RAFAKO S.A.

THE PBG GROUP

INTERIM CONDENSED FINANCIAL STATEMENTS with the independent auditor's review report

for the six months ended June 30th 2015

August 31st 2015

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(PLN '000)

Interim condensed statement of comprehensive income

for the six months ended June 30th 2015

	Note	*Three months ended Jun 30 2015 (unaudited)*	*Six months ended Jun 30 2015 (unaudited)*	*Three months ended Jun 30 2014 (unaudited)*	*Six months ended Jun 30 2014 (unaudited)*
Continuing operations					
Revenue	11.1	**285,421**	**485,004**	**282,442**	**464,884**
Revenue from sale of goods and services		284,909	483,936	281,954	463,814
Revenue from sale of materials		512	1,068	488	1,070
Costs of sales	11.1	(266,590)	(445,945)	(238,409)	(403,940)
Gross profit/(loss)		**18,831**	**39,059**	**44,033**	**60,944**
Other income	11.1	4,448	5,538	817	2,138
Distribution costs	11.1	(6,753)	(13,424)	(14,513)	(22,286)
Administrative expenses		(10,969)	(17,947)	(12,073)	(20,108)
Other expenses	11.1	(621)	(1,086)	(6,569)	(6,850)
Profit/(loss) from continuing operations		**4,936**	**12,140**	**11,695**	**13,838**
Finance income	11.1	7,139	9,954	1,319	5,531
Finance costs	11.1	(761)	(3,439)	(1,991)	(4,460)
Net gain/(loss) on disposal of a subsidiary		–	11,376	–	–
Profit/(loss) before tax		**11,314**	**30,031**	**11,023**	**14,909**
Income tax expense	11.2	(1,474)	(5,482)	(949)	(1,941)
Net profit/(loss) from continuing operations	11.21	**9,840**	**24,549**	**10,074**	**12,968**
Other comprehensive income for the period					
Items to be reclassified to profit/(loss) in subsequent reporting periods					
Exchange differences on translating foreign operations		(82)	(148)	33	22
Other net comprehensive income to be reclassified to profit/(loss) in subsequent reporting periods		**(82)**	**(148)**	**33**	**22**
Items not subject to reclassification to profit/(loss) in subsequent reporting periods					
Other comprehensive income due to actuarial gains/(losses)		(214)	(376)	(102)	200
Tax on other comprehensive income	11.2	40	71	19	(38)
Other comprehensive income not subject to reclassification to profit/(loss) in subsequent reporting periods		**(174)**	**(305)**	**(83)**	**162**
Total comprehensive income for the period		**9,584**	**24,096**	**10,024**	**13,152**
Weighted average number of shares	11.21	69,600,000	69,600,000	69,600,000	69,600,000
Basic earnings/(loss) per share, PLN	11.21	0.14	0.35	0.14	0.19

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Interim condensed statement of financial position

as at June 30th 2015

	Note	*Jun 30 2015 (unaudited)*	*Dec 31 2014*
ASSETS			
Non-current (long-term) assets			
Property, plant and equipment	11.4, 11.5	145,002	142,806
Investment property		–	–
Intangible assets	11.5	8,561	9,164
Trade and other receivables - non-current	11.7	14,455	28,990
Trade receivables	11.7	14,455	28,990
Other receivables and prepayments	11.7	–	–
Non-current financial assets		60,812	58,802
Shares in subsidiaries	11.6	25,032	25,032
Shares in other entities	11.6	339	388
Non-current loans advanced	11.8, 13	38	38
Other non-current financial assets	11.8, 13	35,403	33,344
Deferred tax asset	11.2	44,888	49,570
		273,718	**289,332**
Current (short-term) assets			
Inventories	11.9	20,437	21,715
Trade receivables, other receivables and prepayments	11.12, 13	395,313	437,248
Trade receivables		171,825	237,953
Income tax receivable		2,941	13,666
Other receivables and prepayments		220,547	185,629
Gross amount due from customers for contractwork	10	232,872	239,735
Current financial assets		20,325	14,418
Derivative instruments		–	–
Current deposits	13	–	–
Current loans advanced	13	51	70
Other current financial assets	11.10, 13	3,979	–
Cash and cash equivalents	11.3, 11.11, 13	16,295	14,348
Other current non-financial assets		–	–
		668,947	**713,116**
Non-current assets held for sale	7	34	35,450
TOTAL ASSETS		**942,699**	**1,037,898**

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Interim condensed statement of financial position

as at June 30th 2015

	Note	*Jun 30 2015 (unaudited)*	*Dec 31 2014*
EQUITY AND LIABILITIES			
Total			
Share capital	11.14	139,200	139,200
Share premium	11.17	36,778	36,778
Reserve funds	11.18	104,716	81,201
Exchange differences on translating foreign operations	11.19	145	293
Retained earnings / Accumulated losses	11.20	19,754	19,025
		300,593	**276,497**
Non-current liabilities			
Interest-bearing borrowings		–	–
Finance lease liabilities	11.23, 13	3,072	1,581
Deferred tax liability		–	–
Provision for employee benefits	11.22, 17.2	25,456	24,907
Trade and other payables	11.23	19,675	22,869
Trade payables	11.23, 13	18,107	20,504
Capital commitments	13, 19	110	172
Other liabilities	11.23	1,458	2,193
		48,203	**49,357**
Current liabilities			
Trade and other payables	11.24	323,643	378,810
Trade payables	13	233,608	299,227
Capital commitments	13, 19	1,792	4,860
Income tax payable		–	–
Other liabilities	11.24	88,243	74,723
Current portion of interest-bearing borrowings	14	130,917	130,229
Other financial liabilities and finance lease liabilities	11.24, 13	1,194	559
Provision for employee benefits	11.22, 17.2	2,174	1,896
Amounts due to customers and provisions for construction contract work and deferred income	10	135,975	200,550
Amounts due to customers for construction contract work	10	104,849	161,446
Provisions for construction contract work	17	29,739	38,033
Grants		1,387	1,071
		593,903	**712,044**
Total liabilities		**642,106**	**761,401**
TOTAL EQUITY AND LIABILITIES		**942,699**	**1,037,898**

