S.A. at the end of the reporting period

Shareholder	*Number of shares*	*Number of voting rights*	*Ownership interest*	*% of total voting rights at GM*
PBG S.A., Multaros Trading Company Ltd. and Fundusz Inwestycji Polskich Przedsiębiorstw Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych, in accordance with the agreement of October 24th 2017 referred to in Art. 87.1.6) of the Public Offering Act (*), of which:	55,081,769	55,081,769	43.22%	43.22%
PBG S.A.(*)	7,665,999	7,665,999	6.02%	6.02%
Multaros Trading Company Limited (subsidiary of PBG S.A.) (*) (***)	34,800,001	34,800,001	27.31%	27.31%
Fundusz Inwestycji Polskich Przedsiębiorstw Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych managed by PFR TFI S.A. (**)	12,615,769	12,615,769	9.90%	9.90%
Nationale-Nederlanden Otwarty Fundusz Emerytalny managed by Powszechne Towarzystwo Emerytalne S.A. (****)	12,582,710	12,582,710	9.87%	9.87%
Other	59,767,519	59,767,519	46.90%	46.90%

(*) Number of shares based on PBG's and Multaros's notifications of December 28th 2017.
(**) Number of shares based on a notification of January 3rd 2018 received from Fundusz Inwestycji Polskich Przedsiębiorstw Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych.
(***) Given the fact that Multaros Trading Company Ltd. is PBG S.A.'s subsidiary, RAFAKO S.A. (the "Company") is indirectly controlled by PBG S.A., which holds, directly and indirectly, 42,466,000 Company shares, representing 33.32% of its share capital and conferring the right to 33.32% of total voting rights at its General Meeting.
(****) Number of shares estimated based on the annual asset structure published by Nationale-Nederlanden Otwarty Fundusz Emerytalny (as at December 29th 2017).

34. Interest-bearing borrowings

As at December 31st 2018, the Company carried liabilities under bank borrowings.

Short-term borrowings	*Security*	*Other*	*Currency*	*Effective interest rate*	*Maturity*	*Liabilities under borrowings Dec 31 2018*	*Dec 31 2017*
Short-term borrowings:							
PKO BP S.A.	blank promissory note with a promissory note declaration, assignment of receivables under contracts*, clause providing for debt set-off against RAFAKO S.A.'s cash held in bank accounts, mortgage**, statement of submission to enforcement, registered pledge over a set of movables and rights comprising an entire business	current account overdraft facility of up to PLN 70m***	PLN	1M WIBOR + margin	Jun 30 2019****	60,081	55,137
PKO BP S.A.	blank promissory note with a promissory note declaration, assignment of receivables under contracts*, clause providing for debt set-off against RAFAKO S.A.'s cash held in bank accounts, mortgage**, statement of submission to enforcement, registered pledge over a set of movables and rights comprising an entire business	revolving working capital facility of up to PLN 80m***	PLN	1M WIBOR or 1M EURIBOR + margin	Jun 30 2019****	40,750	43,419
						100,831	**98,556**
Short-term non-bank borrowings:							
PGL - DOM Sp. z o.o.*****	blank promissory note with a promissory note declaration	cash loan agreement for financing of day-to-day operations	PLN	1M WIBOR + margin	Dec 31 2017******	–	12
						–	**12**

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

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

***As at the date of issue of these financial statements, in accordance with the annex of 29th 2018 to the multi-purpose credit facility agreement, the facility limit was set at PLN 200m, including an overdraft facility of up to PLN 70m and a working capital facility of up to PLN 80m.

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

***** A subsidiary.

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

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 presented in Note 7.

35. Employee benefit obligations

35.1. Post-employment and other benefits

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

	Dec 31 2018	*Dec 31 2017 (restated)*
As at January 1st	23,185	23,767
Interest expense	741	770
Current service costs	540	450
Actuarial (gains)/losses	4,275	(324)
Benefits paid	(2,644)	(2,538)
Adjustment to the provision, related to the Voluntary Redundancy Programme	–	1,060
Closing balance	**26,097**	**23,185**
Long-term provisions	23,482	20,448
Short-term provisions	2,617	2,737

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

	Dec 31 2018	*Dec 31 2017 (restated)*
Discount rate (%)	2.8	3.2
Expected inflation rate (%)*	–	–
Employee turnover rate	7.5	7
Expected growth of salaries and wages (%)**	2	2

* No data provided in the actuary's report.
** 2% in 2019 and in subsequent years

Sensitivity analysis

Change of the discount rate by half percentage point:

	Increase (PLN '000)	*Decrease (PLN '000)*
Dec 31 2018		
Effect on the defined benefit obligation	(1,064)	1,150
Dec 31 2017		
Effect on the defined benefit obligation	(944)	1,019

35.2. Long-term employee benefit obligations

	Dec 31 2018	*Dec 31 2017 (restated)*
Amounts payable under voluntary redundancy programme	–	153
Unpaid bonus accrual	13	495
Provision for retirement severance payments	6,838	5,901
Provision for length-of-service awards	12,197	10,601
Provision for other employee benefits	4,447	3,946
	23,495	**21,096**

35.3. Short-term employee benefit obligations and provisions

	Dec 31 2018	*Dec 31 2017 (restated)*
Social security	6,488	6,565
Salaries and wages payable	6,179	6,223
Amounts payable under voluntary redundancy programme	145	1,443
Accrued holiday entitlements	2,929	3,875
Unpaid bonus accrual	733	622
Provision for retirement severance payments	540	763
Provision for length-of-service awards	1,754	1,582
Provision for other employee benefits	323	392
	19,091	**21,465**

36. Trade and other payables

36.1. Other non-current liabilities

	Dec 31 2018	*Dec 31 2017 (restated)*
Financial liabilities		
Other non-current liabilities	9,647	14,674
	9,647	**14,674**

36.2. Other long-term provisions

	Dec 31 2018	*Dec 31 2017 (restated)*
Provision for warranty repairs	14,515	16,567
	14,515	**16,567**

36.3. Short-term trade and other payables

	Dec 31 2018	*Dec 31 2017 (restated)*
Financial liabilities		
Trade payables	176,700	185,498
Amounts payable for tangible and intangible assets	217	399
Retentions (security deposits)	259	397
Other financial liabilities	199	–
Total financial liabilities	**177,375**	**186,294**
Non-financial liabilities		
Taxes and other duties payable	16,825	42,247
Other non-financial liabilities	12,229	29,235
Total non-financial liabilities	**29,054**	**71,482**
	206,429	**257,776**

The Company views the carrying amount of trade payables as a reasonable approximation of their fair value.

36.4. Other short-term provisions

	Dec 31 2018	*Dec 31 2017 (restated)*
Provision for warranty repairs	8,436	13,217
Provision for expected contract losses	4,077	14,090
Provision for liquidated damages	–	9,760
Other provisions	575	863
	13,088	**37,930**

36.5. Liabilities under financial derivatives

As at December 31st 2018 and December 31st 2017, the Company carried no open FX contracts with a negative fair value.

36.6. Amounts payable for property, plant and equipment and intangible assets

As at December 31st 2018, the Company had commitments related to purchase of property, plant and equipment of PLN 217 thousand (December 31st 2017: PLN 399 thousand).

As at December 31st 2018, the Company had no signed agreements envisaging capital expenditure to be made and not disclosed in the accounting books at the end of the reporting period.

