RAFAKO GROUP

PBG GROUP

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the three months ended March 31st 2020

July 28th 2020

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1. Interim condensed financial statement of RAFAKO S.A. for the three months ended March 31st 2020

(PLN thousand)

Interim condensed consolidated statement of comprehensive income

for the three months ended March 31st 2020

	Note	*3 months ended March 31st 2020*	*3 months ended March 31st 2019*
Continuing operations			
Revenue	12.1	**296,201**	**312,702**
Revenue from sale of goods and services		295,496	312,532
Revenue from sale of materials		705	170
Cost of products and services sold	12.2	(283,155)	(290,739)
Cost of materials sold		(410)	(298)
Gross profit/(loss)		**12,636**	**21,665**
Other income	12.2	7,534	2,166
Selling expenses	12.2	(4,195)	(5,534)
Administrative expenses	12.2	(13,300)	(12,299)
Other expenses	12.2	(3,361)	(2,355)
Research and development costs		(1,190)	(2,305)
Operating profit/(loss)		**(1,876)**	**1,338**
Finance income	12.2	2,924	2,146
Finance costs	12.2	(2,695)	(1,764)
Profit /(loss) before tax		**(1,647)**	**1,720**
Income tax	12.3	(32)	(971)
Net profit/(loss) from continuing operations		**(1,679)**	**749**

(PLN thousand)

Interim condensed consolidated statement of comprehensive income

for the three months ended March 31st 2020

	Note	*3 months ended March 31st 2020*	*3 months ended March 31st 2019*
Other comprehensive income for period		**(279)**	**(239)**
Items to be reclassified to profit/(loss) in subsequent reporting periods			
Exchange differences on translating foreign operations		176	6
Exchange differences on translating foreign operations attributable to non-controlling interests		63	2
Other net comprehensive income to be reclassified to profit/(loss) in subsequent reporting periods		**239**	**8**
Items that will not be reclassified to profit or loss in subsequent reporting periods			
Other comprehensive income from actuarial gains/(losses)		(639)	(305)
Tax on other comprehensive income	12.3	121	58
Other net comprehensive income not subject to reclassification to profit/(loss) in subsequent reporting periods		**(518)**	**(247)**
Comprehensive income for period		**(1,958)**	**510**
Net profit/(loss) attributable to:		**(1,679)**	**749**
Owners of the parent	12.24	(844)	1,311
Non-controlling interests		(835)	(562)
Comprehensive income attributable to:		**(1,958)**	**510**
Owners of the parent		(1,186)	1,069
Non-controlling interests		(772)	(559)
Weighted average number of shares		127,431,998	127,431,998
Basic/diluted earnings/(loss) per share, PLN	12.24	(0.01)	0.01

Racibórz, July 28th 2020

Agnieszka Wasilewska-Semail	Jacek Drozd	Radosław Domagalski-Łabędzki	Michał Sikorski	Jolanta Markowicz
Acting President of the Management Board	Vice President of the Management Board	Vice President of the Management Board	Member of the Supervisory Board delegated to serve on the Management Board	Chief Accountant

(PLN thousand)

Interim condensed consolidated statement of financial position

as at March 31st 2020

	Note	*March 31st 2020*	*December 31st 2019*	*March 31st 2019*
ASSETS				
Non-current assets				
Property, plant and equipment	12.6	145,296	147,362	144,070
Goodwill	12.5	6,704	6,704	9,166
Intangible assets	12.5	6,584	6,840	7,701
Right-of-use assets	12.8	16,183	15,793	28,294
Other long-term receivables	12.9	83,017	77,780	40,946
Shares	12.10	1,458	1,496	1,524
Non-current financial assets	12.11	–	–	14,785
Deferred tax assets	12.3	42,910	42,672	41,814
Long-term accrued expenses and deferred income		4,125	4,866	4,133
		306,277	**303,513**	**292,433**
Current assets				
Inventories	12.12	32,823	33,027	33,934
Short-term trade and other receivables	12.15	461,474	607,964	352,866
Contract assets	11	256,570	269,787	504,274
Income tax asset		1,615	605	307
Other current financial assets	12.13	–	–	7,997
Short-term loans		–	–	11,337
Cash and cash equivalents	12.14	45,006	66,082	117,383
Short-term accrued expenses and deferred income	12.16	22,588	21,330	19,199
		820,076	**998,795**	**1,047,297**
Non-current assets held for sale		382	123	101
TOTAL ASSETS		**1,126,735**	**1,302,431**	**1,339,831**