Racibórz, August 31st 2015

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Interim condensed statement of cash flows

for the six months ended June 30th 2015

	Note	*Six months ended Jun 30 2015 (unaudited)*	*Six months ended Jun 30 2014 (unaudited)*
Cash flows from operating activities			
Profit/(loss) before tax		30,031	14,909
Adjustments for:		(65,419)	101,000
Depreciation and amortisation		5,186	5,137
Foreign exchange gains/(losses)		–	13
Interest and dividends, net		2,407	1,336
(Gain)/loss from investing activities		(13,155)	(143)
Increase/(decrease) in liabilities/assets from valuation of derivative instruments		–	–
(Increase)/decrease in receivables	11.3	41,677	114,835
(Increase)/decrease in inventories		1,278	(1,202)
Increase/(decrease) in employee benefit provisions and obligations, excluding borrowings	11.3	(43,399)	84,180
Change in prepayments and accruals for construction contracts	11.3	(58,028)	(97,123)
Income tax (paid)/received		(1,384)	(6,019)
Other		(1)	(14)
Net cash from operating activities		**(35,388)**	**115,909**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment and intangible assets		253	4
Purchase of property, plant and equipment and intangible assets	11.3	(7,225)	(1,024)
Sale of financial assets		48,000	–
Purchase of financial assets		–	–
Share capital increase at subsidiary		–	–
Dividends and interest		23	2,796
Loans advanced		–	(194)
Repayment of loans advanced		–	–
Other		(1,440)	–
Net cash from investing activities		**39,611**	**1,582**
Cash flows from financing activities			
Proceeds from issue of shares		–	–
Payment of finance lease liabilities		(722)	(188)
Proceeds from borrowings	11.3	1,313	–
Repayment of borrowings	11.3	–	(132,064)
Interest paid	11.3	(2,043)	(3,843)
Bank fees		(993)	(1,095)
Other		317	530
Net cash from financing activities		**(2,128)**	**(136,660)**
Net increase/(decrease) in cash and cash equivalents		2,095	(19,169)
Net foreign exchange differences		(148)	22
Cash at the beginning of the period	11.11	**14,348**	**24,182**
Cash at the end of the period, of which:	11.11	**16,295**	**5,035**
- restricted cash	11.11	1,434	1,150

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Interim condensed statement of changes in equity
for the six months ended June 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	–	–	–	(148)	24,244	24,096
Distribution of prior year profits	–	–	23,515	–	(23,515)	–
Dividend	–	–	–	–	–	–
As at Jun 30 2015 *(unaudited)*	**139,200**	**36,778**	**104,716**	**145**	**19,754**	**300,593**
As at Jan 1 2014	**139,200**	**36,778**	**220,982**	**204**	**(140,216)**	**256,948**
Total comprehensive income for the period	–	–	–	22	13,130	13,152
Distribution of prior year profits	–	–	(139,781)	–	139,781	–
Dividend	–	–	–	–	–	–
As at Jun 30 2014 *(unaudited)*	**139,200**	**36,778**	**81,201**	**226**	**12,695**	**270,100**

Racibórz, August 31st 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 six months ended June 30th 2015 and contain comparative data for the six months ended June 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 June 30th 2015 and the comparative data for the three months ended June 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 six months ended June 30th 2015 were authorised for issue by the Company's Management Board on August 31st 2015.

The Company has also prepared interim condensed consolidated financial statements for the six months ended June 30th 2015, which were authorised for issue by the Company's Management Board on August 31st 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. June 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 from June 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 half of the limit currently used. Availability of the unused portion of the facilities and success in negotiations with financial institutions concerning further bank/insurance guarantees will enable the Group to perform new contracts it expects to be awarded during the 12 months subsequent to June 30th 2015.

During the first seven months of 2015, the Company signed an Annex with PKO BP S.A. whereby repayment of the PLN 150m 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 is to be applied prospectively, and it 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 – the dates have not been determined for EFRAG to conduct individual phases of work leading to the approval of the standard − not adopted by the EU by the date of authorisation of these 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 are 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 June 30th 2015 and the amounts of assets and liabilities as at June 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 six months ended June 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 43.8m.

Measurement of provision for employee benefits

Provisions for employee benefits were estimated with actuarial methods.

The underlying assumptions are presented in Note 11.22. 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.

(PLN '000)

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 22.

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 22, 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.

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 22). 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:

	Jun 30 2015	*Dec 31 2014*	*Jun 30 2014*
USD	3.7645	3.5072	3.0473
EUR	4.1944	4.2623	4.1609
GBP	5.9180	5.4648	5.1885
CHF	4.0412	3.5447	3.4246
SEK	0.4558	0.4532	0.4532
TRY	1.3993	1.5070	1.4338

(PLN '000)

6. Change in estimates

In the six months ended June 30th 2015 and as at June 30th 2015, the Company reviewed and updated estimates in significant areas, as discussed in Note 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 six months ended June 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	479,763	25,858	(4,689)	21,169
Measurement of contracts in accordance with IAS 11	4,173	4,173	(793)	3,380
After change in estimates	**483,936**	**30,031**	**(5,482)**	**24,549**

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

	Prepayments relating to accounting for construction contracts	*Amounts due to customers for construction contract work*	*Deferred tax asset*	*Retained earnings / Accumulated losses*
Before change in estimates	231,540	107,690	45,681	16,374
Measurement of contracts in accordance with IAS 11	1,332	(2,841)	(793)	3,380
After change in estimates	**232,872**	**104,849**	**44,888**	**19,754**

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

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

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

On January 12th 2015, the Supervisory Board of RAFAKO S.A. approved the sale of FPM S.A. shares. On February 19th 2015, RAFAKO S.A. was notified by TDJ that the President of UOKiK cleared the business concentration involving takeover of control of FPM S.A. by TDJ. On February 23rd 2015, a share sale agreement was executed for an aggregate amount of PLN 48m. The Sold Assets represent 82.19% of FPM S.A.'s share capital and confer 82.19% of total voting rights at the FPM S.A. General Meeting, i.e. 1,376,508 votes. The carrying amount of the shares in the Company's accounting books was PLN 35.2m. 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.

(PLN '000)

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.

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 June 30th 2015, December 31st 2014 and June 30th 2014, as well as gross amount due to customers for contract work and gross amount due from customers for contract work at the dates stated above.

	Jun 30 2015 (unaudited)	*Dec 31 2014*	*Jun 30 2014 (unaudited)*
Contract costs incurred to date (cumulative)	2,234,488	2,785,090	2,181,378
Recognised profits less recognised losses to date (cumulative)	155,748	156,277	91,242
Contract revenue recognised by reference to the contract stage of completion (cumulative)	2,390,236	2,941,367	2,272,620
Progress billings (cumulative)	2,268,206	2,874,767	2,136,150
Gross amount due to customers for contract work (liability), including:	**(104,849)**	**(161,446)**	**(131,069)**
advances received (liabilities arising from advances received)	(49,864)	(55,585)	(73,822)
- adjustment to advances received arising from amounts due from customers	11,896	19,998	32,041
- gross amount due to customers for contract work	(66,881)	(125,859)	(89,288)
Prepayments relating to accounting for construction contracts, including:	**232,872**	**239,735**	**237,223**
- gross amount due from customers for contract work (asset)	206,754	210,494	237,223
- contract acquisition cost and other accrued contract costs	26,118	29,241	–
Provision for penalties due to late contract performance or failure to meet guaranteed technical specifications	–	(1,946)	(9,049)
Provision for losses on construction contracts	(29,739)	(36,087)	(34,457)

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").

