RAFAKO S.A.

THE PBG GROUP

INTERIM CONDENSED FINANCIAL STATEMENTS

for the nine months ended September 30th 2015

November 16th 2015

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(PLN '000)

Interim condensed statement of comprehensive income

for the nine months ended September 30th 2015

	Note	*Three months ended Sep 30 2015 (unaudited)*	*Nine months ended Sep 30 2015 (unaudited)*	*Three months ended Sep 30 2014 (unaudited)*	*Nine months ended Sep 30 2014 (unaudited)*
Continuing operations					
Revenue	11.1	**218,051**	**703,055**	**269,095**	**733,979**
Revenue from sale of goods and services		217,482	701,418	268,699	732,513
Revenue from sale of materials		569	1,637	396	1,466
Costs of sales	11.1	(198,820)	(644,765)	(248,184)	(652,124)
Gross profit/(loss)		**19,231**	**58,290**	**20,911**	**81,855**
Other income	11.1	853	6,391	1,500	3,638
Distribution costs	11.1	(7,115)	(20,539)	(4,062)	(26,348)
Administrative expenses		(8,767)	(26,714)	(8,471)	(28,579)
Other expenses	11.1	(738)	(1,824)	(549)	(7,399)
Profit/(loss) from continuing operations		**3,464**	**15,604**	**9,329**	**23,167**
Finance income	11.1	1,636	11,590	(303)	5,228
Finance costs	11.1	(1,293)	(4,732)	(3,649)	(8,109)
Net gain/(loss) on disposal of a subsidiary		–	11,376	–	–
Profit/(loss) before tax		**3,807**	**33,838**	**5,377**	**20,286**
Income tax expense	11.2	(1,039)	(6,521)	(1,246)	(3,187)
Net profit/(loss) from continuing operations	11.21	**2,768**	**27,317**	**4,131**	**17,099**
Other comprehensive income for the period					
Items to be reclassified to profit/(loss) in subsequent reporting periods					
Exchange differences on translating foreign operations		(194)	(342)	16	38
Other net comprehensive income to be reclassified to profit/(loss) in subsequent reporting periods		**(194)**	**(342)**	**16**	**38**
Items not subject to reclassification to profit/(loss) in subsequent reporting periods					
Other comprehensive income due to actuarial gains/(losses)		(239)	(615)	(184)	16
Tax on other comprehensive income	11.2	46	117	35	(3)
Other comprehensive income not subject to reclassification to profit/(loss) in subsequent reporting periods		**(193)**	**(498)**	**(149)**	**13**
Total comprehensive income for the period		**2,381**	**26,477**	**3,998**	**17,150**
Weighted average number of shares	11.21	70,947,868	70,947,868	69,600,000	69,600,000
Basic earnings/(loss) per share, PLN	11.21	0.04	0.39	0.06	0.25

Racibórz, November 16th 2015

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Interim condensed statement of financial position

as at September 30th 2015

	Note	*Sep 30 2015 (unaudited)*	*Dec 31 2014*
ASSETS			
Non-current (long-term) assets			
Property, plant and equipment	11.4, 11.5	149,695	142,806
Investment property		–	–
Intangible assets	11.5	8,619	9,164
Trade and other receivables - non-current	11.7	8,576	28,990
Trade receivables	11.7	8,576	28,990
Other receivables and prepayments	11.7	–	–
Non-current financial assets		61,755	58,802
Shares in subsidiaries	11.6	25,032	25,032
Shares in other entities	11.6	259	388
Non-current loans advanced	11.8, 13	38	38
Other non-current financial assets	11.8, 13	36,426	33,344
Deferred tax asset	11.2	47,444	49,570
		276,089	**289,332**
Current (short-term) assets			
Inventories	11.9	19,288	21,715
Trade receivables, other receivables and prepayments	11.12, 13	380,536	437,248
Trade receivables	11.12, 13	160,298	237,953
Income tax receivable	11.12	1,145	13,666
Other receivables and prepayments	11.12	219,093	185,629
Gross amount due from customers for contract work	10	220,592	239,735
Current financial assets		107,346	14,418
Derivative instruments		–	–
Current deposits	13	–	–
Current loans advanced	13	453	70
Other current financial assets	11.10, 13	3,979	–
Cash and cash equivalents	11.3, 11.11, 13	102,914	14,348
Other current non-financial assets		–	–
		727,762	**713,116**
Non-current assets held for sale	7	668	35,450
TOTAL ASSETS		**1,004,519**	**1,037,898**

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Interim condensed statement of financial position

as at September 30th 2015

	Note	*Sep 30 2015 (unaudited)*	*Dec 31 2014*
EQUITY AND LIABILITIES			
Total			
Share capital	11.14	169,864	139,200
Share premium	11.17	95,340	36,778
Reserve funds	11.18	104,716	81,201
Exchange differences on translating foreign operations	11.19	(49)	293
Retained earnings / Accumulated losses	11.20	22,329	19,025
		392,200	**276,497**
Non-current liabilities			
Interest-bearing borrowings		–	–
Finance lease liabilities	11.23, 13	2,789	1,581
Deferred tax liability		–	–
Provision for employee benefits	11.22, 17.2	25,090	24,907
Trade and other payables	11.23	15,148	22,869
Trade payables	11.23, 13	12,573	20,504
Capital commitments	13, 20	125	172
Other liabilities	11.23	2,450	2,193
		43,027	**49,357**
Current liabilities			
Trade and other payables	11.24	287,085	378,810
Trade payables	13	200,203	299,227
Capital commitments	13, 20	6,462	4,860
Income tax payable		–	–
Other liabilities	11.24	80,420	74,723
Current portion of interest-bearing borrowings	14	147,115	130,229
Other financial liabilities and finance lease liabilities	11.24, 13	1,204	559
Provision for employee benefits	11.22, 17.2	2,336	1,896
Amounts due to customers and provisions for construction contract work and deferred income	10	131,552	200,550
Amounts due to customers for construction contract work	10	102,257	161,446
Provisions for construction contract work	17	27,839	38,033
Grants		1,456	1,071
		569,292	**712,044**
Total liabilities		**612,319**	**761,401**
TOTAL EQUITY AND LIABILITIES		**1,004,519**	**1,037,898**

Racibórz, November 16th 2015

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Interim condensed statement of cash flows
for the six months ended September 30th 2015

	Note	*Nine months ended Sep 30 2015 (unaudited)*	*Nine months ended Sep 30 2014 (unaudited)*
Cash flows from operating activities			
Profit/(loss) before tax		33,838	20,286
Adjustments for:		(82,957)	87,987
Depreciation and amortisation		7,902	7,731
Foreign exchange gains/(losses)		2	7
Interest and dividends, net		3,440	2,880
(Gain)/loss from investing activities		(13,487)	(268)
Increase/(decrease) in liabilities/assets from valuation of derivative instruments		–	–
(Increase)/decrease in receivables	11.3	59,740	104,103
(Increase)/decrease in inventories		2,427	(58)
Increase/(decrease) in employee benefit provisions and obligations, excluding borrowings	11.3	(89,612)	53,624
Change in accruals and deferrals under construction contracts	11.3	(50,240)	(67,978)
Income tax (paid)/received		(3,136)	(12,039)
Other		7	(15)
Net cash from operating activities		**(49,119)**	**108,273**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment and intangible assets		457	2
Purchase of property, plant and equipment and intangible assets	11.3	(10,671)	(2,792)
Sale of financial assets		–	–
Purchase of financial assets		48,000	–
Share capital increase at subsidiary		–	–
Dividends and interest		15	2,810
Loans advanced		(403)	(190)
Repayment of loans advanced		22	60
Other		(1,440)	–
Net cash from investing activities		**35,980**	**(110)**
Cash flows from financing activities			
Proceeds from issue of shares		89,226	–
Payment of finance lease liabilities		(995)	(237)
Proceeds from borrowings	11.3	17,418	–
Repayment of borrowings	11.3	–	(118,968)
Interest paid	11.3	(2,971)	(5,158)
Bank fees		(1,017)	(1,106)
Other		386	650
Net cash from financing activities		**102,047**	**(124,819)**
Net increase/(decrease) in cash and cash equivalents		88,908	(16,656)
Net foreign exchange differences		(342)	38
Cash at the beginning of the period	11.11	**14,348**	**24,182**
Cash at the end of the period, of which:	11.11	**102,914**	**7,564**
- restricted cash	11.11	1,431	1,269

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Interim condensed statement of changes in equity
for the six months ended September 30th 2015

	Share capital	*Share premium*	*Reserve funds*	*Exchange differences on translating foreign operations*	*Retained earnings/ Accumulated losses*	*Total equity*
As at Jan 1 2015	**139,200**	**36,778**	**81,201**	**293**	**19,025**	**276,497**
Total comprehensive income for the period	–	–	–	(342)	26,819	26,477
Distribution of prior year profits	–	–	23,515	–	(23,515)	–
Series J shares issue	30,664	58,562	–	–	–	89,226
As at Sep 30 2015 *(unaudited)*	**169,864**	**95,340**	**104,716**	**(49)**	**22,329**	**392,200**
As at Jan 1 2014	**139,200**	**36,778**	**220,982**	**204**	**(140,216)**	**256,948**
Total comprehensive income for the period	–	–	–	38	17,112	17,150
Distribution of prior year profits	–	–	(139,781)	–	139,781	–
Dividend	–	–	–	–	–	–
As at Sep 30 2014 *(unaudited)*	**139,200**	**36,778**	**81,201**	**242**	**16,677**	**274,098**

Racibórz, November 16th 2015

NOTES

1. General information

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

The Company has been established for an indefinite term.