Racibórz, July 28th 2020

Agnieszka Wasilewska-Semail	Jacek Drozd	Radosław Domagalski-Łabędzki	Michał Sikorski	Jolanta Markowicz
Acting President of the Management Board	Vice President of the Management Board	Vice President of the Management Board	Member of the Supervisory Board delegated to serve on the Management Board	Chief Accountant

(PLN thousand)

Interim condensed consolidated statement of financial position

as at March 31st 2020

	Note	*March 31st 2020*	*December 31st 2019*	*March 31st 2019*
EQUITY AND LIABILITIES				
Equity				
Share capital	12.20	254,864	254,864	254,864
Share premium	12.23	165,119	165,119	165,119
Statutory reserve funds		215,219	215,219	191,580
Exchange differences on translating foreign operations		(96)	(272)	(67)
Retained earnings/accumulated losses, including:		(526,048)	(524,686)	(21,291)
Profit/(loss) brought forward		(525,204)	(51,565)	(22,603)
Net profit/(loss) for period		(844)	(473,121)	1,312
		109,058	**110,244**	**590,205**
Non-controlling interests		3,247	4,019	7,959
Total equity		**112,305**	**114,263**	**598,164**
Non-current liabilities				
Bank and other borrowings		14	24	52
Finance lease liabilities	12.8	7,646	7,589	9,431
Employee benefit obligations and provisions	12.26, 12.27	30,132	29,480	23,784
Other non-current liabilities	12.25	18,191	20,595	14,113
Other long-term provisions	12.28	37,944	36,357	31,116
Deferred tax liability		–	–	150
		93,927	**94,045**	**78,646**
Current liabilities				
Current portion of interest-bearing borrowings	16	77,707	113,051	108,306
Finance lease liabilities		6,191	5,490	6,857
Short-term trade and other payables	12.29	467,333	628,655	300,389
Income tax payable		246	156	22
Employee benefit obligations and provisions	12.30, 12.27	26,906	26,324	32,597
Contract liabilities	11	285,721	251,625	180,710
Other short-term provisions	12.31	37,977	47,121	11,176
Short-term accrued expenses and deferred income		17,997	21,471	22,639
Grants		425	230	325
		920,503	**1,094,123**	**663,021**
Total liabilities		**1,014,430**	**1,188,168**	**741,667**
TOTAL EQUITY AND LIABILITIES		**1,126,735**	**1,302,431**	**1,339,831**

Racibórz, July 28th 2020

Agnieszka Wasilewska-Semail	Jacek Drozd	Radosław Domagalski-Łabędzki	Michał Sikorski	Jolanta Markowicz
Acting President of the Management Board	Vice President of the Management Board	Vice President of the Management Board	Member of the Supervisory Board delegated to serve on the Management Board	Chief Accountant

(PLN thousand)

Interim condensed consolidated statement of cash flows

for the three months ended March 31st 2020

	Note	*3 months ended March 31st 2020*	*12 months ended December 31st 2019*	*3 months ended March 31st 2019*
Cash flows from operating activities				
Profit/(loss) before tax		**(1,647)**	**(475,674)**	**1,720**
Adjustments for:		**17,200**	**456,527**	**25,473**
Depreciation and amortisation		3,637	17,599	4,504
Foreign exchange gains/(losses)		–	(65)	5
Interest and dividends, net		963	4,457	1,111
(Gain)/loss from investing activities		(752)	34,668	(1,002)
(Increase)/decrease in receivables	12.4	141,258	(113,100)	178,932
(Increase)/decrease in inventories		204	1,126	219
Increase/ (decrease) in employee benefit provisions and obligations, excluding borrowings	12.4	(163,090)	288,916	(38,672)
Change in provisions, accruals and deferrals	12.4	(11,548)	37,908	(1,031)
Change in contract assets and liabilities	12.4	47,313	187,527	(115,711)
Income tax (paid)/received		(769)	(2,482)	(2,176)
Other		(16)	(27)	(706)
Net cash from operating activities		**15,553**	**(19,147)**	**27,193**
Cash flows from investing activities				
Sale of property, plant and equipment and intangible assets		1,552	2,998	509
Purchase of property, plant and equipment and intangible assets	12.4	(760)	(3,235)	(289)
Sale of financial assets		–	–	–
Purchase of financial assets		–	(148)	(148)
Dividends and interest received		–	–	120
Other		2	234	–
Net cash from investing activities		**794**	**(151)**	**192**

(PLN thousand)