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

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

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

The key provisions of the final settlement:

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

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

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

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

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

By June 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 scope of work, i.e. 10% of the total scope of work to be performed on the Jaworzno Project. In its separate financial statements, the Company does not recognise income and expenses related to the portion of work performed by E003B7 Sp. z o.o. − they are reported in the separate financial statements of E003B7 Sp. z o.o. and the consolidated financial statements of the RAFAKO Group.

RAFAKO S.A., as the Consortium Leader, issues, to the Employer, invoices for the entire scope of work; payments are made directly to the special purpose vehicle as well as 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 six months ended June 30th 2015, the Company's revenue amounted to PLN 485,004 thousand, up PLN 20,120 thousand compared with the corresponding period in 2014. This over 4% increase in revenue reported for the six months ended June 30th 2015 was driven by a rise in domestic sales, despite a drop in foreign sales.

Cost of sales in the first six months of 2015 amounted to PLN 445,945 thousand, with the Company's gross profit at PLN 39,059 thousand. The change relative to the first six month of 2014 results mainly from lower gross operating margin on running contracts in H1 2015 relative to H1 2014.

Distribution costs disclosed by the Company mainly include expenses incurred by the cost centres allocated to distribution cost in the cost accounting model (a significant part of which consists of payroll costs and advertising expenses). Such costs also include bidding costs and impairment losses on trade receivables. In the Company's statement of comprehensive income for the first six months of 2015, distribution costs are disclosed at PLN 13,424 thousand, with the largest item being distribution costs net of impairment losses on trade receivables of PLN 13,071 thousand (June 30th 2014: PLN 15,591 thousand).

The largest components of other income were income from a surety provided to a subsidiary of PLN 4,063 thousand and income from contractual penalties of PLN 600 thousand (June 30th 2014: PLN 1,163 thousand).

Other expenses chiefly included donations of PLN 428 thousand (June 30th 2014: PLN 243 thousand) and loss on disposal of tangible assets of PLN 131 thousand.

In the first six months of 2015, the Company's finance income was generated mainly from reversal of impairment loss on disputed receivables of PLN 3,639 thousand (June 30th 2014: PLN 68 thousand) and interest on financial instruments of PLN 2,568 thousand (June 30th 2014: PLN 25 thousand).

The period's finance costs included predominantly interest on financial instruments of PLN 2,104 thousand (June 30th 2014: PLN 3,447 thousand) and net foreign exchange losses of PLN 475 thousand.

(PLN '000)

11.2 Income tax

Income tax expense

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

	For the three months ended June 30th 2015 (unaudited)	*For the six months ended Jun 30 2015 (unaudited)*	*For the three months ended Jun 30 2014 (unaudited)*	*For the six months ended Jun 30 2014 (unaudited)*
Current income tax	3,815	(729)	1,501	–
Current income tax expense	3,815	(729)	1,501	–
Adjustments to current income tax from previous years	–	–	–	–
Deferred tax	(5,289)	(4,753)	(2,450)	(1,941)
Related to recognition and reversal of temporary differences	(5,289)	(4,753)	(2,450)	(1,941)
Adjustments to deferred tax from previous years	–	–	–	–
Income tax expense in the statement of profit or loss	**(1,474)**	**(5,482)**	**(949)**	**(1,941)**
Deferred tax on other comprehensive income	40	71	19	(38)
Related to recognition and reversal of temporary differences	40	71	19	(38)
Income tax expense recognised in other comprehensive income	**40**	**71**	**19**	**(38)**

(PLN '000)

Deferred income tax calculated as at June 30th 2015

Deferred income tax calculated as at June 30th 2015 relates to the following:

	Statement of financial position		*Statement of comprehensive income for the period ended*	
	Jun 30 2015 (unaudited)	*Dec 31 2014*	*Jun 30 2015 (unaudited)*	*Jun 30 2014 (unaudited)*
- investment reliefs	(3)	(4)	1	–
difference between tax base and carrying amount of property, plant and equipment and intangible assets	(14,823)	(14,342)	(481)	(339)
difference between tax base and carrying amount of assets measured at fair value through profit or loss	1,516	1,818	(302)	–
difference between tax base and carrying amount of loans and receivables	830	509	321	(3,141)
different timing of recognition of revenue from sale of goods and services for tax purposes	(29,621)	(21,158)	(8,463)	261
difference between tax base and carrying amount of inventories	1,598	1,481	117	93
provisions	16,517	18,025	(1,508)	(6,056)
difference between tax base and carrying amount of financial liabilities measured at amortised cost	72	75	(3)	(112)
- 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	11	15	(4)	(4)
different timing of recognition of cost of sales for tax purposes	55,264	50,288	4,976	7,131
tax asset related to tax loss	–	–	–	(541)
adjustment to costs of unpaid invoices	14,391	12,127	2,264	520
other	(864)	736	(1,600)	209
Deferred tax expense			**(4,682)**	**(1,,979)**
Net deferred tax asset/liability, including:	**44,888**	**49,570**		
Deferred tax asset	44,888	49,570		
Deferred tax liability	–	–		

In 2014 and 2015, the Company submitted to tax authorities 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 use of technological tax relief and adjustment to revenue and expenses on contracts completed in 2012–2013, and the transfer of amortisation expense on an intangible asset between tax periods.

11.3 Significant items in the statement of cash flows

The PLN 41,677 thousand decrease in receivables disclosed in the statement of cash flows for the six months ended June 30th 2015 resulted mainly from:

– PLN 80,663 thousand decrease in trade receivables,
– PLN 971 decrease in receivables from the state budget (including VAT),
– PLN (23,353) thousand increase in prepayments made,
– PLN (5,479) thousand increase in security deposits receivables,
– PLN (922) thousand increase in Company Social Benefits Fund receivables,
– PLN 10 thousand decrease in receivables from sale of debt,
– PLN (6,194) thousand increase in disputed receivables,
– PLN (4,068) thousand increase in receivables under sureties,
– PLN 49 thousand decrease in other receivables.

For a detailed description of changes in security deposits and disputed receivables in the six months ended June 30th 2015, see Note 11.22.

The PLN 43,399 thousand decrease in liabilities disclosed in the statement of cash flows was mainly caused by:

– PLN (68,016) thousand decrease in trade payables,
– increase in the provision for retirement benefits, (net of actuarial gains/(losses)) of PLN 451 thousand,
– PLN (3,667) thousand decrease in the provision for warranty repairs,
– PLN (1,147) thousand decrease in the provision for bonuses,
– PLN 1,695 thousand increase in the provision for leaves,
– PLN 22,560 thousand increase in the provisions for delayed cost collection,
– PLN 29 thousand increase in the provision for balance sheet audit,
– PLN 4,696 thousand increase in other liabilities.