These interim condensed financial statements of the Company cover the nine months ended September 30th 2015 and contain comparative data for the nine months ended September 30th 2014 and as at December 31st 2014. The statement of comprehensive income and notes to the statement of comprehensive income contain data for the three months ended September 30th 2015 and the comparative data for the three months ended September 30th 2014 and have not been audited or reviewed by an auditor.

The Company's principal business activities are as follows:

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

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

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

These interim condensed financial statements of the Company have been prepared on a historical cost basis, modified in respect of financial instruments measured at fair value.

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

These interim condensed financial statements for the nine months ended September 30th 2015 were authorised for issue by the Company's Management Board on November 16th 2015.

The Company also prepared interim condensed consolidated financial statements for the nine months ended September 30th 2015, which were authorised for issue by the Company's Management Board on November 16th 2015.

2. Basis of preparation of the interim condensed financial statements

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

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

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

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

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

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

- continued financing of the Company's operations with a credit facility subsequent to May 31st 2016 – pursuant to the annex executed on May 29th 2015, the repayment date for the credit facility used by the Company was extended until May 31st 2016,

- release of cash locked in performance bonds against delivery of appropriate bank guarantees to the Company's trading partners. As at the date of these interim condensed financial statements, the Company had PLN 145m available in open guarantee lines provided by several financial institutions, with approximately 80% of the limit currently used. Availability of the unused portion of the facilities and success in the negotiations with financial institutions concerning further bank/insurance guarantees will enable the Group to perform new contracts it expects to be awarded during the 12 months subsequent to September 30th 2015.

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

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

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

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

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

3. Significant accounting policies

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

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

- Amendments to IFRS 3 *Business Combinations*

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

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

- Amendments to IFRS 13 *Fair Value Measurement*

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

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

- Amendments to IAS 40 *Investment Property*

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

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

- IFRIC 21 *Levies*

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

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

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

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

4. New standards and interpretations issued but not yet effective

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

- IFRS 9 *Financial Instruments* (published on July 24th 2014) − effective for annual periods beginning on or after January 1st 2018 − not adopted by the EU by the date of authorisation of these interim condensed financial statements.
- Amendments to IAS 19 Defined Benefit Plans: Employee Contributions (published on November 21st 2013) − effective for annual periods beginning on or after July 1st 2014 − in the EU, effective not later than for annual periods beginning on or after February 1st 2015.
- *Improvements to IFRSs 2010−2012 (published on December 12th 2013) − some of the amendments are effective for annual periods beginning on or after July 1st 2014, and some prospectively for transactions occurring on or after July 1st 2014 − in the EU, effective not later than for annual periods beginning on or after February 1st 2015.*
- IFRS 14 *Regulatory Deferral Accounts* (published on January 30th 2014) – effective for annual periods beginning on or after January 1st 2016 – no decision has been made as to when EFRAG will carry out the individual stages of the endorsement process − not adopted by the EU by the date of authorisation of these interim condensed financial statements.
- Amendments to IFRS 11 *Accounting for Acquisitions of Interests in Joint Operations* (published on May 6th 2014) − effective for annual periods beginning on or after January 1st 2016 − not adopted by the EU by the date of authorisation of these interim condensed financial statements.

- Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation (published on May 12th 2014) − effective for annual periods beginning on or after January 1st 2016 − not adopted by the EU by the date of authorisation of these interim condensed financial statements.
- IFRS 15 *Revenue from Contracts with Customers* (published on May 28th 2014) − effective for annual periods beginning on or after January 1st 2018 − not adopted by the EU by the date of authorisation of these interim condensed financial statements.
- Amendments to IAS 16 and IAS 41 *Agriculture: Bearer Plants* (published on June 30th 2014) − effective for annual periods beginning on or after January 1st 2016 − not adopted by the EU by the date of authorisation of these interim condensed financial statements.
- Amendments to IAS 27 *Equity Method in Separate Financial Statements* (published on August 12th 2014) − effective for annual periods beginning on or after January 1st 2016 − not adopted by the EU by the date of authorisation of these interim condensed financial statements.
- Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (published on September 11th 2014) − effective for annual periods beginning on or after January 1st 2016, with the effective date of the amendments provisionally postponed by the IASB − no decision has been made as to when EFRAG will carry out the individual stages of work leading to approval of the amendments − not adopted by the EU by the date of authorisation of these interim condensed consolidated financial statements.
- *Improvements to IFRSs 2012−2014* (published on September 25th 2014) − effective for annual periods beginning on or after July 2016 − not adopted by the EU by the date of authorisation of these interim condensed financial statements.
- Amendments to IFRS 10, IFRS 12 and IAS 28 *Investment Entities*: *Applying the Consolidation Exception* (published on December 18th 2014) − effective for annual periods beginning on or after January 1st 2016 − not adopted by the EU by the date of authorisation of these interim condensed financial statements.
- Amendments to IAS 1 *Disclosure Initiative* (published on December 18th 2014) − effective for annual periods beginning on or after January 1st 2016 − not adopted by the EU by the date of authorisation of these interim condensed financial statements.

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

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

5. Significant judgements and estimates

5.1 Professional judgement

When preparing the interim condensed financial statements of the Company, the Management Board has to make some judgements, assumptions and estimates which affect the presented revenue, costs, assets, liabilities, as well as related notes and disclosures concerning contingent liabilities. Uncertainties related to these assumptions and estimates may result in material changes to carrying amounts of assets and liabilities in the future.
Apart from the accounting estimates, the management's professional judgement, which affects the amounts recognised in the financial statements, was of key importance in the application of the accounting policies in the cases described below. The assumptions underlying these estimates are based on the management's best knowledge of current and future activities and events in the particular areas.

Classification of leases where the Company is the lessee

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

The assessment is based on economic substance of each transaction.

Identification of embedded derivatives

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

Syndicated agreements

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

5.2 Uncertainty of estimates

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

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

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

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

Impairment of assets

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

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

Revenue recognition

In accounting for its long-term contracts, the Company uses the percentage of completion method. The use of the method requires the Company to estimate the percentage of completion. If the estimated total cost of contract execution increased by 10% in relation to the Company's original estimate, the revenue would decrease by approximately PLN 44.3m.

Measurement of provision for employee benefits

Provisions for employee benefits were estimated with actuarial methods.

The underlying assumptions are presented in Note **Błąd! Nie można odnaleźć źródła odwołania.**. The actuarial assumptions adopted at the end of 2014 remained unchanged. The change in provisions for employee benefits in the period was caused by the recognition of current service costs, interest expense and benefits paid.

Fair value of financial instruments

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

Depreciation and amortisation rates

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

Deferred tax asset

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

Provision for expected losses on contracts

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

Provision for costs due to late performance of contracts

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

Impairment of financial assets

At the end of the reporting period, the Company makes an assessment of whether there is any objective evidence of impairment of a receivable or a group of financial assets. Where the recoverable amount of the asset is less than its carrying amount, the entity recognises an allowance to bring down the carrying amount to the present value of the expected cash flows. For a detailed discussion of fair value/recoverable amount of receivables from related parties in bankruptcy, see Note 23.

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

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

(PLN '000)

Valuation of receivables from related parties under arrangement proceedings

As at the issue date of these interim condensed financial statements, the Judge Commissioner had declared that an arrangement, consistent with the arrangement proposals, was reached between PBG and its creditors (for details see Note 23). The Company's Management Board remeasured the related receivable as discussed in subsection *'Recognition of a financial asset (receivable) as a result of loss of control over a subsidiary'* based on new assumptions, i.e. the fair value of the receivable was estimated taking into account the expected cash inflows to RAFAKO S.A., taking into consideration PBG S.A.'s arrangement proposals providing for the repayment of PLN 500 thousand and a percentage-based reduction of the debt in excess of PLN 500 thousand (for which no deferred tax asset was recognised), and the expected timing of the first inflow of cash in the 5-year repayment period, assessed by the Management Board of RAFAKO S.A. as June 30th 2016.