Interim condensed consolidated statement of cash flows

for the three months ended March 31st 2020

	Note	*3 months ended March 31st 2020*	*12 months ended December 31st 2019*	*3 months ended March 31st 2019*
Cash flows from financing activities				
Payment of finance lease liabilities		(1,232)	(7,501)	(1,569)
Proceeds from borrowings		–	12,244	5,639
Repayment of borrowings	12.4	(35,249)	–	–
Repayment of borrowings		(302)	(2,621)	(1,134)
Interest paid		(786)	(3,546)	(875)
Bank fees		(128)	(1,052)	(6)
Other		197	(807)	(724)
Net cash from financing activities		**(37,500)**	**(3,283)**	**1,331**
Net increase/(decrease) in cash and cash equivalents		(21,153)	(22,581)	28,716
Net foreign exchange gains/(losses)		77	(29)	(25)
Cash at beginning of period	12.14	66,082	88,692	88,692
Cash at end of period	12.14	45,006	66,082	117,383

Racibórz, July 28th 2020

Agnieszka Wasilewska-Semail	Jacek Drozd	Radosław Domagalski-Łabędzki	Michał Sikorski	Jolanta Markowicz
Acting President of the Management Board	Vice President of the Management Board	Vice President of the Management Board	Member of the Supervisory Board delegated to serve on the Management Board	Chief Accountant

(PLN thousand)

Interim condensed consolidated statement of changes in equity

for the three months ended December 31st 2020

	Share capital	*Share premium*	*Statutory reserve funds*	*Exchange differences on translating foreign operations*	*Retained earnings/ accumulated losses*	*Total*	*Non-controlling interests*	*Total equity*
As at January 1st 2020	**254,864**	**165,119**	**215,219**	**(272)**	**(524,686)**	**110,244**	**4,019**	**114,263**
Profit/(loss) from continuing operations	–	–	–	–	(844)	(844)	(835)	(1,679)
Other comprehensive income	–	–	–	176	(518)	(342)	63	(279)
Distribution of retained earnings	–	–	–	–	–	–	–	–
As at March 31st 2020	**254,864**	**165,119**	**215,219**	**(96)**	**(526,048)**	**109,058**	**3,247**	**112,305**
As at January 1st 2019	**254,864**	**173,708**	**182,242**	**(433)**	**(8,757)**	**601,624**	**8,628**	**610,252**
Adjustment to opening balance following implementation of new IFRS	–	–	–	–	(42,957)	(42,957)	–	(42,957)
As at January 1st 2019	**254,864**	**173,708**	**182,242**	**(433)**	**(51,714)**	**558,667**	**8,628**	**567,295**
Profit/(loss) from continuing operations	–	–	–	–	8,446	8,446	(207)	8,239
Other comprehensive income	–	–	–	(62)	(182)	(244)	–	(244)
Distribution of retained earnings	–	–	63,890	–	(63,890)	–	–	–
As at March 31st 2019	**254,864**	**173,708**	**246,132**	**(495)**	**(107,340)**	**566,869**	**8,421**	**575,290**

(PLN thousand)

Interim condensed consolidated statement of changes in equity

for the three months ended December 31st 2020

	Share capital	*Share premium*	*Statutory reserve funds*	*Exchange differences on translating foreign operations*	*Retained earnings/ accumulated losses*	*Total*	*Non-controlling interests*	*Total equity*
As at January 1st 2019	**254,864**	**165,119**	**191,580**	**(73)**	**(22,675)**	**588,815**	**8,520**	**597,335**
Adjustment to opening balance following implementation of new IFRS	–	–	–	–	319	319	–	319
As at January 1st 2019	**254,864**	**165,119**	**191,580**	**(73)**	**(22,356)**	**589,134**	**8,520**	**597,654**
Profit/(loss) from continuing operations	–	–	–	–	(473,121)	(473,121)	(4,465)	(477,586)
Other comprehensive income	–	–	–	(199)	(5,570)	(5,769)	(36)	(5,805)
Distribution of retained earnings	–	–	23,639	–	(23,639)	–	–	–
As at December 31st 2019	**254,864**	**165,119**	**215,219**	**(272)**	**(524,686)**	**110,244**	**4,019**	**114,263**

Racibórz, July 28th 2020

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NOTES

1. General information

The RAFAKO Group (the "Group") comprises RAFAKO S.A. (the "parent", the "Company") and its subsidiaries presented in Note 8.

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

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

The Group companies have been established for an indefinite term.

These interim condensed consolidated financial statements of the Group cover the three months ended March 31st 2020 and contain consolidated comparative data for the three months ended March 31st 2019 and as at December 31st 2019. The interim condensed statement of comprehensive income contains data for the three months ended March 31st 2020 and the comparative data for the three months ended March 31st 2019 and have not been audited but reviewed by an auditor.

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

These interim condensed consolidated financial statements for the three months ended March 31st 2020 were authorised for issue by the parent's Management Board on July 28th 2020.