The decrease of PLN 58,028 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 receivables relating to accounting for construction contracts and gross amounts due from customers for contract work of PLN 6,863 thousand,
– decrease in gross amount due to customers for contract work,
  including: PLN (56,597) thousand,
  PLN 2,381 thousand increase in prepayments,
– PLN (8,294) thousand decrease in provisions for contract work,

The PLN 2,381 thousand change in prepayments recorded in the first six months ended June 30th 2015 resulted primarily from:

- Accounting for a PLN 2.6m prepayment received from TAURON Wytwarzanie S.A. in connection with the performance of the contract for 'Construction of a power unit at the Jaworzno Power Plant';
- Receipt of a PLN 1.8m prepayment in connection with the execution of the contract for delivery of pressurised parts for VALMET Power OY;
- Receipt of a PLN 1.3m prepayment in connection with the execution of the contract for delivery of spare parts for VALMET Technologies Inc.

The amount of PLN 7,225 thousand related to the acquisition of property, plant and equipment and intangible assets comprises capital expenditure on property, plant and equipment of PLN 7,001 thousand and capital expenditure on intangible assets of PLN 224 thousand. The expenditure on property, plant and equipment was primarily related to the modernisation of the Company's buildings and structures as well as purchase of plant and equipment.

The PLN 1,313 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 2,043 thousand paid on the credit facility extended by PKO BP S.A.

(PLN '000)

11.4 Property, plant and equipment

As at Jun 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	–	–	559	2,290	–	3,870	6,719
Liquidation/sale	(2)	–	(13)	(379)	–		(394)
Transfers from property, plant and equipment under construction	–	638	2,048	–	–	(2,686)	–
Exchange differences on translating foreign operations	–	–	(1)	–	–	–	(1)
Depreciation for the period	–	(1,193)	(2,713)	(453)	–	–	(4,359)
Impairment loss for the reporting period	–	–	–	–	–	–	–
Other, including reclassification of property, plant and equipment to/from assets held for sale	2	–	(1)	230	–	–	231
Net carrying amount as at Jun 30 2015 *(unaudited)*	**9,288**	**80,511**	**43,974**	**7,037**	–	**4,192**	**145,002**

As at Jun 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	–	–	–	–	2,668	2,688
Liquidation/sale	–	–	(18)	–	–	–	(18)
Transfers from property, plant and equipment under construction	–	222	1,590	544	–	(2,356)	–
Exchange differences on translating foreign operations	–	–	–	–	–	–	–
Depreciation for the period	–	(1,239)	(2,704)	(311)	–	–	(4,254)
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 Jun 30 2014 (unaudited)	**9,290**	**82,014**	**45,241**	**3,815**	–	**1,334**	**141,694**

As at June 30th 2015, property, plant and equipment pledged as security for liabilities amounted to PLN 135,115 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 implementation of the Jaworzno III 910 MW unit Project (a registered pledge over a set of movables and rights).

As at June 30th 2014, property, plant and equipment with a net carrying amount of PLN 91,101 thousand served as security in respect of a mortgage established in favour of PKO BP S.A.

(PLN '000)

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

	Six months ended Jun 30 2015 (unaudited)	*Six months ended Jun 30 2014 (unaudited)*
Purchase of property, plant and equipment and intangible assets*	3,870	3,413
Proceeds from sale of property, plant and equipment	253	6

*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.

11.6 Shares in subsidiaries and other entities

	Jun 30 2015 (unaudited)	*Dec 31 2014*
Shares in listed subsidiaries	–	–
Shares in non-listed subsidiaries	25,032	25,032
Shares in other listed companies	321	369
Shares in other non-listed companies	18	19
	25,371	**25,420**

As at June 30th 2015, shares held by the Company worth PLN 25,371 thousand were encumbered with a registered pledge under the Surety Agreement executed in order to secure the liabilities of E003B7 Sp. z o.o. arising in connection with the agreement providing for issuance of guarantees for the benefit of TAURON Wytwarzanie S.A. in connection with implementation of the Jaworzno III 910 MW unit Project (a registered pledge over a set of movables and rights).

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

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

11.7 Non-current trade receivables, other receivables and prepayments

	Jun 30 2015 (unaudited)	*Dec 31 2014*
Trade receivables, including:	14,455	28,990
Trade receivables from related entities	–	–
Trade receivables from other entities	14,455	28,990
Other receivables and prepayments, including:	–	–
Prepayments under bank and insurance guarantees	–	–
Total receivables (net)	**14,455**	**28,990**
Impairment loss on receivables	–	–
Gross receivables	**14,455**	**28,990**

(PLN '000)

11.8 Other non-current financial assets

	Jun 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:	35,403	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.	26,047	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)	5,288	5,627
Receivables under sureties provided to related entities	4,068	–
	35,441	**33,382**

In the six months ended June 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 22.

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 six months ended June 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).

11.9 Inventories

	Jun 30 2015 (unaudited)	Dec 31 2014
Materials (at net realisable value)	20,437	21,715
At cost	28,848	29,507
At net realisable value	20,437	21,715
Total inventories, at the lower of cost and net realisable value	**20,437**	**21,715**
- including: inventories pledged as security for liabilities	20,437	21,715

As at June 30th 2015, inventories worth PLN 20,437 thousand served as security in respect of the Company's liabilities. Inventories secure repayment of BGK's, PKO BP's and PZU's claims towards RAFAKO S.A. under the Surety Agreement executed in order to secure the liabilities of E003B7 Sp. z o.o. arising in connection with the agreement for issuance of guarantees for the benefit of TAURON Wytwarzanie S.A. in connection with execution of the Jaworzno III 910 MW unit Project (a registered pledge over a set of movables and rights).

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

Inventory write-downs

	Six months ended Jun 30 2015 (unaudited)	12 months ended Dec 31 2014
At the beginning of the period	(7,792)	(6,354)
- write-down recognised	(789)	(1,743)
- write-down reversed	170	305
Balance at end of period	**(8,411)**	**(7,792)**

(PLN '000)

11.10 Other current financial assets

	Jun 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 six months ended June 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 22.

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.

11.11 Cash and cash equivalents

	Jun 30 2015 (unaudited)	Dec 31 2014	Jun 30 2014 (unaudited)
Cash in hand and at banks	16,194	7,101	3,050
Current deposits for up to 3 months, including:	101	7,247	1,985
- inventories pledged as security for liabilities	–	–	–
	16,295	**14,348**	**5,035**
including: restricted cash	1,434	1,317	1,150

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.

(PLN '000)

11.12 Current trade receivables, other receivables and prepayments

	Jun 30 2015 (unaudited)	*Dec 31 2014*
Trade receivables, including:	171,825	237,953
Trade receivables from related entities	46	1,817
Trade receivables from other entities	171,779	236,136
Income tax receivable	2,941	13,666
Other receivables and prepayments, including:	220,547	185,629
Advance payments made to related parties	143	363
Advance payments made to other parties	36,422	12,849
Receivables from the state budget	5,079	6,050
Contractual penalties receivable	94	–
Settlement of property insurance costs	281	921
Settlements with the Company Social Benefits Fund	1,061	139
Disputed receivables	6,494	300
Prepaid expenses	1,523	1,315
Prepayments under bank and insurance guarantees	–	–
Security deposits	167,749	162,270
Receivables sold	673	683
Other receivables	–	–
Other	1,028	739
Other receivables from related entities	–	–
Total receivables (net)	**395,313**	**437,248**
Impairment loss on receivables	36,868	40,294
Gross receivables	**432,181**	**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, Management believes there is no additional credit risk that would exceed the uncollectible debt allowance made for trade receivables.