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

36.7.1. Amounts payable for unused holiday entitlements

The amount payable for unused 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 2018	*Dec 31 2017 (restated)*
Opening balance	3,874	3,553
Provision for the obligation	–	321
Cost of benefits paid	(945)	–
Reversal of provision for the obligation	–	–
Closing balance	**2,929**	**3,874**
Short-term as at	2,929	3,874
Long-term as at	–	–
	2,929	**3,874**

36.7.2. Unpaid bonus accrual

The Company pays to its employees an annual bonus whose amount depends on the achievement by the Company of its operating profit target. In accordance with the provisions of the Collective Bargaining Agreement (CBA), within 30 days of the date of authorisation of the full-year 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 employees. During the financial year, the Company recognises an accrual for the annual bonus in the amount provided for in the CBA, unless the Company's Management Board decides not to recognise the accrual. The Company also recognises an accrual for bonuses to project managers, which are paid upon completion of contracts.

	Dec 31 2018	*Dec 31 2017 (restated)*
Opening balance	1,118	7,296
Provision for the obligation	3,876	418
Cost of benefits paid	(134)	(530)
Reversal of provision for the obligation	(4,114)	(6,066)
Closing balance	**746**	**1,118**
Short-term as at	733	622
Long-term as at	13	496
	746	**1,118**

36.7.3. Provision for warranty repairs

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

	Dec 31 2018	*Dec 31 2017 (restated)*
Opening balance	17,489	19,653
Adjustment to opening balance	12,295	14,695
Opening balance after adjustment	29,784	34,348
Provision for the obligation	14,767	13,466
Costs of warranty repairs incurred	(15,802)	(18,030)
Reversal of provision for the obligation	(5,798)	–
Closing balance	**22,951**	**29,784**
Short-term as at	8,436	13,217
Long-term as at	14,515	16,567
	22,951	**29,784**

36.7.4. Amounts payable under voluntary redundancy programme

On November 15th 2016, the Management Board of RAFAKO resolved to launch a voluntary redundancy programme for the Company employees. The term of the programme was from December 1st 2016 to January 31st 2017.

The programme's objective was to adapt the level, structure and costs of employment at RAFAKO S.A. to the conditions prevailing in the Company's markets so as to avoid the need to initiate a collective redundancy procedure. The programme was to cover up to 200 employees and was addressed in particular to:

- employees at retirement age,
- employees who were entitled to pre-retirement protection,
- other employees meeting the requirements set out in the programme rules.

176 employees applied to participate. 128 applications were approved and the final amount of the resulting obligations (fully provisioned for, charged to the Company's 2016 profit or loss) was PLN 7,622 thousand.

	Dec 31 2018	*Dec 31 2017 (restated)*
Opening balance	1,596	7,094
Provision for the obligation	–	–
Costs incurred	(1,332)	(5,498)
Reversal of provision for the obligation	(119)	–
Closing balance	**145**	**1,596**
Short-term as at	145	1,443
Long-term as at	–	153
	145	**1,596**

36.7.5. Restructuring provision

In 2017, the Company's Management Board decided to commence the next stage of RAFAKO S.A.'s organisational restructuring. The restructuring is in particular designed to reduce the Company's workforce by 15.6% of the current level. The programme aims to adjust the level and costs of employment to the conditions prevailing in the Company's markets. The total number of employees covered by the collective redundancy programme will not exceed 276. In 2017, the Company recognised a restructuring provision of PLN 8,368 thousand, including severance payments, compensations for lost length-of-service awards, etc.

	Dec 31 2018	*Dec 31 2017 (restated)*
Opening balance	8,368	–
Provision for the obligation	–	8,368
Costs incurred	(2,622)	–
Reversal of provision for the obligation	(5,746)	–
Closing balance	–	**8,368**
Short-term as at	–	8,368
Long-term as at	–	–
	–	**8,368**

36.8. Income tax payable

As at December 31st 2018 and December 31st 2017, 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 in these areas are relatively new in Poland, they are often ambiguous and inconsistent. Differences in the interpretation of tax legislation are frequent, both within public administration bodies and between the public administration and businesses, leading to uncertainty and conflicts. Consequently, the 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.

In the 12 months ended December 31st 2018, a customs and tax inspection commenced at the Company concerning the accuracy of declared taxable income and correctness of calculation and payment of corporate income tax for 2016. As at the date of these financial statements, the inspection was in progress.

In the 12 months ended December 31st 2017, no tax inspections were carried out at the Company.

37. Grants

Grants recognised as at December 31st 2018 amounted to PLN 1,047 thousand. The grants 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; the grant was made in cash,
- Prevention activities of Powszechny Zakład Ubezpieczeń S.A., under which it co-financed a project to install a hydrocarbons detection system in RAFAKO's paint and varnish storage facility; the grant was made in cash,
- Prevention activities of Powszechny Zakład Ubezpieczeń S.A., under which it co-financed a project to modernise and extend RAFAKO's CCTV system; the grant was made in cash,
- Prevention activities of Powszechny Zakład Ubezpieczeń S.A. and InterRisk Towarzystwo Ubezpieczeń S.A. Vienna Insurance Group, under which the insurance companies co-finance the fire safety improvement programme in a production building of RAFAKO; the grant was made in cash,
- Research project to develop an innovative electrostatic method of reducing emissions of submicron particles in exhaust and flue gases, in particular from biofuel-fired sources (ELAGLOM) funded by the National Centre for Research and Development as part of the Applied Research Programme; the grant was made in cash,

- Research project 'Flexibility of existing power generating units given limited capital expenditure' funded by the National Centre for Research and Development under measure SGOP 2.1 as part of the PBSE sectoral programme; the grant was made in cash,
- Research project 'Development of a low-cost method to increase the efficiency of flue gas desulfurization units' funded by the National Centre for Research and Development under measure SGOP 2.1 as part of the INNOCHEM sectoral programme; the grant was made in cash,
- Research project 'CO2 methanisation unit for storing electricity by producing CO2-SNG' executed jointly with TAURON Wytwarzanie S.A., Institute for Chemical Processing of Coal, AGH University of Technology, West Technology & Trading Polska Sp. z o.o. of Opole, EXERGON Sp. z o.o. of Gliwice, CEA Institute of France, and Atmostat of France; the grant was made in cash,
- Municipal polygeneration system fired with biomass and refuse-derived fuel, a research project pursued in partnership with EXERGON Sp. z o.o. of Gliwice, TAURON Wytwarzanie S.A., Institute for Chemical Processing of Coal, EQTEC of Spain, CEA Institute of France, and Atmostat of France; the grant was made in cash.

Grant settlements:

Grant purpose	*As at January 1st 2018*	*Increase*	*Grants recognised as other income*	*Grants returned*	*Other decrease in grants*	*As at Dec 31 2018*
Modernisation of property, plant and equipment	177	–	(9)	–	–	168
Partial performance of research project	103	2,033	(1,257)	–	–	879
	280	**2,033**	**(1,266)**	**–**	**–**	**1,047**

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

In the 12 months ended December 31st 2018, the Company did not issue, redeem or repay any debt or equity securities.

In the 12 months ended December 31st 2017, the Company issued 42,500,000 allotment certificates on Series K ordinary bearer shares in the Company. On December 27th 2017, the District Court in Gliwice, 10th Commercial Division of the National Court Register, registered the new share capital of the Company in the amount of PLN 254,863,996, and on January 18th 2018 Series K shares were first traded on the Warsaw Stock Exchange.