Functional currency and presentation currency

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

Exchange rates used to determine carrying amounts:

	Sep 30 2015	*Dec 31 2014*	*Sep 30 2014*
USD	3.7754	3.5072	3.2973
EUR	4.2386	4.2623	4.1755
GBP	5.7305	5.4648	5.3549
CHF	3.8785	3.5447	3.4600
SEK	0.4515	0.4532	0.4550
TRY	1.2477	1.5070	1.4491

6. Change in estimates

In the nine months ended September 30th 2015 and as at September 30th 2015, the Company reviewed and updated estimates in significant areas, as discussed in Note 5.2.5.2

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

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

	Revenue from sale of goods and services	*Profit/(loss) before tax*	*Income tax expense*	*Net profit*
Before change in estimates	698,125	30,545	(5,895)	24,650
Measurement of contracts in accordance with IAS 11	3,293	3,293	(626)	2,667
After change in estimates	**701,418**	**33,838**	**(6,521)**	**27,317**

(PLN '000)

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

	Accruals and deferrals under construction contracts	*Amounts due to customers for construction contract work*	*Deferred tax asset*	*Retained earnings / Accumulated losses*
Before change in estimates	219,802	104,760	48,070	19,662
Measurement of contracts in accordance with IAS 11	790	(2,503)	(626)	2,667
After change in estimates	**220,592**	**102,257**	**47,444**	**22,329**

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

In the reporting period, there were some changes in the structure of the Group.

On February 23rd 2015, an agreement was signed to sell shares in subsidiary FPM S.A. for a total amount of PLN 48m.

The assets sold represented 82.19% of FPM S.A.'s share capital and conferred 82.19% of total voting rights at the FPM S.A. General Meeting.

The carrying amount of the shares in the Company's accounting books was approximately PLN 35.2m (presented as assets held for sale in the statement of financial position as at December 31st 2014). The gain on the sale, net of transaction costs, was PLN 11.4m. Following the transaction, RAFAKO S.A. holds no FPM S.A. shares. There are no links between RAFAKO S.A. or the management or supervisory personnel of RAFAKO S.A. and TDJ or its management personnel.

On September 1st 2015, the General Meeting of subsidiary RAFAKO Engineering Sp. z o.o. passed a resolution to increase the share capital from PLN 1,000,000.00 to PLN 1,959,000.00, i.e. by PLN 959,000.00, through the creation of 1,918 new shares with a par value of PLN 500.00 per share. The resolution waives the pre-emptive rights of the existing Shareholder (RAFAKO S.A., the Parent) to acquire the newly created shares in proportion to the shares already held, assuming that the new shares will be acquired by a new shareholder – related entity PBG oil and gas Sp. z o.o. The shares will be acquired in return for a non-cash contribution in the form of an organised part of business with a total value of PLN 3,878,658.74 and a cash contribution of PLN 1,200,000.00. After the registration of the share capital increase at RAFAKO Engineering Sp. z o.o., the respective interests held in the company by RAFAKO S.A. and PBG oil and gas Sp. z o.o. will be 51.05% and 48.95%. The RAFAKO Engineering Sp. z o.o. share capital increase was registered by the District Court of Gliwice, 10th Commercial Division of the National Court Register, on October 29th 2015.

On October 30th 2015, the Company acquired an organised part of the business of related entity PBG Avatia Sp. z o.o. (a subsidiary of PBG S.A. w upadłości układowej (in company voluntary arrangement)), comprising movables, intangible assets and rights under agreements, for a total amount of PLN 2,500,000.00. The acquisition was made as part of a strategy aimed at standardising the IT processes and services across the PBG Group and locating them within RAFAKO S.A. As the condition precedent to the taking of control of the acquired business has been met, the transaction will be accounted for in accordance with IFRS 3 Business Combinations. As at the date of these financial statements, the final accounting for the transaction and its recognition in the accounting books were still pending.

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

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

9. Operating segments

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

(PLN '000)

10. Construction contracts

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

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

	Sep 30 2015 (unaudited)	*Dec 31 2014*	*Sep 30 2014 (unaudited)*
Contract costs incurred to date (cumulative)	2,429,834	2,785,090	2,426,035
Recognised profits less recognised losses to date (cumulative)	156,762	156,277	117,625
Contract revenue recognised by reference to the contract stage of completion (cumulative)	2,586,596	2,941,367	2,543,660
Progress billings (cumulative)	2,469,450	2,874,767	2,442,721
Gross amount due to customers for contract work (liability), including:	**(102,257)**	**(161,446)**	**(187,010)**
- advances received (liabilities arising from advances received)	(51,174)	(55,585)	(67,436)
- adjustment to advances received arising from amounts due from customers	49,248	19,998	27,584
- gross amount due to customers for contract work	(100,331)	(125,859)	(147,158)
Prepayments relating to accounting for construction contracts, including:	**220,592**	**239,735**	**259,201**
- gross amount due from customers for contract work (asset)	196,068	210,494	259,201
- contract acquisition cost and other accrued contract costs	24,524	29,241	–
Provision for penalties due to late contract performance or failure to meet guaranteed technical specifications	–	(1,946)	(9,077)
Provision for losses on construction contracts	(27,839)	(36,087)	(29,611)

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

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

Key contracts executed by the Company

Opole Project

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

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

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

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

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

Rules of accounting for the Opole Contract:

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

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

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

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

Jaworzno Project

On January 24th 2013, the Company received a notification from TAURON Wytwarzanie S.A. (the 'Employer') stating that the bid put forward by a consortium comprising RAFAKO S.A.

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

Rules of accounting for the Jaworzno project:

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

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

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

In the consolidated financial statements, RAFAKO S.A. offsets Project-related income, expenses and settlements between RAFAKO S.A. and the special purpose vehicle. In its separate financial statements, RAFAKO S.A. recognises only income and expenses related to its own scope of work, i.e. 11.5% of the total scope of work to be performed on the Jaworzno Project.

In its separate financial statements, the Company does not recognise income and expenses related to the portion of work performed by E003B7 Sp. z o.o. − they are reported in the separate financial statements of E003B7 Sp. z o.o. and the consolidated financial statements of the RAFAKO Group.

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

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

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

In the nine months ended September 30th 2015, the Company's revenue amounted to PLN 703,055 thousand, down PLN 30,942 thousand compared with the corresponding period in 2014, mainly due to a lower change in provisions for contractual penalties, credited to revenue from sale of goods and services.

Cost of sales in the first nine months of 2015 amounted to PLN 644,765 thousand, with the Company's gross profit coming in at PLN 58,290 thousand. The change relative to the first nine months of 2014 resulted mainly from a lower change in provisions for contractual penalties and a higher share of contracts delivered with a loss in the aggregate value of sales.

Distribution costs disclosed by the Company mainly include expenses incurred by the cost centres allocated to distribution cost in the cost accounting model (a significant part of which consists of payroll costs and advertising expenses). Such costs also include bidding costs and impairment losses on trade receivables. In the Company's statement of comprehensive income for the first nine months of 2015, distribution costs are disclosed at PLN 20,539 thousand, with the largest item being distribution costs net of impairment losses on trade receivables of PLN 20,223 thousand (September 30th 2014: PLN 20,864 thousand).

The largest components of other income included income from a surety provided to a subsidiary of PLN 4,830 thousand and income from contractual penalties of PLN 506 thousand (September 30th 2014: PLN 1,353 thousand).

Other expenses chiefly included the Power Engineer's Day cost of PLN 506 thousand (September 30th 2014: PLN 474 thousand) and donations of PLN 485 thousand (September 30th 2014: PLN 344 thousand).

In the first nine months of 2015, the Company's finance income was generated mainly from reversal of impairment loss on disputed receivables of PLN 3,639 thousand (September 30th 2014: PLN 78 thousand) and interest on financial instruments of PLN 2,727 thousand (September 30th 2014: PLN 31 thousand).

Finance costs in the period chiefly included interest on financial instruments of PLN 2,956 thousand (September 30th 2014: PLN 4,943 thousand) and commissions on bank borrowings, financial guarantees and insurance of PLN 532 thousand.