Current trade receivables of PLN 171,825 thousand recognised in the statement of financial position as at June 30th 2015 relate to trading contracts with domestic and foreign contractors. The largest items in this group of receivables include receivables from:

- Mostostal Warszawa S.A. – PLN 35,638 thousand,
- Grupa Azoty Zakłady Azotowe Kędzierzyn S.A. – PLN 23,616 thousand,
- EDF Polska S.A. – PLN 20,535 thousand.
- Synthos Dwory 7 Sp. z o.o. sp.j. – PLN 18,653 thousand.

In the six months ended June 30th 2015, the Company recorded a PLN 5,479 thousand increase in security deposit receivables. The amount of security deposit receivables as at June 30th 2015 changed mostly in connection with payments and repayments of security deposits under the following contracts:

- cash security deposit paid under the contract for modernisation of electrostatic precipitators signed with ENERGA Elektrownie Ostrołęka; the value of security deposits paid and accounted for in the six months ended June 30th 2015 was PLN 3,151 thousand,
- cash security deposit paid under contracts performed by the Company; the value of security deposits paid to PKO Bank Polski S.A. and accounted for in the six months ended June 30th 2015 was PLN 2,848 thousand.

A significant item of other receivables was prepayments, which amounted to PLN 36,565 thousand as at June 30th 2015 and included:

- prepayments to Siemens s.r.o. – PLN 5,870 thousand,
- prepayments to Wallstein Ingenieur Gesellschaft GmbH – PLN 2,357 thousand,
- prepayments to Termokimik Corporation SPA – PLN 2,224 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	(49)	–	(789)	(1,153)
Impairment loss utilised/reversed	–	–	170	4,579
Jun 30 2015 (unaudited)	**(24,279)**	**(5,676)**	**(8,411)**	**(36,868)**
Jan 1 2014	(24,280)	(5,676)	(6,354)	(57,633)
Impairment loss recognised	(6)	–	(505)	(17,179)
Impairment loss utilised/reversed	64	–	17	23,681
Jun 30 2014 (unaudited)	**(24,222)**	**(5,676)**	**(6,842)**	**(51,131)**

* 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 six months ended June 30th 2015 and in the corresponding period of the previous year , the Company's share capital did not change. It amounted to PLN 139,200,000 and was divided into 69,600,000 ordinary shares with a par value of PLN 2.00 per share, of the following series:

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

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.

(PLN '000)

11.17 Share premium

The share premium comprises the excess of issue price over the par value of the shares, amounting to PLN 77,947 thousand. On May 15th 2000, RAFAKO S.A.'s General Meeting resolved to allocate PLN 41,169 thousand to cover accumulated loss brought forward from previous years. In the six months ended June 30th 2015 and the twelve months ended December 31st 2014, there were no events which would result in any changes in the share premium, which amounted to PLN 36,778 thousand at June 30th 2015 (December 31st 2014: PLN 36,778 thousand).

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 June 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 June 30th 2015, translation reserve amounted to PLN 145 thousand (December 31st 2014: PLN 293 thousand).

11.20 Retained earnings and dividends paid

Following the recognition of PLN 24,549 thousand in net profit for the six months ended June 30th 2015, transfer into reserve funds of the 2014 net profit of PLN 23,515 thousand and recognition of PLN -305 thousand in actuarial losses, as at June 30th 2015 the Company's retained earnings amounted PLN 19,754 thousand.

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

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:

	Six months ended Jun 30 2015 (unaudited)	*Six months ended Jun 30 2014 (unaudited)*
Net profit/(loss) from continuing operations	24,549	12,968
Profit/(loss) from discontinued operations	–	–
Net profit/(loss)	24,549	12,968
Net profit/(loss) attributable to ordinary shareholders, applied to calculate earnings/(loss) per share	**24,549**	**12,968**
Weighted average number of outstanding ordinary shares, applied to calculate basic earnings/(loss) per share	69,600,000	69,600,000
Dilutive effect:	–	–
Stock options	–	–
Cancellable preference shares	–	–
Adjusted weighted average number of ordinary shares applied to calculate diluted earnings/(loss) per share	69,600,000	69,600,000
Earnings /(loss) per share		
– basic earnings/(loss) from profit/(loss) for the period	0.35	0.19

The Company does not present diluted earnings per share for the six months ended June 30th 2015 as it does not have any dilutive financial instruments.

(PLN '000)

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:

	Jun 30 2015 (unaudited)	*Dec 31 2014*
As at Jan 1 2012	26,803	22,808
Interest expense	330	912
Current service costs	646	585
Actuarial (gains)/losses	376	5,005
Benefits paid	(525)	(2,507)
Closing balance	**27,630**	**26,803**
Non-current provisions	25,456	24,907
Current provisions	2,174	1,896

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

	Jun 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

	Jun 30 2015 (unaudited)	*Dec 31 2014*
Trade payables		
Trade payables to related entities	136	6
Trade payables to other entities	17,971	20,498
	18,107	**20,504**
Capital commitments	110	172
	110	**172**
Financial liabilities		
Finance lease liabilities	3,072	1,581
	3,072	**1,581**
Other liabilities		
Unpaid bonus accrual	243	334
Provisions for warranty repairs	1,215	1,859
	1,458	**2,193**

(PLN '000)

11.24 Current provisions, trade and other payables

	Jun 30 2015 (unaudited)	Dec 31 2014
Trade payables		
Trade payables to related entities	4,764	7,017
Trade payables to other entities	228,844	292,210
	233,608	**299,227**
Other financial liabilities		
Valuation of derivatives	–	–
Finance lease liabilities	1,194	559
	1,194	**559**
Liabilities under investments in non-current assets	1,792	4,860
	1,792	**4,860**
Other liabilities		
VAT	–	4,394
Personal income tax	2,063	2,101
Social security liabilities	7,736	8,741
Other taxes, customs duties and insurance payable	96	201
Salaries and wages payable	7,424	7,687
Accrued holiday entitlements	4,984	3,289
Unpaid bonus accrual	7,051	8,107
Provisions for warranty repairs	6,965	9,988
Liabilities under financial guarantees and sureties issued	811	745
Accrual for costs of uninvoiced materials and services	44,123	21,563
Liabilities under dispute	–	–
Accrual for audit fees	129	100
Provisions for other liabilities and disputed claims	4,987	5,667
Other amounts payable to employees	802	–
Security deposits	43	613
Settlements with the Company Social Benefits Fund	–	–
Other	1,029	1,527
	88,243	**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 June 30th 2015 and as at December 31st 2014.