39. Use of proceeds

Proceeds from the issue of Series K shares, totalling PLN 163,368 thousand, were used as follows in 2017–2018:

- PLN 110,925 thousand – to finance contracts,
- PLN 41,081 thousand – to finance projects related to putting new products, including polygeneration islands, into production, and to finance projects related to gasification of waste and biomass,
- PLN 11,362 thousand – to finance research and development projects.

A total of PLN 163,368 thousand was used from the issue proceeds. Thus, the share issue of 2017 was accounted for in full.

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

	Dec 31 2018	*Dec 31 2017 (restated)*
Receivables under bank guarantees received mainly as security for performance of contracts, including:	226,019	182,715
- from related entities	–	–
Receivables under sureties received, including:	–	–
- from related entities	–	–
Promissory notes received as security, including:	64,159	18,823
- from related entities	55,657	11,286
Letters of credit	–	46
	290,178	**201,584**

	Dec 31 2018	*Dec 31 2017 (restated)*
Commitments under bank guarantees issued mainly as security for performance of contracts, including:	416,053	320,431
- to related entities	–	–
Liabilities under sureties, including:	1,238,500	1,294,375
- to related entities	1,238,500	1,294,375
Promissory notes issued as security, including:	21,978	15,076
- to related entities	–	–
Letters of credit	–	–
	1,676,531	**1,629,882**

In the 12 months of 2018, RAFAKO S.A.'s contingent liabilities rose by PLN 46,649 thousand, mainly due to an increase in issued guarantees and promissory notes. In the 12 months of 2018, a number of guarantees were issued by banks and insurance companies to trading partners upon RAFAKO S.A.'s instructions, including performance bonds of PLN 76,985 thousand, advance payment guarantees of PLN 68,569 thousand and bid bonds of PLN 64,405 thousand. The largest item of contingent liabilities was an advance payment guarantee of EUR 10,326 thousand issued in December 2018. As at the end of December 2018, liabilities under sureties in issue were PLN 1,238,500 thousand. In this category of liabilities, the largest item was the sureties covering E003B7 Sp. z o.o.'s liabilities, issued by RAFAKO S.A. on April 16th 2014 and February 24th 2016 and valid until April 17th 2028, in connection with the project to develop new coal-fired generation capacities at TAURON Wytwarzanie S.A. – construction of supercritical 910 MW generating unit at the Jaworzno III Power Plant – Power Plant II. The largest item of issued guarantees which expired in 2018 was a bid bond of PLN 9,000 thousand.

In 2018, the Company's contingent receivables (mainly under performance bonds and advance payment guarantees) rose by PLN 88,594 thousand, including an increase of PLN 43,304 thousand in receivables under bank and insurance guarantees and an increase of PLN 45,336 thousand in receivables under promissory notes. The largest item of guarantees received in 2018 was a EUR 2,520 thousand advance payment guarantee. The largest guarantee which expired in the first 12 months of 2018 was a EUR 431 thousand advance payment guarantee.

41. Bank and insurance guarantees

As at December 31st 2018, the Company carried contingent liabilities under bank and insurance guarantees with a total amount of PLN 416,053 thousand, including:

No.	*Guarantee provider:*	*Guarantee amount (PLN '000)*	*Type of guarantee*
1.	AXA	3,180	performance bond, warranty bond, advance payment guarantee, bid bond
2.	ALLIANZ	21,142	performance bond, warranty bond, advance payment guarantee, bid bond
3.	Euler HERMES	21,823	performance bond, warranty bond, advance payment guarantee, bid bond
4.	ERGO HESTIA	60,429	performance bond, warranty bond, advance payment guarantee
5.	PKO BP	84,501	performance bond, warranty bond, advance payment guarantee, payment guarantee
6.	UNIQA	92	performance bond, warranty bond
7.	WARTA	2,120	warranty bond
8.	Generali	31,876	performance bond, warranty bond, advance payment guarantee
9.	InterRisk	22,612	performance bond, warranty bond, bid bond
10.	KUKE	83,357	performance bond, warranty bond
11.	TUW PZUW	4,683	advance payment guarantee
12.	HSBC	80,238	performance bond, advance payment guarantee, bid bond
	TOTAL	**416,053**	

In most cases, the insurers' claims under the provided guarantees are secured by blank promissory notes with promissory note declarations, while the banks' claims are secured mainly with security under the MPCF Agreement and cash security deposits.

42. Litigation and disputes

42.1. Court proceedings concerning compensation from Donetskoblenergo of Ukraine

In a material case under litigation, RAFAKO S.A. is seeking compensation from Donetskoblenergo of Ukraine. RAFAKO S.A. demands the compensation following the customer's final decision to abandon a steam-generator construction project. On August 6th 2010, the Company received a decision issued by the Judicial Chamber for business cases of the Supreme Court of Ukraine granting a cassation appeal lodged by RAFAKO 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) in compensation, default interest, court expenses and legal representation costs. As the enforceability of the decision remains uncertain, RAFAKO S.A. did not recognise the awarded amount in revenue. RAFAKO S.A.'s attorney notified the parent 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 void. According to the attorney, there are no new arguments or evidence to grant the petition. In view of the political situation in Ukraine and the fact that full documentation of the case is missing from one of the courts in the country, all of which makes it impossible to seek protection of RAFAKO S.A.'s rights and interests in court, the Management Board of the Company, having analysed a legal opinion concerning the possibility to further pursuing claims from Donieckobłenergo, decided to abandon the case.

42.2. Court proceedings against Mostostal Warszawa S.A.

On October 11th 2016, the parent filed a claim against Mostostal Warszawa S.A. with the Regional Court of Gliwice, demanding payment of PLN 8,042,475 plus statutory interest accrued from August 3rd 2016 as a refund of 70% of the amounts retained by Mostostal as a performance bond. The grounds for the claim were that the parties terminated their cooperation under the subcontractor agreement for design, delivery and erection of a grid, boiler and flue gas treatment system for two lines of the Thermal Waste Treatment Plant in Szczecin, concluded on December 18th 2012 (eventually, on July 7th 2016, RAFAKO submitted a notice of termination of the subcontractor agreement due to Mostostal Warszawa S.A.'s fault). As cooperation on the project had been discontinued, Mostostal Warszawa S.A. was obliged to refund the amounts retained as a performance bond, because the contractual basis for providing a performance bond had ceased to exist. On October 19th 2016, the Regional Court of Gliwice issued a payment order for the full amount claimed by RAFAKO S.A. On November 25th 2016, the Court received an objection against the payment order, lodged by Mostostal Warszawa S.A. On June 30th 2017, the Regional Court of Gliwice awarded the entire sum demanded by the Company. On August 28th 2017, Mostostal Warszawa S.A. filed an appeal against the ruling of the court of first instance. At the present moment, after RAFAKO S.A. submitted a response to the appeal on October 5th 2017, the parties are waiting for the court to schedule a hearing. As at December 31st 2018, the Company presented the contested contingent receivable, of PLN 8m, under 'Other receivables and prepayments'. On December 12th 2018, the court issued a final judgement in favour of RAFAKO S.A. The awarded amount (approximately PLN 9.5m) was credited to the Company's account in January 2019.