(PLN '000)

11.2 Income tax

Income tax expense

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

	Three months ended Sep 30 2015 (unaudited)	*Nine months ended Sep 30 2015 (unaudited)*	*Three months ended Sep 30 2014 (unaudited)*	*Nine months ended Sep 30 2014 (unaudited)*
Current income tax	(3,549)	(4,278)	(8,701)	(8,701)
Current income tax expense	(3,549)	(4,278)	(8,701)	(8,701)
Adjustments to current income tax from previous years	–	–	–	–
Deferred tax	2,510	(2,243)	7,455	5,514
Related to recognition and reversal of temporary differences	2,510	(2,243)	7,455	5,514
Adjustments to deferred tax from previous years	–	–	–	–
Income tax expense in the statement of profit or loss	**(1,039)**	**(6,521)**	**(1,246)**	**(3,187)**
Deferred tax on other comprehensive income				
Related to recognition and reversal of temporary differences	46	117	35	(3)
Income tax expense recognised in other comprehensive income	**46**	**117**	**35**	**(3)**

(PLN '000)

Deferred income tax calculated as at September 30th 2015

Deferred income tax calculated as at September 30th 2015 relates to:

	Statement of financial position		*Statement of comprehensive income for the period ended*	
	Sep 30 2015 (unaudited)	*Dec 31 2014*	*Sep 30 2015 (unaudited)*	*Sep 30 2014 (unaudited)*
- investment reliefs	(3)	(4)	1	–
- difference between tax base and carrying amount of property, plant and equipment and intangible assets	(14,945)	(14,342)	(603)	(421)
- difference between tax base and carrying amount of assets measured at fair value through profit or loss	1,490	1,818	(328)	–
- difference between tax base and carrying amount of loans and receivables	821	509	312	(3,803)
different timing of recognition of revenue from sale of goods and services for tax purposes	(28,315)	(21,158)	(7,157)	8,009
- difference between tax base and carrying amount of inventories	1,859	1,481	378	66
- provisions	14,431	18,025	(3,594)	(7,437)
difference between tax base and carrying amount of financial liabilities measured at amortised cost	47	75	(28)	(101)
- difference between tax base and carrying amount of financial liabilities measured at fair value through profit or loss	–	–	–	–
- difference between tax base and carrying amount of liabilities under guarantees, factoring and excluded from the scope of IAS 39	8	15	(7)	(6)
- different timing of recognition of cost of sales for tax purposes	56,582	50,288	6,294	8,461
- tax asset related to tax loss	–	–	–	(1,467)
- adjustment to costs of unpaid invoices	16,188	12,127	4,061	514
other	(719)	736	(1,455)	1,696
Deferred tax expense			**(2,126)**	**5,511**
Net deferred tax asset/liability, including:	**47,444**	**49,570**		
Deferred tax asset	47,444	49,570		
Deferred tax liability	–	–		

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

11.3 Significant items in the statement of cash flows

The PLN 59,740 thousand decrease in receivables disclosed in the statement of cash flows for the nine months ended September 30th 2015 resulted mainly from:

- PLN 98,069 thousand decrease in trade receivables,
- PLN (4,757) thousand increase in receivables from the state budget (including VAT),
- PLN (23,641) thousand increase in prepayments made,
- PLN (6,521) thousand increase in security deposits receivables,
- PLN (714) thousand increase in Company Social Benefits Fund receivables,
- PLN 683 thousand decrease in receivables from sale of debt,
- PLN (4,865) thousand increase in receivables under sureties,
- PLN 1,486 thousand decrease in other receivables.

For a detailed description of changes in security deposits and disputed receivables in the nine months ended September 30th 2015, see Note 11.12.

The PLN 89,612 thousand decrease in liabilities disclosed in the statement of cash flows was mainly caused by:

- PLN (106,955) thousand decrease in trade payables,
- increase in the provision for retirement benefits
  (net of actuarial gains/(losses)) of PLN 8 thousand,
- PLN (4,883) thousand decrease in the provision for warranty repairs,
- PLN (6,822) thousand decrease in the provision for bonuses,
- PLN (46) thousand decrease in the provision for leaves,
- PLN 21,853 thousand increase in the provision for delayed cost collection,
- PLN (17) thousand decrease in the provision for balance sheet audit,
- PLN 7,250 thousand increase in other liabilities.

The decrease of PLN 50,240 thousand in accruals and deferrals relating to accounting for construction contracts as shown in the statement of cash flows was mainly caused by:

- decrease in gross amount due
  from customers for contract work of PLN 19,143 thousand,
- PLN (59,189) thousand decrease in gross amount due to customers for contract work,
- PLN (10,194) thousand decrease in provisions for contract work,

The cash flows of PLN 10,671 thousand related to acquisition of property, plant and equipment and intangible assets resulted from purchase of property, plant and equipment for PLN 9,965 thousand and of intangible assets for PLN 706 thousand.

The PLN 17,418 thousand proceeds from borrowings disclosed under financing activities in the statement of cash flows were attributable to an overdraft credit facility contracted with PKO BP S.A. The Company's cash from financing activities was also affected by interest of PLN 2,971 thousand paid on the credit facility extended by PKO BP S.A.

(PLN '000)

11.4 Property, plant and equipment

Sep 30 2015 *(unaudited)*	*Land*	*Buildings*	*Plant and equipment*	*Vehicles*	*Other*	*Property, plant and equipment under construction*	*Total*
Net carrying amount as at Jan 1 2015	**9,288**	**81,066**	**44,095**	**5,349**	–	**3,008**	**142,806**
Acquisitions	–	–	595	2,290	–	11,461	14,346
Liquidation/sale	(16)	–	(13)	(392)	–	–	(421)
Transfers from property, plant and equipment under construction	–	975	3,586	–	–	(4,561)	–
Exchange differences on translating foreign operations	–	–	(3)	–	–	–	(3)
Depreciation for the period	–	(1,793)	(4,128)	(730)	–	–	(6,651)
Impairment loss for the reporting period	–	–	–	–	–	–	–
Other, including reclassification of property, plant and equipment to/from assets held for sale	23	–	(456)	51	–	–	(382)
Net carrying amount as at Sep 30 2015 *(unaudited)*	**9,295**	**80,248**	**43,676**	**6,568**	–	**9,908**	**149,695**

Sep 30 2014 (unaudited)	*Land*	*Buildings*	*Plant and equipment*	*Vehicles*	*Other*	*Property, plant and equipment under construction*	*Total*
Net carrying amount as at Jan 1 2014	**9,270**	**83,031**	**46,365**	**3,582**	–	**1,022**	**143,270**
Acquisitions	20	–	–	–	–	3,823	3,843
Liquidation/sale	–	–	(18)	(8)	–	–	(26)
Transfers from property, plant and equipment under construction	–	382	2,066	700	–	(3,148)	–
Exchange differences on translating foreign operations	–	–	–	–	–	–	–
Depreciation for the period	–	(1,858)	(4,076)	(461)	–	–	(6,395)
Impairment loss for the reporting period	–	–	–	–	–	–	–
Other, including reclassification of property, plant and equipment to/from assets held for sale	–	–	8	–	–	–	8
Net carrying amount as at Sep 30 2014 (unaudited)	**9,290**	**81,555**	**44,345**	**3,813**	–	**1,697**	**140,700**

As at September 30th 2015, property, plant and equipment pledged as security for liabilities amounted to PLN 135,129 thousand. The assets serve as security in respect of liabilities under the multi-purpose credit facility agreement with PKO BP S.A. (the mortgage on property of which RAFAKO S.A. is the owner or perpetual usufructuary, with the exception of residential property, for a total amount of approximately PLN 300,000,000.00) and in respect of the repayment of BGK's, PKO BP's and PZU's claims towards RAFAKO S.A. under the Surety Agreement executed in order to secure the liabilities of E003B7 arising in connection with the agreement providing for issuance of guarantees for the benefit of TAURON Wytwarzanie S.A. in connection with the Jaworzno III 910 MW unit Project (a registered pledge over a set of movables and rights).

(PLN '000)

As at September 30th 2014, property, plant and equipment with a net carrying amount of PLN 90,643 thousand served as security in respect of a mortgage established in favour of PKO BP S.A.

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

	Nine months ended Sep 30 2015 (unaudited)	*Nine months ended Sep 30 2014 (unaudited)*
Purchase of property, plant and equipment and intangible assets*	15,052	2,626
Proceeds from sale of property, plant and equipment	457	12

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

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

11.6 Shares in subsidiaries and other entities

	Sep 30 2015 (unaudited)	*Dec 31 2014*
Shares in listed subsidiaries	–	–
Shares in non-listed subsidiaries	25,032	25,032
Shares in other listed companies	240	369
Shares in other non-listed companies	19	19
	25,291	**25,420**

As at September 30th 2015, shares held by the Company worth PLN 25,291 thousand were encumbered with a registered pledge under the Surety Agreement executed in order to secure the liabilities of E003B7 Sp. z o.o. arising in connection with the agreement providing for issuance of guarantees for the benefit of TAURON Wytwarzanie S.A. in connection with the Jaworzno III 910 MW unit Project (a registered pledge over a set of movables and rights)(December 31st 2014: PLN 25,420 thousand).