Classes and categories of financial assets	*Carrying amount* *Jun 30 2015 (unaudited)*	*Dec 31 2014*
Assets at fair value through profit or loss	–	–
Investment fund units	–	–
Derivative instruments	–	–
Available-for-sale financial assets	**320**	**369**
Long-term shareholdings	320	369
Loans and receivables	**400,088**	**462,965**
Trade receivables	186,280	266,943
Other receivables	174,337	162,570
Loans advanced	89	108
Non-current deposits	–	–
Current deposits	–	–
Other non-current financial assets	35,403	33,344
Other current financial assets	3,979	–
Cash and cash equivalents	**16,295**	**14,348**
	416,703	**477,682**

Classes and categories of financial liabilities	*Carrying amount* *Jun 30 2015 (unaudited)*	*Dec 31 2014*
Financial liabilities at fair value through profit or loss	–	–
Derivative instruments	–	–
Financial liabilities at amortised cost	**384,534**	**454,992**
Borrowings	130,917	130,229
Trade payables (including capital commitments)	253,617	324,763
Other financial liabilities	–	–
Liabilities under guarantees, factoring and excluded from the scope of IAS 39	**4,266**	**2,140**
Liabilities under leases and lease agreements with a purchase option	4,266	2,140
	388,800	**457,132**

(PLN '000)

14. Borrowings

Current borrowings	*Security*	*Other*	*Currency*	*Effective interest rate*	*Maturity date*	*Liabilities under borrowings*	
						Jun 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	31.05.2016****	128,785	128,127
						128,785	**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	31.12.2015	2,132	2,102
						2,132	**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 June 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).

	Jun 30 2015 (unaudited)	*Dec 31 2014*
Total	300,593	276,497
Borrowed funds (bank credit facility and loans)	130,917	130,229
Total equity and liabilities	942,699	1,037,898
Capitalisation ratio	**0.32**	**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 six months ended June 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	11,337	827	1,695	1,581	–	369	20	66	129
Provision reversed/ utilised	(17,685)	–	–	(5,248)	(1,946)	(1,516)	(700)	–	(100)
Jun 30 2015 (unaudited)	**29,739**	**27,630**	**4,984**	**8,180**	**–**	**7,294**	**4,987**	**811**	**129**
Jan 1 2014	35,704	22,808	2,102	10,646	50,192	1,124	2,745	745	100
Provision recognised	2,447	273	2,724	6,625	7,266	363	2,242	–	129
Provision reversed/ utilised	(3,694)	–	–	(5,175)	(48,409)	(487)	(848)	–	(100)
Jun 30 2014 (unaudited)	**34,457**	**23,081**	**4,826**	**12,096**	**9,049**	**1,000**	**4,139**	**745**	**129**

*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.

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. (Polish NDS) 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. Post-registration the Company's share capital will amount to PLN 169,863,996.

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

19. Capital commitments

As at June 30th 2015, the Company had commitments related to purchase of property, plant and equipment of PLN 1,902 thousand. As at June 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 7,811 thousand.

(PLN '000)

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

	Jun 30 2015 (unaudited)	*Dec 31 2014*
Off-balance sheet items under bank guarantees received mainly as security for performance of contracts, including:	263,313	189,601
- from related entities	–	–
Receivables under sureties received, including:	7,600	7,600
- from related entities	–	–
Promissory notes received as security, including:	30,559	27,557
- from related entities	17,724	14,821
Letters of credit	–	19,180
	301,472	**243,938**

	Jun 30 2015 (unaudited)	*Dec 31 2014*
Off-balance sheet items under bank guarantees issued mainly as security for performance of contracts, including:	225,919	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	–	–
	1,300,566	**1,317,879**

In the first six months of 2015, RAFAKO S.A. recorded a PLN 17,313 thousand drop in contingent liabilities, which resulted from a decrease in liabilities under guarantees. In the first six months of 2015, guarantees (mainly performance bonds of PLN 17,058 thousand and bid bonds of PLN 2,642 thousand) were issued by banks and insurance companies to the Company's trading partners upon the Company's instruction. In this category of liabilities, the largest item was a performance bond of PLN 3,918 thousand issued in April 2015. Liabilities under sureties issued, of PLN 1,046,000 thousand, relate to a surety for SPV-Jaworzno's liabilities, issued by RAFAKO S.A. on April 16th 2014 and valid until April 17th 2028, in connection with the project involving the 'Construction of new coal-fired generation capacities at TAURON Wytwarzanie S.A. − construction of a supercritical 910 MW power generation unit at Jaworzno III Power Plant −Power Plant II'. The largest item among guarantees which expired in the first six months of 2015 was a performance bond of PLN 8,472 thousand.

Over the first six months of 2015, the Company recorded an increase in contingent receivables, including mainly performance bonds, of PLN 57,534 thousand, and an increase in receivables under promissory notes of PLN 3,002 thousand. In the first six months of 2015, receivables under received bank and insurance guarantees grew by PLN 73,712 thousand. The largest item among guarantees received in the first six months of 2015 was a performance bond of EUR 10,041 thousand. In this period, RAFAKO S.A. also recorded a PLN 19,180 thousand increase in receivables under letters of credit opened for the Company. The largest item among guarantees expired in the first six months of 2015 was a performance bond of PLN 2,264 thousand.

21. Litigations and disputes

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

On November 3rd 2009, RAFAKO S.A. brought an action for payment with the Regional Court of Warsaw, 20th Commercial Division, against ING Bank Śląski S.A. ('ING'). In the action, RAFAKO S.A. demanded a refund of approximately PLN 9m unlawfully enforced from its accounts by ING Bank Śląski S.A. On November 29th 2010, the court of first instance issued a ruling in which it awarded PLN 8,996,566.00, plus statutory interest and litigation costs, to be paid by ING Bank Śląski S.A. to RAFAKO S.A. The attorney of ING Bank Śląski S.A. filed an appeal against the ruling of the court of first instance. On October 12th 2011, the Court of Appeals in Warsaw, having completed hearings, did not find the claims raised in the appeal by ING Bank Śląski S.A. justified, but resolved ex officio that the court of first instance failed to consider the substance of the dispute, reversed the ruling and remanded the case for re-examination by the court of first instance. In its ruling of April 1st 2014, the Regional Court of Warsaw ordered ING to pay RAFAKO S.A. PLN 3,646,699.59 plus statutory interest for the period from November 3rd 2009 until the payment date. The court dismissed the remaining part of the claim. Both parties lodged appeals against the ruling. The amount awarded to RAFAKO pursuant to a final ruling of the Court of Appeals, issued on May 29th 2015, was PLN 3,636,226.62 plus statutory interest from November 25th 2009. The costs of the appeal proceedings were offset. The awarded amount was credited to the account of the Company in July 2015.