42.3. Court proceedings against Mostostal Warszawa S.A. and Zakład Unieszkodliwiania Odpadów sp. z o.o.

On March 20th 2017, the parent filed with the Regional Court of Gliwice a joint and several claim against Mostostal Warszawa S.A. and Zakład Termicznego Unieszkodliwiania Odpadów Sp. z o.o. for payment of PLN 13,136,446.57 plus statutory interest accrued from November 18th 2016, based on an invoice issued for the work performed by the Company and not paid by Mostostal Warszawa S.A. and Zakład Unieszkodliwiania Odpadów sp. z o.o. under the subcontract concerning the Thermal Waste Treatment Plant in Szczecin. RAFAKO considers the claim to be well-founded and, to support it, the Company carried out a relevant survey of the work performed and delivered the results to the debtors. On March 29th 2017, the court issued a non-final order for payment of the claimed amounts. On April 19th 2017, the defendants lodged with the court objections against the payment order. On July 27th 2017, RAFAKO S.A. filed a pleading which, in addition to the reply to the defendants' objections, extended the claim by PLN 3,021,268, to a total of PLN 16,157,215. So far, one preliminary hearing was held in this case, on October 6th 2017. The defendants submitted to the court a response to the plaintiff's pleading of July 27th 2017, in which the claim was extended. Since the subject matter of the dispute is very complicated, it is difficult to predict its closing date. In the course of the court proceedings, the Company was given the right to inspect the survey of work performed as part of the project, prepared by a court expert at the request of the court investigating the dispute between Mostostal Warszawa S.A. and Zakład Termicznego Unieszkodliwiania Odpadów sp. z o.o. concerning final settlement of contract performance after termination of the contract. The Company compared the results of that survey against its own survey of work and found no significant discrepancies. In the Company's opinion, the defendants may challenge the amount of RAFAKO's claim (determined by the Company based on the surveyed scope of work and the contractual remuneration agreed for specific work), because the claim will be subject to award by the court and may ultimately be dependent on the results of the survey prepared by a court expert. As at December 31st 2018, the Company presented this disputed receivable, net of a prudentially recognised impairment loss, at PLN 13m in 'Other receivables and prepayments'. In the opinion of the law firm representing the Company in these proceedings, the claim as such is legitimate (the chances that the case will be resolved in favour of the Company are about 90%), whereas any assessment of the legitimacy of its amount depends on the results of the evidentiary proceedings, in particular the opinion of the court expert. In view of the current status of the court proceedings and the position presented by the law firm representing the Company, in the opinion of the Company's Management Board as at the date of these financial statements the risk of non-recovery of the above receivables in the disclosed net amount is marginal.

42.4. Dispute with Wärtsilä Finland Oy (Customer)

On March 29th 2018, the Company and Wärtsilä Finland Oy (Customer) signed a contract for the construction of an LNG storage tank in Hamina, Finland. Contractual work is performed based on technical documentation provided by the Customer. Deadlines for the delivery of documents, changes to the scope and methodology for performing work affect the schedule for delivery of materials and the work schedule.

On October 19th 2018, the Customer informed the Company about it having exercised the right of substitute performance with respect to the construction of the steel part of the LNG storage tank, citing the Company's failure to present a signed subcontractor agreement as the only reason. The Customer estimated additional costs of substitute performance at EUR 3,537,412.00. The Customer did not provide any documentation to justify these costs.

The Company disagrees with the Customer's decision, considering it groundless and incompatible with the contract, and rejects the claim in its entirety. The Customer failed to provide the Company with any technical documentation related to the above scope of work, thus preventing the Company from performing the work. The Customer also failed to comply with the procedures for implementing substitute performance, as laid down in the contract. This opinion has been confirmed by the Finnish law firm engaged in connection with the dispute.

In view of delays in delivering documents by the Customer and changes to the scope and technology of the work, the Company summarised the work performed by December 2018 and notified the Customer about its claims totalling EUR 3m. In addition to the possibility of enforcing its rights in arbitration proceedings, the Company has commenced negotiations with the Customer in order to clarify the situation and reach an agreement.

43. Related-party transactions

The related parties of RAFAKO S.A. are its key management personnel, subsidiaries exempt from consolidation and other related parties, including entities controlled by the Company's Management Board. Other main related parties include PBG S.A., PBG oil and gas Sp. z o.o., RAFAKO Engineering Sp. z o.o., Energotechnika Engineering Sp. z o.o., and E003B7 Sp. z o.o.

Outstanding balances of receivables and liabilities are usually settled in cash. For information on contingent liabilities associated with related parties, see Note 40.

In 2018 and 2017, the Company did not enter into any material transactions with related parties on non-arm's length terms.

The following amounts of revenue and receivables from related parties were recognised in the period covered by these financial statements:

	Operating income	
	Jan 1– Dec 31 2018	*Jan 1– Dec 31 2017*
Sales to:		
Entities related through equity links:	9,594	7,440
Entities related through personal links:	1	3
TOTAL	**9,595**	**7,443**

	Receivables	
	Dec 31 2018	*Dec 31 2017*
Sales to:		
Entities related through equity links:	87,398	60,628
Entities related through personal links:	510	516
TOTAL	**87,908**	**61,144**

** Including bonds from PBG S.A. described in Note 26.1*

The following amounts of purchases from and liabilities to related entities were recognised in the period covered by these financial statements:

	Purchases (costs, assets)	
	Jan 1– Dec 31 2018	*Jan 1– Dec 31 2017*
Purchases from:		
Entities related through equity links:	56,788	33,345
Entities related through personal links:	1,653	2,024
TOTAL	**58,441**	**35,369**

	Liabilities	
	Dec 31 2018	*Dec 31 2017*
Purchases from:		
Entities related through equity links:	3,624	10,880
Entities related through personal links:	75	307
TOTAL	**3,699**	**11,187**

43.1. Shares held by members of management and supervisory bodies

The table below presents the number of shares in the Company or the Company's related parties held by the management and supervisory staff as at December 31st 2018:

	Company name	*Total number of shares*	*Par value per share (PLN)*
Management staff member			
Jerzy Wiśniewski	PBG S.A.	193,229,037	3,864,580.74
	MJW Patrimonium Sp. z o.o.	87,000	4,350,000
	Elektrociepłownia Biogazownia Zielona Energia Sp. z o.o.	3,294	164,700
	Dwór w Smólsku Sp. z o.o.	31,908	3,190,800
	PBG CAPITAL GROUP Sp. z o.o.	48	50,400
	Zawisza Bydgoszcz S.A.	500,000	500,000
Jarosław Dusiło	RAFAKO S.A.	44,000	88,000
	PBG S.A.	100	2
Agnieszka Wasilewska-Semail	RAFAKO S.A.	60,245	120,490

	Company name	*Total number of shares*	*Par value per share (PLN)*
Supervisory staff member			
Małgorzata Wiśniewska	PBG S.A.	3,279	65.58
	MJW Patrimonium Sp. z o.o.	35,000	1,750,000
	POL-DOM Sp. z o.o.	119	5,950
Dariusz Szymański	PRZEDSIĘBIORSTWO INŻYNIERSKIE ĆWIERTNIA Sp. z o.o.	640	320,000
	DOMDAR Sp. z o.o.	499	49,900
	Prywatna Spółka Akcyjna ENERGOPOL UKRAINA	20	2,431 UAH
Przemysław Schmidt	Water Tiger Sp. z o.o.	50	2,500
	Comanche Investments Sp. z o.o. (in the process of dissolution)	160	80,000
	3GON Polska Sp. z o.o.	50	25,000
	3GON Europe sp. z o.o.	17	17,000
Adam Szyszka	FSG S.A.	25,000	25,000
	AT Invest Sp. z o.o.	50	25,000
	Biznes i Nauka Sp. z o.o.	1,521	76,050
	Eko-Devoloper Sp. z o.o.	51	229,500
Helena Fic	Leman S.A w likwidacji (in liquidation)	1,000	100,000
	Speranza Sp. z o.o.	91	4,550
	Preventicon Engineering Risk Compliance Sp. z o.o.	400	40,000

43.2. Company's parent

As at the date of these financial statements, PBG S.A. was the parent of RAFAKO S.A.