11.7 Non-current trade receivables

	Sep 30 2015 (unaudited)	*Dec 31 2014*
Trade receivables, including:	8,576	28,990
Trade receivables from related entities	–	–
Trade receivables from other entities	8,576	28,990
Total receivables (net)	**8,576**	**28,990**
Impairment loss on receivables	–	–
Gross receivables	**8,576**	**28,990**

(PLN '000)

11.8 Other non-current financial assets

	Sep 30 2015 (unaudited)	Dec 31 2014
Loans advanced	38	38
Non-current deposits, including:	–	–
- deposits securing bank guarantees provided to the Company	–	–
Other non-current financial assets, including:	31,561	33,344
Receivables from PBG S.A. w upadłości układowej (in company voluntary arrangement) related to the return of shares in ENERGOMONTAŻ – POŁUDNIE S.A.	26,236	27,717
Receivables from PBG S.A. w upadłości układowej (in company voluntary arrangement) in connection with a loan advanced to HYDROBUDOWA S.A. w upadłości likwidacyjnej (in bankruptcy by liquidation)	5,325	5,627
Receivables under sureties provided to related entities	4,865	–
	36,464	**33,382**

In the nine months ended September 30th 2015, the Company remeasured the receivable arising from the return of shares in ENERGOMONTAŻ-POŁUDNIE S.A. and the receivable arising from a loan granted to HYDROBUDOWA S.A. due to changes in estimates and assumptions, as described in detail in Note 23.23

The change in the receivables relative to the amount disclosed as at December 31st 2014 follows from the measurement of the receivables at amortised cost, taking into account the assumptions and estimates specified in Note 6. In the nine months ended September 30th 2015, based on the adopted assumptions, the Company recognised, under other financial assets, the current portion of the receivable from the return transfer of shares in ENERGOMONTAŻ–POŁUDNIE S.A. and current portion of the receivable under the loan advanced to HYDROBUDOWA S.A. (see Note 11.10).11.10

11.9 Inventories

	Sep 30 2015 (unaudited)	Dec 31 2014
Materials (at net realisable value)	19,288	21,715
At cost	29,071	29,507
At net realisable value	19,288	21,715
Total inventories, at the lower of cost and net realisable value	**19,288**	**21,715**
- including: inventories pledged as security for liabilities	19,288	21,715

As at September 30th 2015, inventories worth PLN 19,288 thousand served as security in respect of the Company's liabilities. Inventories secure the repayment of BGK's, PKO BP's and PZU's claims towards RAFAKO S.A. under the Surety Agreement executed in order to secure the liabilities of E003B7 Sp. z o.o. arising in connection with the agreement for issuance of guarantees for the benefit of TAURON Wytwarzanie S.A. in connection with the Jaworzno III 910 MW unit Project (a registered pledge over a set of movables and rights) (December 31st 2014: PLN 21,715 thousand).

(PLN '000)

Inventory write-downs

	Nine months ended Sep 30 2015 (unaudited)	*12 months ended Dec 31 2014*
At the beginning of the period	(7,792)	(6,354)
- write-down recognised	(2,161)	(1,743)
- write-down reversed	170	305
Balance at end of period	**(9,783)**	**(7,792)**

11.10 Other current financial assets

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

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

In the nine months ended September 30th 2015, the Company remeasured the receivable arising from the return of shares in ENERGOMONTAŻ-POŁUDNIE S.A. and the receivable arising from a loan granted to HYDROBUDOWA S.A., and presented in current receivables that portion of its receivables which – in accordance with the Arrangement made by PBG S.A. w upadłości układowej (in company voluntary arrangement) with its creditors – are to be paid on June 30th 2016. For more information, see Note 23.23

(PLN '000)

11.11 Cash and cash equivalents

	Sep 30 2015 (unaudited)	*Dec 31 2014*	*Sep 30 2014 (unaudited)*
Cash in hand and at banks	12,058	7,101	4,040
Current deposits for up to 3 months, including:	90,856	7,247	3,524
- inventories pledged as security for liabilities	–	–	–
	102,914	**14,348**	**7,564**
including: restricted cash	1,431	1,317	1,269

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

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

11.12 Current trade receivables, other receivables and prepayments

	Sep 30 2015 (unaudited)	*Dec 31 2014*
Trade receivables, including:	160,298	237,953
Trade receivables from related entities	3,025	1,817
Trade receivables from other entities	157,273	236,136
Income tax receivable	1,145	13,666
Other receivables and prepayments, including:	219,093	185,629
Advance payments made to related parties	80	363
Advance payments made to other parties	36,773	12,849
Receivables from the state budget	10,807	6,050
Settlement of property insurance costs	24	921
Settlements with the Company Social Benefits Fund	853	139
Disputed receivables	300	300
Prepaid expenses	1,116	1,315
Security deposits	168,791	162,270
Receivables sold	–	683
Other	349	739
Other receivables from related entities	–	–
Total receivables (net)	**380,536**	**437,248**
Impairment loss on receivables	36,675	40,294
Gross receivables	**417,211**	**477,542**

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

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

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

(PLN '000)

Current trade receivables of PLN 160,298 thousand recognised in the statement of financial position as at September 30th 2015 relate to trading contracts with domestic and foreign contractors. The largest items in this group of receivables include receivables from:

- Grupa Azoty Zakłady Azotowe Kędzierzyn S.A. – PLN 47,232 thousand,
- HITACHI INOVA AG – PLN 35,015 thousand,
- Synthos Dwory 7 Sp. z o.o. sp.j. – PLN 18,653 thousand,
- Mostostal Warszawa S.A. – PLN 17,880 thousand.

In the nine months ended September 30th 2015, the Company recorded a PLN 6,521 thousand increase in security deposit receivables, including:

- cash security deposit paid under the contract concluded with Valmet Technologies Inc. for the supply of pressure equipment; the value of security deposits paid and accounted for in the nine months ended September 30th 2015 was PLN 3,265 thousand,
- cash security deposits paid to PKO Bank Polski S.A. as security under contracts performed by the Company; the value of security deposits paid to and accounted for in the nine months ended September 30th 2015 was PLN 5,166 thousand.

A significant item of other receivables was prepayments, which amounted to PLN 36,853 thousand as at September 30th 2015 and included:

- prepayments to Sumimoto S.A.S. – PLN 17,107 thousand,
- prepayments to Siemens s.r.o. – PLN 10,062 thousand,
- prepayments to Termokimik Corporation SPA – PLN 1,891 thousand,
- prepayments to Veolia Water Technologies Sp. z o.o. - PLN 1,251 thousand.

11.13 Impairment losses on assets

	*Shares**	*Other non-financial assets*	*Inventories***	*Receivables****
Jan 1 2015	(24,230)	(5,676)	(7,792)	(40,294)
Impairment loss recognised	(130)	–	(2,161)	(1,270)
Impairment loss utilised/reversed	28	–	170	4,889
Sep 30 2015 (unaudited)	**(24,332)**	**(5,676)**	**(9,783)**	**(36,675)**
Jan 1 2014	(24,280)	(5,676)	(6,354)	(57,633)
Impairment loss recognised	–	–	(505)	(13,287)
Impairment loss utilised/reversed	74	–	159	25,871
Sep 30 2014 (unaudited)	**(24,206)**	**(5,676)**	**(6,700)**	**(45,049)**

* Impairment losses on shares in companies are recognised for shares in companies declared bankrupt and in connection with remeasurement of shares.
** inventory write-downs and write-down reversals are charged to cost of products and services sold
*** impairment losses on non-current and current trade and other receivables, including contractual penalties

11.14 Share capital

In the nine months ended September 30th 2015, the share capital of RAFAKO S.A. changed following the issue of 15,331,998 Series J shares with a par value of PLN 2.00 per share. Following the issue, the Company's share capital increased by PLN 30,664 thousand and amounted to PLN 169,864 thousand as at September 30th 2015. A detailed description of the issue of Series J shares is included in Note 18 to these interim financial statements.18

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

11.15 Par value per share

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

11.16 Shareholders' rights

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

11.17 Share premium

In the nine months ended September 30th 2015, after the issue of Series J shares had been accounted for, the share premium was PLN 62,861 thousand, while the cost directly related to the issue was PLN 4,300 thousand. Following recognition of share premium of PLN 58,562 thousand, reduced by the issue cost, share premium totalled PLN 95,340 thousand. A detailed description of the issue of Series J shares is included in Note 18 to these interim financial statements (December 31st 2014: PLN 36,778 thousand).18

11.18 Reserve funds

Reserve funds have been created from statutorily required transfers from profits generated by the Company in previous financial years, as well as from profit appropriations in excess of the statutorily required transfers. Following the transfer into reserve funds of the 2014 net profit of PLN 23,515 thousand, the reserve funds as at September 30th 2015 amounted to PLN 104,716 thousand (December 31st 2014: PLN 81,201 thousand).