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

An action brought by Steinmüller Babcock Environment GmbH (formerly FISIA BABCOCK ENVIRONMENT GmbH) against RAFAKO S.A. is pending before the International Court of Arbitration at the International Chamber of Commerce in Vienna. The proceedings were initiated following the filing of a claim for payment of approximately EUR 3.8m in connection with a licence agreement relating to a wet flue gas desulfurization unit. The principal claim concerns payment of an allegedly outstanding licence fee. In RAFAKO S.A.'s opinion, the claim is groundless. RAFAKO S.A.'s stance is that the contract for the upgrade of four desulfurization units, in relation to which the dispute arose, had been performed based RAFAKO's proprietary technological solutions, without any licensed know-how. In its response to the statement of claim, RAFAKO S.A. also argues that the claim has become time-barred. Pursuant to the letter from the Arbitration Court, grant or dismissal of the claim will depend on the scope of the modernisation (whether the work performed was a modernisation in the strict sense of the term or consisted in the delivery of a new unit) and the use of the plaintiff's technology in performing the contract. The parties were obliged to prepare technical documentation relevant to this issue. Letters are currently being exchanged to define the scope of the required documents.

In connection with the arbitration proceedings, the Company has recognised a provision for arbitration costs of approximately PLN 586 thousand. The provision was partially used in 2014 and its balance as at June 30th 2015 was PLN 477 thousand. In the opinion of the Company's Management Board, as at June 30th 2015 there were no circumstances which would justify the recognition of any provisions for the claim.

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

22. 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 35.3m from related entities in company voluntary arrangement.

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

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

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

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

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

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

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

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

In the six months ended June 30th 2015, the Company remeasured the asset based on updated arrangement proposals of November 3rd 2014, put forward by PBG S.A. w upadłości układowej (in company voluntary arrangement), providing with respect to the first group of creditors (which includes RAFAKO S.A.'s claim) for the 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 June 30th 2015, the value of the receivable determined based on the assumptions discussed above amounted to PLN 26m 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.

(PLN '000)

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 six months ended June 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 (arrangement proposals provide for the repayment of the debt on a semi-annual basis over the period of five years). As at June 30th 2015, the value of the receivable determined based on the assumptions discussed above 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 35.3m. 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, was reached between PBG and its creditors.

In the six months ended June 30th 2015, the measurement of the receivables contributed PLN 1,970 thousand (December 31st 2014: PLN 83 thousand) to the Company's net profit/(loss).

23. Management Board and Supervisory Board of the Company

In the six months ended June 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 is 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 six months ended June 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 (independent member)
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.

After June 18th 2015, there have been no changes in the composition of the Supervisory Board.

(PLN '000)

24. 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.

25. Related-party transactions

In the first six 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	*Six months ended Jun 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*	–	6	35,314	1
	2014	–	53	33,380	60
PBG Group companies:					
PBG oil and gas Sp. z o.o.	*2015*	–	1,954	–	1,028
	2014	–	–	–	–
PBG Avatia Sp. z o.o. w upadłości układowej (in company voluntary arrangement)	*2015*	–	2	–	–
	2014	–	2	–	1
Subsidiaries:					
PGL-DOM Sp. z o.o.	*2015*	–	30	–	1
	2014	–	34	–	25
RAFAKO Engineering Sp. z o.o.	*2015*	25	–	15	26
	2014	14	3,722	8	812
ENERGOTECHNIKA Engineering Sp. z o.o.	*2015*	24	5,301	5	3,303
	2014	24	6,573	5	1,993
RAFAKO Engineering Solution doo.	*2015*	–	187	–	46
	2014	–	1,023	–	302
FPM S.A.**	*2015*	–	–	–	–
	2014	–	3	–	–
RAFAKO Hungary Sp. z o.o.	*2015*	–	–	–	–
	2014	–	–	179	–
E001RK Sp. z o.o.	*2015*	3	206	–	108
	2014	3	22,174	–	25,043
E003B7 Sp. z o.o.	*2015*	4,875	–	4,094	–
	2014	16,263	–	4	–
Entities related through personal links:					
PBG Foundation	*2015*	–	72	–	–
	2014	–	–	–	–
Mostostal-Energomontaż Gliwice S.A.	*2015*	–	15	–	387
	2014	–	–	–	–

** The receivables from PBG S.A. w upadłości układowej (in company voluntary arrangement) described in Note 22.22*
*** A subsidiary since February 28th 2015.*

26. Events after the end of the reporting period

Except for the events described in these interim condensed financial statements, there were no significant events that should have been recognised or disclosed in these financial statements.

On July 3rd 2015, the Polish Financial Supervision Authority approved the Company's issue prospectus, prepared for the purposes of the public offering of up to 15,331,998 new Series J ordinary shares with a par value of PLN 2.00 per share, as well as for the purposes of seeking the admission and introduction of up to 15,331,998 Series J ordinary shares in the Company and up to 15,331,998 rights to Series J shares to trading on the regulated market operated by the Warsaw Stock Exchange.

On July 3rd 2015, in connection with the public offering of up to 15,331,998 new Series J ordinary shares with a par value of PLN 2 per share ("Series J Shares") with the pre-emptive rights of existing shareholders waived (the "Offering"), the Company concluded a share placement agreement (the "Agreement") with Powszechna Kasa Oszczędności Bank Polskim Spółka Akcyjna Oddział - Dom Maklerski PKO Banku Polskiego w Warszawie of Warsaw and Trigon Dom Maklerski S.A. of Kraków ("Joint Bookrunners"). On the terms specified in the Agreement, the Joint Bookrunners each undertook to provide, with due care expected of a professional organisation, the Company with financial services necessary to organise and carry out the Offering and placement of Series J Shares among investors, on the terms defined in the Agreement and described in detail in the Current Report No. 19/2015.

Following the approval, on July 3rd 2015, of the issue prospectus of RAFAKO S.A. by the Polish Financial Supervision Authority (the "Prospectus"), RAFAKO S.A. published the Prospectus on July 6th 2015 in electronic form on RAFAKO S.A.'s website (www.rafako.com.pl) and, additionally, for information purposes, on the website of Dom Maklerski PKO Banku Polskiego (www.dm.pkobp.pl).

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 July 15th 2015, the Management Board of RAFAKO S.A. published the issue price of the new Series J Shares and the final number of Series J Shares offered by the Company under a public offering with the pre-emptive rights of existing shareholders waived, to be carried out on the basis of the issue prospectus approved by the Polish Financial Supervision Authority on July 3rd 2015. The Management Board set the Final Price of Offered Shares at PLN 6.10 per Offered Share and the Final Number of Offered Shares at 15,331,998 Offered Shares (the Final Number of Offered Shares is equal to the maximum number of Offered Shares provided for in the Issue Resolution).