As at December 31st 2018, PBG S.A. of Wysogotowo held 33.32% of ordinary shares in the Company (6.02% of shares held directly, and 27.31% of shares held indirectly through Multaros Trading Company Ltd.).

43.3. Joint ventures

The Company is not a partner in any joint ventures.

43.4. Related-party transactions

In 2018, the Company did not enter into any material transactions with related parties 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 applied. A related party must ensure that a contract is performed in accordance with the relevant documentation, give a warranty for a specified period, and provide security in the form of a performance bond or a blank promissory note. Related parties are also required to accept standard liquidated damages clauses, non-disclosure agreements, provisions protecting industrial property rights, and provisions regarding contract insurance, force majeure and dispute resolution.

43.5. 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 or Supervisory Boards.

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

The Company does not operate any employee stock option plans.

43.7. Remuneration of the Company's senior management staff

	12 months ended Dec 31 2018	*12 months ended Dec 31 2017*
Short-term employee benefits (salaries and overheads)	11,107	11,361
Length-of-service awards	67	16
Post-employment benefits	27	141
Termination benefits	–	162
Total cost of remuneration paid to key management staff	**11,201**	**11,680**

The remuneration paid to members of the Company's Management and Supervisory Boards for the year ended December 31st 2018 was as follows:

PLN '000

	Base pay	*Awards*	*Other*
Management Board	**2,907**	–	**288**
Krzysztof Burek	85	–	24
Jarosław Dusiło	600	–	26
Edward Kasprzak	466	–	69
Tomasz Tomczak	498	–	27
Agnieszka Wasilewska-Semail	720	–	128
Karol Sawicki	415	–	14
Jerzy Wiśniewski	123	–	–
Supervisory Board	**836**	–	**773**
Małgorzata Wiśniewska	128	–	241
Jerzy Wiśniewski	199	–	500
Dariusz Szymański	108	–	9
Krzysztof Gerula	108	–	–
Przemysław Schmidt	144	–	9
Adam Szyszka	108	–	14
Michał Sikorski	–	–	–
Helena Fic	41	–	–
Total	**3,743**	–	**1,061**

The remuneration paid to members of the Company's Management and Supervisory Boards for the year ended December 31st 2017 was as follows:

PLN '000

	Base pay	*Awards*	*Other*
Management Board	**3,120**	–	**114**
Agnieszka Wasilewska-Semail	720	–	45
Krzysztof Burek	600	–	5
Jarosław Dusiło	600	–	28
Edward Kasprzak	600	–	5
Tomasz Tomczak	600	–	31
Supervisory Board	**993**	–	**1,021**
Jerzy Wiśniewski	240	–	600
Dariusz Sarnowski	195	–	–
Piotr Wawrzynowicz	–	–	181
Małgorzata Wiśniewska	108	–	240
Przemysław Schmidt	126	–	–
Adam Szyszka	108	–	–
Dariusz Szymański	108	–	–
Krzysztof Gerula	108	–	–
Total	**4,113**	–	**1,135**

44. Management Board's position on the Company's ability to deliver forecast results

The Company has not published any forecasts for 2018.

45. Agreement with qualified auditor or auditing firm qualified to audit financial statements, applicable in the periods specified above

The table below presents the remuneration paid or payable to the qualified auditors of financial statements for the years ended December 31st 2018 and December 31st 2017, by type of service:

Type of service	*Year ended Dec 31 2018****	*Year ended Dec 31 2017**
Mandatory audit of the separate and consolidated financial statements	139	235
Other services	–	232**
Total**	**139**	**467**

**Performanceof agreed procedures in accordance with the Polish Standard on Related Services 4400 in connection with secondary issue of shares*

***Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością spółka komandytowa*

****Grant Thornton Polska Spółka z ograniczoną odpowiedzialnością*

46. 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 activities to acceptable levels. The key financial instruments used by the Company include cash, current deposits, currency exchange transactions, advanced loans, overdraft facilities, working capital 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, and 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 does not trade in financial instruments. The role of all financial instruments discussed in this section is to support the core business processes. The Company does not use financial instruments for speculative or other purposes not directly related to its principal business.

The Company's key financial risk is liquidity risk, discussed at length in Note 7 and Note 46.5.

46.1. Currency risk

Currency risk is a significant financial risk for the Company. The source of the risk are exchange rate movements, causing uncertainty as to the level of 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 31.4% of the Company's invoiced revenue was denominated in foreign currencies, primarily in EUR.

The Company's currency risk management strategy provides for the use of natural hedging to the largest possible extent. The Company seeks 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 contract singing, exclusively with accepted types of derivative instruments. As at December 31st 2018, the Company did not have any open hedging positions.

Given its expected revenue and expenses and the present structure of its net currency exposure, the Company refrained from entering into new hedging FX transactions for purchase or sale of foreign currencies within the limits set under its currency risk hedging policy. The Company periodically updates its currency positions and based on such update it makes decisions on hedging the positions.

The Company's financial assets and liabilities, other than foreign-currency denominated derivatives, translated into the złoty using the closing exchange rate effective for the reporting date, were as follows:

	Amount in foreign currency ('000)							*Translated amount*
	EUR	*USD*	*GBP*	*CHF*	*SEK*	*TRY*	*SGD*	
Dec 31 2018								
Financial assets (+):								
Loans	–	–	–	–	–	–	–	–
Trade and other receivables	17,002	1	174	–	–	–	–	73,841
Other financial assets	–	–	–	–	–	–	–	–
Cash and cash equivalents	484	20	1	–	1	–	–	2,146
Financial liabilities (-):								
Borrowings and other debt instruments	–	–	–	–	–	–	–	–
Finance leases	–	–	–	–	–	–	–	–
Trade and other payables	(7,732)	(160)	(1)	(8)	–	–	(148)	(34,008)
Total exposure to currency risk	**9,754**	**(139)**	**174**	**(8)**	**1**	**–**	**(148)**	**41,996**
Dec 31 2017								
Financial assets (+):								
Loans	95	–	–	–	–	–	–	396
Trade and other receivables	13,079	6,214	–	–	1	–	–	76,448
Other financial assets	–	–	–	–	–	–	–	–
Cash and cash equivalents	386	3	1	–	–	–	–	1,649
Financial liabilities (-):								
Borrowings and other debt instruments	–	–	–	–	–	–	–	–
Finance leases	(64)	–	–	–	–	–	–	(267)
Trade and other payables	(3,836)	–	(2)	(2)	–	(2)	(172)	(34,649)
Total exposure to currency risk	**9,660**	**6,217**	**(1)**	**(2)**	**1**	**(2)**	**(172)**	**44,111**

The table below presents the sensitivity of the pre-tax profit/(loss) (due to changes in the value of financial assets and liabilities) to reasonable movements mainly in the EUR, GBP, SGD, and USD exchange rates, *ceteris paribus*.