11.19 Translation reserve

The balance of translation reserve is adjusted for exchange differences arising from translation of the financial statements of the Company's foreign branch. As at September 30th 2015, translation reserve amounted to PLN (-)49 thousand (December 31st 2014: PLN 293 thousand).

11.20 Retained earnings and dividends paid

Following the recognition of PLN 27,317 thousand in net profit for the nine months ended September 30th 2015, transfer into reserve funds of the 2014 net profit of PLN 23,515 thousand and recognition of PLN (-)498 thousand in actuarial losses, as at September 30th 2015 the Company's retained earnings amounted PLN 22,329 thousand.

In 2015, the Company did not pay dividends nor did the Management Board declare such payment.

(PLN '000)

11.21 Earnings /(loss) per share

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

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

	Nine months ended Sep 30 2015 (unaudited)	*Nine months ended Sep 30 2014 (unaudited)*
Net profit/(loss) from continuing operations	27,317	17,099
Profit/(loss) from discontinued operations	–	–
Net profit/(loss)	27,317	17,099
Net profit/(loss) attributable to ordinary shareholders, applied to calculate earnings/(loss) per share	**27,317**	**17,099**
Weighted average number of outstanding ordinary shares, applied to calculate basic earnings/(loss) per share	70,947,868	69,600,000
Dilutive effect:	–	–
Stock options	–	–
Cancellable preference shares	–	–
Adjusted weighted average number of ordinary shares applied to calculate diluted earnings/(loss) per share	70,947,868	69,600,000
Earnings /(loss) per share		
– basic earnings/(loss) from profit/(loss) for the period	0.39	0.25

The Company does not present diluted earnings per share for the nine months ended September 30th 2015 as it did not issue any dilutive financial instruments.

11.22 Post-employment and other employee benefits

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

	Sep 30 2015 (unaudited)	*Dec 31 2014*
As at Jan 1 2012	26,803	22,808
Interest expense	499	912
Current service costs	986	585
Actuarial (gains)/losses	615	5,005
Benefits paid	(1,477)	(2,507)
Closing balance	**27,426**	**26,803**
Non-current provisions	25,090	24,907
Current provisions	2,336	1,896

(PLN '000)

The main assumptions adopted by the actuary as at September 30th 2015 and for the nine months ended September 30th 2015, as well as for the 12 months ended December 31st 2014 to determine the amount of the obligation were as follows:

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

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

11.23 Non-current trade and other payables

	Sep 30 2015 (unaudited)	*Dec 31 2014*
Trade payables		
Trade payables to related entities	145	6
Trade payables to other entities	12,428	20,498
	12,573	**20,504**
Capital commitments	125	172
	125	**172**
Financial liabilities		
Finance lease liabilities	2,789	1,581
	2,789	**1,581**
Other liabilities		
Unpaid bonus accrual	1,398	334
Provisions for warranty repairs	1,052	1,859
	2,450	**2,193**

(PLN '000)

11.24 Current provisions, trade and other payables

	Sep 30 2015 (unaudited)	*Dec 31 2014*
Trade payables		
Trade payables to related entities	9,190	7,017
Trade payables to other entities	191,013	292,210
	200,203	**299,227**
Other financial liabilities		
Valuation of derivatives	–	–
Finance lease liabilities	1,204	559
	1,204	**559**
Liabilities under investments in non-current assets	6,462	4,860
	6,462	**4,860**
Other liabilities		
VAT	5,589	4,394
Personal income tax	2,163	2,101
Social security liabilities	6,695	8,741
Other taxes, customs duties and insurance payable	7	201
Salaries and wages payable	7,080	7,687
Accrued holiday entitlements	3,243	3,289
Unpaid bonus accrual	221	8,107
Provisions for warranty repairs	5,912	9,988
Liabilities under financial guarantees and sureties issued	–	745
Accrual for costs of uninvoiced materials and services	43,416	21,563
Liabilities under dispute	–	–
Accrual for audit fees	83	100
Provisions for other liabilities and disputed claims	4,967	5,667
Other amounts payable to employees	818	–
Security deposits	41	613
Settlements with the Company Social Benefits Fund	–	–
Other	185	1,527
	80,420	**74,723**

12. Objectives and policies of financial risk management

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

(PLN '000)

13. Financial instruments

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

Classes and categories of financial assets	*Carrying amount* Sep 30 2015 (unaudited)	*Carrying amount* Dec 31 2014
Assets at fair value through profit or loss	–	–
Investment fund units	–	–
Derivative instruments	–	–
Available-for-sale financial assets	**240**	**369**
Long-term shareholdings	240	369
Loans and receivables	**378,861**	**462,965**
Trade receivables	168,874	266,943
Other receivables	169,091	162,570
Loans advanced	491	108
Non-current deposits	–	–
Current deposits	–	–
Other non-current financial assets	36,426	33,344
Other current financial assets	3,979	–
Cash and cash equivalents	**102,914**	**14,348**
	482,015	**477,682**

Classes and categories of financial liabilities	*Carrying amount* Sep 30 2015 (unaudited)	*Carrying amount* Dec 31 2014
Financial liabilities at fair value through profit or loss	–	–
Derivative instruments	–	–
Financial liabilities at amortised cost	**366,478**	**454,992**
Borrowings	147,115	130,229
Trade payables (including capital commitments)	219,363	324,763
Other financial liabilities	–	–
Liabilities under guarantees, factoring and excluded from the scope of IAS 39	**3,993**	**2,140**
Liabilities under leases and lease agreements with a purchase option	3,993	2,140
	370,471	**457,132**

(PLN '000)

14. Borrowings

Current borrowings	*Security*	*Other*	*Currency*	*Effective interest rate*	*Maturity date*	*Liabilities under borrowings*	
						Sep 30 2015 (unaudited)	*Dec 31 2014*
Current borrowings:							
PKO BP S.A.	blank promissory note with a promissory note declaration, assignment of receivables under contracts,* clause providing for debt set-off against RAFAKO S.A.'s cash held in bank accounts, mortgage**, statement of submission to enforcement, registered pledge over a set of movables and rights comprising the entire business of the Company	Agreement for a renewable overdraft of PLN 150 million***	PLN	1M WIBOR + margin	May 31 2016****	144,968	128,127
						144,968	**128,127**
Short-term loans received:							
PGL-DOM Sp. z o.o.*****	blank promissory note with a promissory note declaration	Agreement for a cash loan to be used for funding day-to-day operations	PLN	1M WIBOR + margin	Dec 31 2015	2,147	2,102
						2,147	**2,102**

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

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

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

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

***** A subsidiary.

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

(PLN '000)

15. Derivative instruments

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

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

16. Capital management

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

	Sep 30 2015 (unaudited)	*Dec 31 2014*
Total	392,200	276,497
Borrowed funds (bank credit facility and loans)	147,115	130,229
Total equity and liabilities	1,004,519	1,037,898
Capitalisation ratio	**0.39**	**0.27**

17. Provisions for costs

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

During the nine months ended September 30th 2015, the Company reviewed the amounts of provisions for costs due to late performance of contracts (including realised delays with respect to contractual obligations, in particular, penalty computation conditions) recognised for several ongoing contracts. Using the most recent data on running contracts and based on settlements of completed contracts, the Company's Management Board determined that there was no need to recognise provisions for costs due to late performance of contracts.

(PLN '000)

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

	*Provision for expected losses on contracts**	*Provision for length-of-service awards and retirement gratuity and Company Social Benefits Fund*	*Provision for unused holiday entitlement***	*Provision for warranty repairs***	*Provision for costs of contractual penalties****	*Provision for bonuses***	*Provision for other costs***	*Provision for costs under bank guarantees and sureties issued*	*Other provisions*
Jan 1 2015	36,087	26,803	3,289	11,847	1,946	8,441	5,667	745	100
Provision recognised	12,427	623	(46)	2,642	–	591	20	66	172
Provision reversed/ utilised	(20,675)	–	–	(7,525)	(1,946)	(7,413)	(720)	(811)	(189)
Sep 30 2015 (unaudited)	**27,839**	**27,426**	**3,243**	**6,964**	**–**	**1,619**	**4,967**	**–**	**83**
Jan 1 2014	35,704	22,808	2,102	10,646	50,192	1,124	2,745	745	100
Provision recognised	3,014	428	1,164	9,648	7,405	577	2,243	–	154
Provision reversed/ utilised	(9,107)	–	–	(8,361)	(48,520)	(442)	(1,983)	–	(179)
Sep 30 2014 (unaudited)	**29,611**	**23,236**	**3,266**	**11,933**	**9,077**	**1,259**	**3,005**	**745**	**75**

*Amounts resulting from accounting for construction contracts described in Note 10.
**Provisions presented in the statement of financial position as other liabilities.
***Release/use of provisions for costs of contractual penalties is attributable mostly to arrangements signed with trading partners with respect to ongoing or completed contracts.