The Management Board of RAFAKO S.A. ("Company") announced the success of the public offering and issue of 15,331,998 Series J ordinary bearer shares with a par value of PLN 2 per share ("Series J Shares"), issued under Resolution No. 48 of the Company Management Board of May 13th 2015, concerning an increase in the share capital of the Company, within the authorised capital, by way of the issue of Series J ordinary bearer shares, waiver of all of the existing shareholders' pre-emptive rights to series J Shares, amendment to the Company's Articles of Association, as well as seeking the admission and introduction of Series J Shares to trading on the regulated market operated by the Warsaw Stock Exchange and the conversion of Series J Shares into book-entry form in connection with Resolution No. 14/2015 of the Company Supervisory Board of May 12th 2015, amended by Resolution No. 15/2015 of the Company Supervisory Board of May 13th 2015, concerning the approval of waiver by the Management Board of all existing shareholders' pre-emptive rights to series J Shares.

15,331,998 Series J Shares were duly subscribed and paid for. Accordingly, on July 21st 2015, 15,331,998 Series J Shares were allotted, which means that all offered shares were allotted.

On July 28th 2015, the Management Board of RAFAKO S.A. was notified of Resolution No. 490/15 passed by the Management Board of Krajowy Depozyt Papierów Wartościowych S.A. (Polish NDS) on July 24th 2015, under which the Polish NDS Management Board resolved to register, as of July 28th 2015, 15,331,998 (fifteen million, three hundred and thirty-one thousand, nine hundred and ninety-eight) rights to Series J ordinary bearer shares in RAFAKO S.A. in the depository of securities maintained by the Polish NDS and to assign them ISIN code PLRAFAK00067.

On July 28th 2015, the Management Board of RAFAKO S.A. was notified of Resolution No. 727/2015 passed by the Management Board of the Warsaw Stock Exchange ("WSE") on July 28th 2015, under which the WSE Management Board resolved to introduce to trading on the main market, as of July 29th 2015, by way of the ordinary procedure, 15,331,998 (fifteen million, three hundred and thirty-one thousand, nine hundred and ninety-eight) rights to Series J ordinary bearer shares in RAFAKO S.A. ("Rights to Shares"), to which the Polish NDS assigned ISIN code PLRAFAK00067. The Rights to Shares will be listed in the continuous trading system under the abbreviated name of RAFAKO-PDA and code RFKA.

Following the allotment of the rights to shares in RAFAKO S.A., on July 28th 2015 Nationale-Nederlanden Otwarty Fundusz Emerytalny (previously ING Otwarty Fundusz Emerytalny) and Nationale-Nederlanden Dobrowolny Fundusz Emerytalny (previously ING Dobrowolny Fundusz Emerytalny) (the "Funds"), managed by Nationale-Nederlanden Powszechne Towarzystwo Emerytalne S.A. (previously ING PTE S.A.) ("Funds"), came to hold rights to shares in the Company which, on conversion into shares, will give the Funds over 5% of total voting rights at the Company's General Meeting.

Before the allotment of the rights to shares, Nationale-Nederlanden OFE held 3,016,509 (three million, sixteen thousand, five hundred and nine) Company shares, representing 4.33% of the Company's share capital, and 3,016,509 (three million, sixteen thousand, five hundred and nine) votes, or 4.33% of total voting rights, at the Company's General Meeting.

On July 29th 2015, 8,048,507 (eight million, forty-eight thousand, five hundred and seven) shares and rights to shares in the Company were registered in the Funds' securities accounts, representing 9.48% of the Company's share capital. Following conversion of the rights to shares into shares, the Funds will hold 8,048,507 (eight million, forty-eight thousand, five hundred and seven) votes, representing 9.48% of total voting rights, at the Company's General Meeting.

Following registration of the rights to new shares in RAFAKO S.A. by the Polish NDS on July 28th 2015, NN Investment Partners Towarzystwo Funduszy Inwestycyjnych S.A. (previously ING TFI S.A.), acting on behalf of the investment funds under its management, notified the Company that following entry of the new Company shares in the register of entrepreneurs, the holding of Company shares by NN's investment funds would fall below 5% of total voting rights at the General Meeting of RAFAKO S.A.

As at the date of the notification, the investment funds managed by NN Investment Partners Towarzystwo Funduszy Inwestycyjnych S.A. held a total of 3,512,217 RAFAKO S.A. shares, representing 5.05% of the Company's share capital, and 3,512,217 votes, representing 5.05% of total voting rights, at the General Meeting of RAFAKO S.A. Following registration of the new rights to RAFAKO S.A. shares, the investment funds managed by NN Investment Partners Towarzystwo Funduszy Inwestycyjnych S.A. will be entitled to 3,512,217 votes, representing 4.14% of total voting rights, at the Company's General Meeting, and the 3,512,217 shares held by the investment funds will represent 4.14% of the Company's share capital.

On August 3rd 2015, the Management Board of RAFAKO S.A. published details of the closed public subscription for Series J Company shares:

1. Subscription opening date: July 16th 2015
2. Subscription closing date: July 20th 2015
3. Share allotment date: July 21st 2015
4. Number of shares subscribed for: 15,331,998 Series J ordinary bearer shares in RAFAKO
5. The reduction rate in individual tranches in the event that even in one tranche the number of allotted shares was lower than the number of shares subscribed for:

   In accordance with the terms and conditions of the Offering set forth in the Prospectus, subscription orders covered the maximum number of Offered Shares and the Investors were allotted the maximum number of Offered Shares.
6. Number of shares subscribed for: a total of 15,331,998 Offered Shares.
7. Number of shares allotted in the subscription: a total of 15,331,998 Offered Shares.
8. Price at which the Shares were acquired: PLN 6.10 per Offered Share.
9. Number of persons who placed subscription orders for Shares offered for subscription: 145 investors.
10. Number of persons who were allotted Shares as part of the subscription: 145 investors.
11. Name(s) of the underwriter(s) which acquired shares in the performance of an underwriting agreement(s): the Company did not conclude any underwriting agreement, therefore no Offered Shares were acquired by an underwriter.
12. Value of the subscription (the product of the number of shares covered by the offering and the issue price): PLN 93,525,187.80.
13. Total costs classified as issue costs, itemised:

    As at the date of this report, the Company had no information on the final accounting for the issue costs. Information on the costs will be published in a current report after the Company receives their specification and all entities involved in preparing and carrying out the Offering approve all the costs.
14. Average cost of the subscription per share covered by the subscription.

(PLN '000)

As at the date of this report, the Company had no information on the final accounting for the issue costs. Information on the costs will be published in a current report after the Company receives their specification and all entities involved in preparing and carrying out the Offering approve all the costs.

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.

These interim condensed financial statements of the Company were authorised for issue on August 31st 2015 by virtue of Resolution No. 90/2015 of the RAFAKO S.A. Management Board dated August 31st 2015.

Signatures:

August 31st 2015	Agnieszka Wasilewska-Semail	President of the Management Board	....
August 31st 2015	Krzysztof Burek	Vice-President of the Management Board	....
August 31st 2015	Jarosław Dusiło	Vice-President of the Management Board	....
August 31st 2015	Edward Kasprzak	Vice-President of the Management Board	....
August 31st 2015	Tomasz Tomczak	Vice-President of the Management Board	....
August 31st 2015	Jolanta Markowicz	Chief Accountant	....