	Exchange rate increase/decrease	***Effect on pre-tax profit/loss***	***Effect on net profit/loss***
Dec 31 2018 – EUR	+10%	975	790
	-10%	(975)	(790)
Dec 31 2018 – SGD	+10%	(15)	(12)
	-10%	15	12
Dec 31 2018 – GBP	+10%	17	14
	-10%	(17)	(14)
Dec 31 2018 – USD	+10%	(14)	(11)
	-10%	14	11
Dec 31 2018 – CHF	+10%	(1)	(1)
	-10%	1	1

	Exchange rate increase/decrease	***Effect on pre-tax profit/loss***	***Effect on net profit/loss***
Dec 31 2017 – EUR	+10%	2,030	1,644
	-10%	(2,030)	(1,644)
Dec 31 2017 – SGD	+10%	(47)	(38)
	-10%	47	38
Dec 31 2017 – USD	+10%	2,153	1,744
	-10%	(2,153)	(1,744)

The exposure to currency risk varies over the year, depending on the volume of transactions executed in foreign currencies. Nevertheless, the above sensitivity analysis can be regarded as a representative measure to quantify the Company’s exposure to the currency risk at the end of the reporting period.

46.2. Interest rate risk

Management of interest rate risk focuses on minimising the impact of fluctuations in interest cash flows on financial assets and liabilities bearing variable rates of interest. As at December 31st 2018, the Company was party to a credit facility agreement which was a source of potential interest rate risk. Changes in market interest rates may trigger changes in the amount of interest charged on the credit facility, as well as the amount of 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 2018		
PLN	+ 1%	962
EUR	+ 1%	731
GBP	+ 1%	8
PLN	- 1%	(962)
EUR	- 1%	(731)
GBP	- 1%	(8)
Period ended Dec 31 2017		
PLN	+ 1%	831
EUR	+ 1%	547
USD	+ 1%	210
PLN	- 1%	(831)
EUR	- 1%	(547)
USD	- 1%	(210)

46.3. 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 commodity 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 Company manages the commodity price risk by seeking to ensure that its contracts with sub-suppliers are denominated in the currency of the master contract; that employers are responsible for procurement of materials; and that procurement contracts provide for fixed prices of deliveries. The Company does not enter into long-term contracts with sub-suppliers. The scope of supplies is determined and suppliers selected on a case-by-case basis, depending on current needs.

46.4. Credit risk

The Company's exposure to credit risk is closely related to its principal business activities. 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 significant payment delays. Providing credit to trading partners is an essential part of the Company's business. However, the Company undertakes a number of measures to mitigate the risk of trading with potentially unreliable customers. Each customer who wishes to trade on credit terms is subject to credit verification procedures.

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

For detailed information on receivables involving higher credit risk, see Note 42.

The Company has developed a model for estimating expected losses on its receivables and contract assets. A simplified version of the model, assuming the calculation of lifetime expected losses, was used with respect to trade receivables and contract assets.

The model for the other instruments assumes – in the case of instruments for which credit risk has not increased significantly since initial recognition or for which the risk is low – recognising in the first place losses given default for the next 12 months.

The Company considers that loans advanced have low credit risk if they are not past due as at the assessment date and the borrower has confirmed the outstanding amount.

With respect to listed debt securities for which financial information on their issuers is available, the Company assumes that credit risk is low if, based on available financial statements, the financial condition of the issuers of these securities gives no rise to concerns. The Company has assumed that there is a significant increase in risk when, for instance, payments are past due 90 days or more. If the increase in credit risk has been significant, lifetime losses on the instrument are recognised. The Company assumes that a default occurs if the number of days past due is 180 or more, or other circumstances indicate that a default has occurred. Items in respect of which the debtor is in default as described above are treated by the Company as credit impaired financial assets.

For debt instruments which are not past due, the Company has assumed credit risk of 22.41% taking into account the financing cost and the risk of issuer bankruptcy.

With respect to trade receivables, which are the most significant class of assets exposed to credit risk, as well as in the case of contract assets, the Company is exposed to credit risk related to a single major counterparty. As the contracts have been secured through public procurement, the Company does not use any security for these receivables. Analysis of the financial condition of the Company's counterparties did not reveal an increased risk of non-payment of those receivables. In consequence, impairment losses are estimated on a collective basis and the receivables have been grouped based on the past due period. Allowances are estimated based mainly on historical data on days past due and an analysis of days past due and actual payments over the last four years.

In 2018, the Company did not hold any negotiations or make any arrangements that would follow from a significant increase in credit risk, as a result of which payment dates would change or expected cash flows under trade receivables and contract assets would be otherwise modified.

In its operations, the Company does not acquire any credit impaired financial assets, except for receivables arising under joint and several liability to subcontractors. With respect to such receivables, the Company recognises allowances for the full amount of expected credit losses.

As at December 31st 2018, the gross amounts of individual groups and impairment losses were as follows:

		Trade receivables						
	Contract assets	Current	0–30 days	31–90 days	91–180 days	181–365 days	365 days or more	Total
Dec 31 2018								
Location: Poland								
Impairment loss rate	0.85%	0.85%	0.85%	32.22%	55.44%	67.89%	92.44%	–
Gross carrying amount	206,997	117,301	334	188	169	2	15,260	340,251
Impairment loss	1,848	1,001	3	60	94	2	15,204	18,212
Location: outside Poland								
Impairment loss rate	–	0.85%	0.85%	32.22%	55.44%	67.89%	92.44%	–
Gross carrying amount	–	39,411	20,549	2,009	1,827	22	2,510	66,328
Impairment loss	–	336	175	647	1,013	15	181	2,367
Total impairment losses	**1,848**	**1,337**	**178**	**707**	**1,107**	**17**	**15,385**	**20,579**

	Contract assets	Current	Trade receivables 0–30 days	31–90 days	91–180 days	181–365 days	365 days or more	Total
Dec 31 2017								
Location: Poland								
Impairment loss rate	0.85%	0.85%	0.85%	32.22%	55.44%	67.89%	92.44%	–
Gross carrying amount	138,923	124,498	1,085	451	34	1	14,537	279,529
Impairment loss	1,340	1,055	9	145	19	–	14,537	17,105
Location: outside Poland								
Impairment loss rate	–	0.85%	0.85%	32.22%	55.44%	67.89%	92.44%	–
Gross carrying amount	–	42,391	3,762	3,677	1	–	379	50,210
Impairment loss	–	362	32	1,185	1	–	379	1,959
Total impairment losses	**1,340**	**1,417**	**41**	**1,330**	**20**	**–**	**14,916**	**19,064**

As at December 31st 2018, an impairment loss of PLN 125,059 thousand was recognised on other financial receivables in a gross amount of PLN 24,189 thousand (December 31st 2017: a PLN 97,399 thousand impairment loss on other receivables in a gross amount of PLN 24,228 thousand).

46.5. Liquidity risk

The Company is exposed to liquidity risk arising from the mismatch of cash flow maturities under current contracts. 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 operations.

The Company's financial liquidity (going concern) in 2018 is discussed at length in Note 7 to these financial statements.

The table below presents the Company's financial liabilities by maturity as at December 31st 2018 and December 31st 2017, based on contract cash flows.