(PLN '000)

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

On May 13th 2015, the Management Board of RAFAKO S.A. adopted resolutions to increase the Company's share capital within the limit of authorised share capital by not more than PLN 30,663,996, through the issue of not more than 15,331,998 Series J ordinary bearer shares with a par value of PLN 2 per share. Under the Private Placement Resolution, in accordance with the obligation set forth in Section 5 of Resolution No. 2 of the Extraordinary General Meeting of RAFAKO S.A. of March 24th 2014, the Management Board decided to offer Series J Shares to the Company's shareholders holding individually at least 10% of Company shares on the date of adoption of the EGM Resolution ("Entitled Shareholders") in a private placement within the meaning of Art. 431.2.1 of the Commercial Companies Code, and to waive the pre-emptive rights of the Company's existing shareholders. Under the Open Subscription Resolution, the Management Board decided to offer Series J Shares by way of an open subscription within the meaning of Art. 431.2.2 of the Commercial Companies Code, with pre-emptive rights of the Company's existing shareholders waived, provided that a part or all of Series J shares have not been acquired by the Entitled Shareholders.
On June 9th 2015, the Company received, from the Entitled Shareholders, declarations in which each of the Shareholders separately represented that they do not intend to participate in the Private Placement irrespective of the final terms and conditions thereof.
Following the open subscription, on July 21st 2015 the maximum number of Series J shares were allotted at the issue price of PLN 6.10 per share. On July 28th 2015, the Management Board of Krajowy Depozyt Papierów Wartościowych S.A. (CSDP) resolved to register in its securities depository 15,331,998 allotment certificates (rights to shares or PDA) in respect of Series J ordinary bearer shares, which were introduced to trading on the main market of the WSE on July 29th 2015.
On July 23rd 2015, the Company filed an application with the District Court of Gliwice, 10th Commercial Division of the National Court Register, for registration of the Company's share capital increase. On September 7th 2015, the Court registered the Company's increased share capital of PLN 169,863,996.

On September 21st 2015, the new shares were registered by the Central Securities Depository of Poland and introduced to trading on the WSE Main Market.

19. Dividends paid or declared

No dividends were paid by the Company or declared by the Management Board in the nine months ended September 30th 2015.

20. Capital commitments

As at September 30th 2015, the Company had commitments related to purchase of property, plant and equipment of PLN 6,587 thousand. As at September 30th 2015, the Company also had signed agreements for capital expenditure to be made in 2015, not disclosed in the accounting books at the end of the reporting period, for a total of PLN 3,166 thousand.

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

	Sep 30 2015 (unaudited)	*Dec 31 2014*
Off-balance sheet items under bank guarantees received mainly as security for performance of contracts, including:	251,636	189,601
- from related entities	–	–
Receivables under sureties received, including:	7,600	7,600
- from related entities	–	–
Promissory notes received as security, including:	29,173	27,557
- from related entities	11,285	14,821
Letters of credit	–	19,180
	288,409	**243,938**

(PLN '000)

	Sep 30 2015 (unaudited)	*Dec 31 2014*
Off-balance sheet items under bank guarantees issued mainly as security for performance of contracts, including:	255,531	243,232
- to related entities	–	–
Liabilities under sureties, including:	1,046,000	1,046,000
- to related entities	–	–
Promissory notes issued as security, including:	28,647	28,647
- to related entities	2,000	2,000
Letters of credit	–	–
	1,330,178	**1,317,879**

In the first nine months of 2015, RAFAKO S.A. recorded a PLN 12,299 thousand rise in contingent liabilities, which resulted from an increase in liabilities under guarantees. In the first nine months of 2015, guarantees (mainly performance bonds of PLN 37,151 thousand and bid bonds of PLN 3,566 thousand) were issued by banks and insurance companies to the Company's trading partners upon RAFAKO S.A.'s instructions.

In this category of liabilities, the largest item was a performance bond of PLN 11,090 thousand issued in September 2015. Liabilities under sureties issued, of PLN 1,046,000 thousand, relate to a surety for E003B7 Sp. z o.o.'s liabilities, issued by RAFAKO S.A. on April 16th 2014 and valid until April 17th 2028, in connection with the project involving the 'Development of new coal-fired generation capacities at TAURON Wytwarzanie S.A. − construction of a supercritical 910 MW power generation unit at Jaworzno III Power Plant −Power Plant II'. The largest item among guarantees which expired in the first nine months of 2015 was a performance bond of PLN 8,472 thousand.

In the nine months of 2015, the Company recorded an increase of PLN 44,471 thousand in contingent receivables related mainly to performance bonds, including an increase of PLN 62,035 thousand in receivables under bank and insurance guarantees received, an increase of PLN 1,616 thousand in receivables under promissory notes and a decrease of PLN 19,180 thousand in receivables under letters of credit opened to the benefit of the Company.

The largest item among guarantees received in the first nine months of 2015 was a performance bond of EUR 10,041 thousand. The largest item among guarantees expired in the first nine months of 2015 was a performance bond of PLN 2,264 thousand.

22. Litigation and disputes

As at the date of these interim condensed financial statements, the Company was a party to pending court proceedings, both as the defendant and plaintiff.

A detailed description of key lawsuits is included in the financial statements for H1 2015, available at:

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

Relative to that description, there were no changes which would materially affect the Company's financial standing.

23. Receivables from related entities in company voluntary arrangement

At the end of the reporting period, in the statement of financial position the Company recognised net receivables of PLN 35.5m from related entities in company voluntary arrangement.

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

Following an analysis and taking into account the likelihood of RAFAKO S.A.'s additional payments and claims, the Management Board determined the purchase price at PLN 160,154,889.60, plus transaction costs of PLN 557,363.40.

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

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

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

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

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

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

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

In the nine months ended September 30th 2015, the Company remeasured the asset based on revised arrangement proposals of November 3rd 2014, put forward by PBG S.A. w upadłości układowej (in company voluntary arrangement), providing with respect to the first group of creditors (which includes RAFAKO S.A.'s claim) for repayment of PLN 500 thousand and an 80% reduction of the receivable in excess of PLN 500 thousand. The receivable will be repaid in semi-annual instalments over a period of five years beginning on June 30th 2016. The Company's Management Board estimates that the first instalment will be paid by June 30th 2016. As at September 30th 2015, the value of the receivable determined based on the above assumptions amounted to PLN 26.2m under 'Other non-current financial assets' and PLN 3.3m under 'Other current financial assets'. The full amount of the claim, i.e. PLN 160,154,889.60, has been included in the proof of the claim to the bankruptcy estate of PBG.S.A. and is on the list of claims acknowledged by the Court Supervisor (publication in Monitor Sądowy i Gospodarczy official gazette of June 4th 2013).

In addition, on January 10th 2012, RAFAKO S.A. entered into a loan agreement with Hydrobudowa Polska S.A. of Wysogotowo, under which RAFAKO S.A. granted a cash loan of PLN 32m to the company maturing in 12 months (i.e. on January 9th 2013) to finance the company's day-to-day operations.

To secure the repayment of the loan, Hydrobudowa Polska S.A. issued a blank promissory note with a 'protest waived' clause to RAFAKO S.A., guaranteed by PBG S.A. and Multaros Trading Company Ltd., together with relevant promissory note declarations. RAFAKO S.A. is entitled to fill in the note with the amount of any overdue balance of the loan with interest, up to PLN 35,000,000 (thirty-five million zloty). The loan bears interest at an annual rate of 1M WIBOR plus margin. By the date of these financial statements, RAFAKO S.A. had not received any amounts from Hydrobudowa Polska S.A., either as repayment of the loan principal or interest.

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

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

The total amount of receivables from the related entity (PBG S.A. w upadłości układowej (in company voluntary arrangement)), which results from the above-mentioned titles and is recognised in the statement of financial position, is PLN 35.5m. The recoverable amount of the claims depends on the terms of the arrangement with PBG S.A.'s creditors and on the possibility of fulfilment of that arrangement by PBG S.A. in the future. As at the issue date of these interim condensed financial statements, the Judge Commissioner had declared that an arrangement, consistent with the arrangement proposals, had been reached between PBG and its creditors.