Dec 31 2018	*Payable on demand*	*Up to 3 months*	*From 3 to 12 months*	*From 1 year to 5 years*	*Over 5 years*	*Total undiscounted liabilities*	*Carrying amount*
Interest-bearing borrowings	–	–	100,831	–	–	100,831	100,831
Lease liabilities	–	374	774	1,233	–	2,371	2,371
Trade and other payables	47,673	111,731	17,972	8,526	2,028	187,930	187,022
	47,673	**112,105**	**119,577**	**9,749**	**2,028**	**291,132**	**290,224**

Dec 31 2017	*Payable on demand*	*Up to 3 months*	*From 3 to 12 months*	*From 1 year to 5 years*	*Over 5 years*	*Total undiscounted liabilities*	*Carrying amount*
Interest-bearing borrowings	–	–	98,568	–	–	98,568	98,568
Lease liabilities	–	413	1,283	1,046	–	2,742	2,742
Trade payables and capital commitments	84,270	93,241	8,673	15,284	–	201,468	200,570
	84,270	**93,654**	**108,524**	**16,330**	**–**	**302,778**	**301,880**

47. Derivative instruments

As at December 31st 2018, the Company did not carry any open positions in derivative financial instruments.

As at December 31st 2018, the Company did not carry any other derivative instruments.

As at December 31st 2017, the Company carried open currency forward contracts (USD 4m sale transactions).

Currency forward transactions were concluded in connection with USD-denominated tender procedures, based on market terms that do not differ from standard terms used in transactions of this type.

48. Financial instruments

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

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

The value of financial assets presented in the statement of financial position as at December 31st 2018 refers to the following categories of financial instruments defined in IFRS 9:

- financial assets at amortised cost,
- financial assets at fair value through profit or loss – designated as such on initial recognition or subsequently,
- financial assets at fair value through profit or loss – obligatorily measured this way in accordance with IFRS 9,
- equity instruments at fair value through other comprehensive income designated as such on initial recognition,
- financial assets at fair value through other comprehensive income,
- financial instruments designated as hedging instruments,
- assets outside the scope of IFRS 9 (non-IFRS 9).

Classes and categories of financial assets	*Carrying amount Dec 31 2018*
Assets at fair value through profit or loss	**160**
Long-term shareholdings	160
Assets at fair value through other comprehensive income	**1,228**
Long-term shareholdings	1,228
Assets at amortised cost	**329,880**
Bonds	21,674
Trade receivables	184,927
Receivables on sale of property, plant and equipment and intangible assets	252
Other financial receivables*	100,851
Other financial assets	22,176
Cash and cash equivalents	**5,404**
	336,672

** Including liquidated damages, disputed receivables, and security deposits.*

As at December 31st 2017, the carrying amount of financial assets was assigned to the following categories of financial instruments defined in IAS 39:

- loans and receivables,
- financial assets at fair value through profit or loss – held for trading,
- financial assets at fair value through profit or loss – designated on initial recognition as assets to be measured at fair value,
- investments held to maturity,
- available-for-sale financial assets,
- financial instruments designated as hedging instruments,
- assets outside the scope of IAS 39 (non-IAS 39).

Classes and categories of financial assets	*Carrying amount Dec 31 2017*
Assets at fair value through profit or loss	**479**
Investment fund units	–
Derivative instruments	479
Available-for-sale financial assets	**223**
Long-term shareholdings	223
Assets held to maturity	**29,970**
Long-term bonds	24,769
Short-term bonds	5,201
Loans and receivables	**296,433**
Trade receivables	197,411
Receivables on sale of property, plant and equipment and intangible assets	–
Other receivables*	82,381
Loans advanced	396
Other non-current financial assets	16,245
Other current financial assets	–
Cash and cash equivalents	**158,921**
	486,026

** Including liquidated damages, disputed receivables, and security deposits.*

The value of financial liabilities presented in the statement of financial position as at December 31st 2018 refers to the following categories of financial instruments defined in IFRS 9:

- financial liabilities at amortised cost
- financial liabilities at fair value through profit or loss – designated as such on initial recognition or subsequently,
- financial liabilities at fair value through profit or loss – financial liabilities held for trading in accordance with IFRS 9,
- financial guarantee agreements,
- contingent consideration in business combinations,
- financial instruments designated as hedging instruments,
- liabilities outside the scope of IFRS 9 (non-IFRS 9).

Classes and categories of financial liabilities	*Carrying amount Dec 31 2018*
Financial liabilities at fair value through profit or loss	–
Derivative instruments	–
Financial liabilities at amortised cost	**287,853**
Borrowings	100,831
Trade payables (including capital commitments)	186,564
Other financial liabilities	458
Liabilities under guarantees, factoring and excluded from the scope of IFRS 9	**2,371**
Liabilities under leases and rental contracts with purchase option	2,371
	290,224

As at December 31st 2017, the carrying amount of financial liabilities was assigned to the following categories of financial instruments defined in IAS 39:

- financial liabilities at fair value through profit or loss – held for trading,
- financial liabilities at fair value through profit or loss – designated upon initial recognition as liabilities at fair value,
- financial liabilities at amortised cost,
- financial instruments designated as hedging instruments,
- liabilities outside the scope of IAS 39 (non-IAS 39).

Classes and categories of financial liabilities	*Carrying amount Dec 31 2017*
Financial liabilities at fair value through profit or loss	–
Derivative instruments	–
Financial liabilities at amortised cost	**299,138**
Borrowings	98,568
Trade payables (including capital commitments)	200,570
Other financial liabilities	–
Liabilities under guarantees and factoring and liabilities excluded from the scope of IAS 39	**2,742**
Liabilities under leases and rental contracts with purchase option	2,742
	301,880

As at December 31st 2018 and December 31st 2017, the Company held the following financial instruments measured at fair value:

Dec 31 2018	*Level 1*	*Level 2*	*Level 3*
Assets at fair value through profit or loss	**160**	–	–
Long-term shareholdings	160	–	–
Assets at fair value through other comprehensive income	**1,228**	–	–
Long-term shareholdings	1,228	–	–

Dec 31 2017	*Level 1*	*Level 2*	*Level 3*
Assets at fair value through profit or loss	**223**	**479**	–
Long-term shareholdings	223	–	–
Derivative instruments	–	479	–

48.2. Interest rate risk

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

Dec 31 2018

Fixed interest rate	*<1 year*	*1-2 years*	*2-3 years*	*3-4 years*	*4-5 years*	*>5 years*	*Total*
Long-term deposits	–	–	–	–	–	–	–
Short-term deposits	–	–	–	–	–	–	–

Variable interest rate	*<1 year*	*1-2 years*	*2-3 years*	*3-4 years*	*4-5 years*	*>5 years*	*Total*
Cash and cash equivalents	5,404	–	–	–	–	–	5,404
Loans advanced	–	–	–	–	–	–	–
Bonds	7,608	14,066	–	–	–	–	21,674
Other assets	–	22,176	–	–	–	–	22,176
Liabilities under finance leases and rental contracts with purchase option	1,148	624	393	206	–	–	2,371
Borrowings	100,831	–	–	–	–	–	100,831
Borrowings	–	–	–	–	–	–	–

Dec 31 2017

Fixed interest rate	*<1 year*	*1-2 years*	*2-3 years*	*3-4 years*	*4-5 years*	*>5 years*	*Total*
Long-term deposits	–	–	–	–	–	–	–
Short-term deposits	–	–	–	–	–	–	–

Variable interest rate	*<1 year*	*1-2 years*	*2-3 years*	*3-4 years*	*4-5 years*	*>5 years*	*Total*
Cash and cash equivalents	158,921	–	–	–	–	–	158,921
Loans advanced	396	–	–	–	–	–	396
Liabilities under finance leases and rental contracts with purchase option	1,696	794	249	3	–	–	2,742
Borrowings	98,556	–	–	–	–	–	98,556
Borrowings	12	–	–	–	–	–	12

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 maturity. Other financial instruments held by the Company, not presented in the tables above, earn no interest and are therefore not exposed to the interest rate risk.

49. Employment

The employment structure at the Company by employee groups at the end of the reporting period and staff turnover are presented below:

	Year ended Dec 31 2018	*Year ended Dec 31 2017*
Production employees	666	754
Engineering design offices staff	212	259
Technology office staff	56	63
Quality control staff	67	81
Maintenance staff	27	23
Other employees (financial and accounting, sales and procurement staff)	502	561
Total	**1,530**	**1,741**

	Year ended Dec 31 2018	*Year ended Dec 31 2017*
New hires	63	30
Terminations	(295)	(329)
Total	**(232)**	**(299)**

For a detailed description of changes in the employment structure, see Section III.4 of the Directors' Report on the Operations of RAFAKO S.A. in 2018.

50. Financial highlights translated into EUR

The financial highlights for the periods covered by these financial statements were translated into the euro at the mid-exchange rates quoted by the National Bank of Poland, and in particular:

- the exchange rate effective for the last day of the reporting period, December 31st 2018: 4.3000 PLN/EUR, December 31st 2017: 4.1709 PLN/EUR,
- the average exchange rate for the period, calculated as the arithmetic mean of the exchange rates effective for the last day of each month in the period: Jan 1 - Dec 31 2018: 4.2617; PLN/EUR, Jan 1 - Dec 31 2017: 4.2447 PLN/EUR,

The highest and lowest exchange rates for each period were as follows: Jan 1 - Dec 31 2018: 4.3978/4.1423 PLN/EUR, Jan 1 - Dec 31 2017: 4.4157/4.1709 PLN/EUR.

	Dec 31 2018	*Dec 31 2017*	*Dec 31 2018*	*Dec 31 2017*
	PLN '000		*EUR '000*	
Statement of financial position				
Assets	917,735	903,902	213,427	216,716
Non-current liabilities	48,880	53,383	11,367	12,799
Current liabilities	474,429	457,269	110,332	109,633
Equity	394,426	393,250	91,727	94,284
PLN/EUR exchange rate at end of period			4.3000	4.1709

The table below sets forth the highlights from the statement of financial position, statement of profit or loss and statement of cash flows, translated into the euro.

	Jan 1– Dec 31 2018	Jan 1– Dec 31 2017	Jan 1– Dec 31 2018	Jan 1– Dec 31 2017
	PLN '000		EUR '000	
Statement of comprehensive income				
Revenue	643,313	616,631	150,951	145,271
Operating profit/(loss)	3,703	(37,110)	869	(8,743)
Profit/(loss) before tax	6,931	(46,809)	1,626	(11,028)
Net profit/(loss)	4,302	(64,105)	1,009	(15,102)
Earnings per share (PLN)	0.03	(0.75)	0.01	(0.18)
Average PLN/EUR exchange rate in the period			4.2617	4.2447
Statement of cash flows				
Net cash from operating activities	(153,037)	(11,138)	(35,910)	(2,624)
Net cash from investing activities	2,537	(2,868)	595	(676)
Net cash from financing activities	(3,355)	107,307	(787)	25,280
Net increase/(decrease) in cash and cash equivalents	(153,855)	93,301	(36,102)	21,981
Average PLN/EUR exchange rate in the period			4.2617	4.2447

51. Events after the reporting period

After the reporting period, no events took place that would affect RAFAKO S.A.'s financial results.

On February 12th 2019, RAFAKO S.A. and Bank Gospodarstwa Krajowego signed the Direct Agreement in relation to the Export Contract, which defines the consequences of the Company's failure to meet the requirement to maintain a 40% or higher share of components sourced in Poland (the "Polish share") in net revenue from the contract to construct two steam units on Lombok Island (Indonesia), performed by the consortium comprising RAFAKO S.A. and PT. Rekayasa Industri, for PT Perusahaan Listrik Negara (Persero) ("PT PLN") (the "Direct Agreement"). The Direct Agreement was signed with respect to the Credit Facility Agreement executed by Bank Gospodarstwa Krajowego and PT PLN and insured with Korporacja Ubezpieczeń Kredytów Eksportowych S.A. ("KUKE"). An export credit facility guaranteed by the State Treasury through KUKE has to meet the Polish share requirement.

The Direct Agreement imposes the obligation to pay a contractual penalty if the Company fails to meet the requirement of the Polish share in net revenue from the Contract, and sets the maximum amount of the contractual penalty which may be imposed on the Company at EUR 80,816,250.00. The potential penalty amount is reduced as PT PLN repays the facility and as KUKE makes earlier insurance payments (if any). If the Polish share requirement is not met (which is in the Company's sole discretion), the insurance policy with KUKE expires and the penalty then serves as collateral for Bank Gospodarstwa Krajowego. The Company has been performing the Contract as it is obliged to towards Bank Gospodarstwa Krajowego and KUKE, and thus it does not expect a necessity to pay the contractual penalty.

On February 15th 2019, RAFAKO S.A. and Operator Gazociągów Przesyłowych GAZ-SYSTEM S.A. of Warsaw, Poland, signed a contract for the performance of construction work as part of the Kędzierzyn Compressor Station project. The VAT-exclusive value of the contract is PLN 168.7m (PLN 207.5m VAT inclusive), with the Company's share accounting for 95% of this amount. The time to complete the contract is 25 months from its date.

On April 16th 2019, the Company and Muzeum Pamięć i Tożsamość im. św. Jana Pawła II (in the process of formation) of Toruń, entered in the Register of Cultural Institutions, for which the Ministry of Culture and National Heritage acts as the organiser, signed a contract for the construction of the building for St. John Paul II 'MEMORY AND IDENTITY' Museum in Toruń under the design & build formula. The contract value is PLN 117.7m, VAT exclusive (approximately PLN 144.7m VAT inclusive).

On April 19th 2019, the Management Board of RAFAKO S.A. received from JSW KOKS S.A. (the "Employer") a letter announcing the selection by the Employer of the Company's bid as the best bid in the tender to award a contract for "Improvement of energy efficiency at JSW KOKS S.A. – Construction of a coke gas power generation unit" at JSW KOKS S.A. KKZ Branch - Radlin Coking Plant. The Employer also invited RAFAKO S.A. to participate in additional negotiations concerning the submitted bid and indicated that conclusion of the contract will require further corporate approvals on the Employer's side.

52. Authorisation for issue

These financial statements were authorised for issue on April 29th 2019 by virtue of the RAFAKO Management Board's resolution dated April 29th 2019.

Signatures:

Jerzy Wiśniewski	– President of the Management Board	....
Agnieszka Wasilewska-Semail	– Vice President of the Management Board	....
Jarosław Dusiło	– Vice President of the Management Board	....
Jolanta Markowicz	Chief Accountant	....