In the nine months ended September 30th 2015, the measurement of the receivables contributed PLN 2,196 thousand (December 31st 2014: PLN 83 thousand) to the Company's net profit/(loss).

(PLN '000)

24. Management Board and Supervisory Board of the Company

In the nine months ended September 30th 2015, no changes took place in the composition of the Company's Management Board.

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

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

In the nine months ended September 30th 2015, there were no changes in the composition of the Company's Supervisory Board.

On June 18th 2015, the Annual General Meeting of RAFAKO S.A. made the following decisions:
- set the number of Supervisory Board Members at seven;
- appointed the Supervisory Board for the eighth term, composed of:

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

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

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

On November 9th 2015, Mr Piotr Wawrzynowicz, Secretary of the Supervisory Board, resigned from his position on the Supervisory Board of RAFAKO S.A.

(PLN '000)

25. Transactions with 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.

26. Related-party transactions

In the first nine months of 2015 and 2014, the Company did not enter into any material related-party transactions on non-arm's length terms. Aggregate amounts of related-party transactions in the financial periods indicated:

Related party	*Nine months ended Sep 30:*	*Sale to related parties*	*Purchase from related parties*	*Receivables from related entities*	*Liabilities to related parties*
Parent:					
PBG S.A. w upadłości układowej (in company voluntary arrangement)	*2015*	–	9	35,540	1
	2014	–	56	33,479	1
PBG Group companies:					
PBG oil and gas Sp. z o.o.	*2015*	–	7,481	–	5,760
	2014	–	–	–	–
PBG Avatia Sp. z o.o. w upadłości układowej (in company voluntary arrangement)	*2015*	–	3	–	1
	2014	–	3	–	1
Subsidiaries:					
PGL-DOM Sp. z o.o.	*2015*	–	44	–	5
	2014	–	47	–	27
RAFAKO Engineering Sp. z o.o.	*2015*	38	–	22	26
	2014	26	9,200	10	2,098
ENERGOTECHNIKA Engineering Sp. z o.o.	*2015*	36	8,072	10	2,966
	2014	38	8,733	10	784
RAFAKO Engineering Solution doo.	*2015*	–	458	–	–
	2014	–	1,058	–	323
FPM S.A.**	*2015*	–	–	–	–
	2014	2	3	–	–
RAFAKO Hungary Sp. z o.o.	*2015*	2,930	–	2,967	–
	2014	361	–	–	–
E001RK Sp. z o.o.	*2015*	5	266	–	49
	2014	5	243	2	99
E003B7 Sp. z o.o.	*2015*	5,888	–	4,891	–
	2014	81	–	239	–
Entities related through personal links:					
PBG Foundation	*2015*	–	139	–	–
	2014	–	–	–	–
Mostostal-Energomontaż Gliwice S.A.	*2015*	–	18	–	373
	2014	–	–	–	–
Energoprojekt Katowice S.A.	*2015*	–	–	–	154
	2014	–	–	–	–

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

*** A subsidiary since February 28th 2015.*

(PLN '000)

27. Brief description of the Company's material achievements and failures in Q3 2015

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

In the past, Ernst & Young Audyt performed reviews and audits of the financial statements of the Company and the consolidated financial statements of the RAFAKO Group for 2002−2005 and 2011−2014.

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

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

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

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

The Company has not published any forecasts for 2015.

29. Shareholders holding 5% or more of the total vote at the General Meeting of RAFAKO S.A.

Shareholders holding 5% or more of the total vote at the General Meeting of RAFAKO S.A. are presented in Note 32 to the interim condensed consolidated financial statements for the nine months ended September 30th 2015.

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

	Company name	*As at Aug 31 2015*	*Increase*	*Decrease*	*As at Nov 16 2015*
Member of the management staff					
Edward Kasprzak Vice-President of the Management Board	RAFAKO S.A.	2,000	–	–	2,000
Member of the supervisory staff	–	–	–	–	–

31. Factors with a material bearing on the Group's performance in Q4 2015

- Possible changes in cost estimates for ongoing contracts (including as a result of contracts executed for the delivery of products and services by subcontractors), which may have a positive or negative effect on the result for the period after September 30th 2015.
- The adequacy of provisions and impairment losses for current contracts (some of these matters may be settled only after the date of submission of the Q4 2015 financial statements).
- The risk that provisions may need to be recognised for contractual penalties for time overruns or failure to meet guaranteed technical specifications of certain contracts.
- The risk of incurring repair, overhaul or upgrade costs during the contractual warranty period that are not covered by provisions for warranty repairs.
- The risk of necessity to pay disputed claims which are not covered by provisions.
- Currency movements − substantial changes in the PLN/EUR exchange rate may have a material effect on the profitability of EUR-denominated contracts.
- Risk of failure to obtain financial guarantees required to acquire and perform contracts.
- Successful enforcement of the judgment whereby joint-stock company Donetskoblenergo of Ukraine is to pay RAFAKO UAH 56.7m (USD 11.5m) in respect of damages for termination of a boiler construction project by the customer. The judgment was upheld by a decision of the Supreme Court of Ukraine. If the judgment is successfully enforced by the Company, the damages will increase the Company's result. However, it is very likely that any income from the damages will be credited to the Company's result after December 31st 2015.

32. Events after the end of the reporting period

On October 21st 2015, RAFAKO S.A. and ENEA Wytwarzanie Sp. z o.o. (the "Employer") effectively singed a contract for the construction of a flue gas desulfurisation unit for Boilers K7 and K8 in the Białystok CHP Plant. The VAT-exclusive value of the contract is PLN 78,500,000 (PLN 96,555,000 inclusive of VAT). The time limit for performing the contract is 26 months as of its date. The aggregate value of contractual penalties is limited to 30% of the remuneration under the contract (VAT exclusive), with the proviso that the payment of the maximum amount of contractual penalties does not preclude the Employer's right to seek damages in excess of that amount. The Company's maximum total liability may not exceed 130% of the contract value (VAT exclusive). The other terms and conditions of the contract do not differ from the terms and conditions commonly applied in contracts of this kind.

On November 12th 2015, E003B7 Sp. z o.o. (RAFAKO S.A.'s wholly-owned subsidiary) and a Consortium comprising KOPEX S.A. of Katowice (Consortium Leader) and STAL-SYSTEMS S.A. of Wólka Pełkińska (Consortium Partner) (jointly: the "Subcontractor") concluded a contract for the supply and assembly of the steel structure of a building housing the turbine house, boiler house, bunkering room, LUVO and SCR, assembly of coal bunkers, as well as hoisting and laying of steam blowers in connection with the project 'Development of new coal-fired generation capacities at Tauron Wytwarzanie S.A. – Construction of a 910 MW supercritical power generating unit at the Jaworzno III Power Plant – Power Plant II', executed by RAFAKO S.A. and E003B7 Sp. z o.o. The value of the full scope of work under the Contract is PLN 179,952,200.00 (VAT exclusive) plus VAT. Under the Contract, the amount of contractual penalties imposed on the Subcontractor for a delay in the Contract's delivery may not exceed 15% of the Contract's value (VAT inclusive). E003B7 Sp. z o.o. may incur a penalty equal to 15% of the Contract's value (VAT inclusive) for terminating the Contract for any reason for which that company is responsible. If any damage resulting from non-performance or improper performance of the Contract exceeds the amount of contractual penalties, the company may seek additional compensation pursuant to general provisions of the Polish Civil Code, in an amount of up to 100% of the Contract's value.

The Contact stipulates no other specific provisions and its terms and conditions do not differ from those appearing in contracts of this type.

The Contract will take effect subject to the following conditions precedent:

a) the guarantors' (that is PKO BP S.A.'s, BGK's and PZU S.A.'s) consent for the conclusion of the Contract,
b) the Employer's consent for the terms and conditions of the Contract,
c) RAFAKO S.A.'s consent.

(PLN '000)

These interim condensed financial statements of the Company were authorised for issue on November 16th 2015 by virtue of Resolution No. 112 of the RAFAKO S.A. Management Board dated November 16th 2015.

Signatures:

November 16th 2015	Agnieszka Wasilewska-Semail	President of the Management Board	....
November 16th 2015	Krzysztof Burek	Vice-President of the Management Board	....
November 16th 2015	Jarosław Dusiło	Vice-President of the Management Board	....
November 16th 2015	Edward Kasprzak	Vice-President of the Management Board	....
November 16th 2015	Tomasz Tomczak	Vice-President of the Management Board	....
November 16th 2015	Jolanta Markowicz	Chief Accountant	....