The interim consolidated financial result may not be fully indicative of the potential full-year financial result.

2. Basis of preparation of the interim condensed consolidated financial statements

These interim condensed consolidated financial statements of the Group for the three months ended March 31st 2020 have been prepared in accordance with EU-endorsed International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34").

These interim condensed consolidated financial statements of the RAFAKO Group have been prepared in accordance with the historical cost principle, modified with respect to financial instruments measured at fair value.

The reporting currency of the consolidated financial statements is the Polish złoty, and all amounts are expressed in thousands of Polish złoty (PLN thousand), unless indicated otherwise.

In order to provide a better understanding of the financial position and assets of the Group, the comparative data additionally includes the consolidated statement of financial position as at March 31st 2019 and consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for 2019, despite the absence of such requirements in IAS 34.

The interim condensed consolidated financial statements do not contain all the information which is typically disclosed in full-year consolidated financial statements prepared in accordance with IFRS. These interim condensed consolidated financial statements should be read in conjunction with the 2019 consolidated financial statements of the Group.

These interim condensed consolidated financial statements of the Group have been prepared on the assumption that the Group companies will continue as going concerns for at least 12 months after the reporting date, i.e. after March 31st 2020.

As at the date of these interim condensed consolidated financial statements, the Management Board of the parent, taking into account the financial results achieved and the forecast for 2020, identified a material risk of failure to continue as a going concern due to the uncertainties related to:

1. completion of the contract to construct a 910 MW supercritical power generation unit at the Jaworzno III Power Plant - Power Plant II, and the ability to maintain liquidity and positive profitability of the project,
2. securing financing until the end of 2020 in the form of bank borrowings and guarantees,
3. obtaining financing from the eBus project or an alternative project in the event of failure of the eBus project,
4. outcome of negotiations with other key customers to increase the value of contracts in progress.

For the Group to continue as a going concern, it is crucial to complete the contract for the construction of a 910 MW supercritical power generation unit at the Jaworzno III Power Plant – Power Plant II, to maintain financial liquidity by securing financing sources, to continue ongoing projects as planned, and to secure an adequate order book. For details, see Note 6 to the consolidated financial statements for 2019.

As at the date of issue of these interim condensed consolidated financial statements, negotiations were still under way with the Employer concerning claims related to the technical failure. Also, the Contractor and the Employer requested the Insurer to cover the losses caused by the failure from the CAR/EAR policy.

Given the progress of negotiations with the Employer, E003B7 Sp. z o.o. recognised both the estimated costs of the failure and extension of the contract performance periods, the revenue resulting from Annex 8 to the Contract, as well as the estimated additional revenue expected to be received by the Company for claims against the Employer and the Insurer. The estimated effect of the event on the total contract result is minus PLN 4m, as described in Note 11.1.1 to these interim condensed consolidated financial statements.

Considering all circumstances of these events, the Management Board of the parent is of the view that both the estimated costs to remove the failure and the costs of contract extension that need to be incurred to complete the contract will be covered from compensation payments and from payments of reasonable claims granted against the Employer. Given these material uncertainties, as at the date of signing of these consolidated financial statements the parent’s Management Board was unable to determine the outcome of the contract, including whether a loss will be incurred.

A key factor that may affect the Group’s ability to continue as a going concern and win new contracts is access to external financing. In June 2020, the parent and PKO BP S.A. signed an annex to the multi-purpose credit facility agreement (covering credit facilities and the guarantee limit), for a total amount of PLN 142m, to be available to the Company until November 10th 2020. However, the current amount of the credit and guarantee facilities available to the Group is insufficient to deliver the plan to expand its order book. Therefore, the parent takes all reasonable steps to increase its guarantee capabilities to the level enabling the parent’s Management Board to implement its growth strategy and to structure credit facilities so that they better meet the Group’s needs. The Management Board of the parent expects to sign by November 10th 2020 another amendment to extend the credit facility term, which will be of key importance for the Group's ability to maintain financial liquidity.

As at the date of issue of these interim condensed consolidated financial statements for the three months of 2020, the parent finalises the negotiation process concerning the terms and conditions of sale of the eBus project to Agencja Rozwoju Przemysłu which, by the parent’s consent of June 30th 2020, has the exclusive right to negotiate the transaction until July 31st 2020, as specified in the letter of intent signed by the parties on January 20th 2020. The project’s business plan and valuation have been completed. On the basis of these documents, the parties entered into the final stage of negotiations of the transaction. On June 29th 2020, the parent received an initial offer specifying the scope and terms of the transaction. The transaction will have a positive effect on the Group’s liquidity position.

As at the end of March 2020, the value of the Group's order book was PLN 2,324m (PLN 2,811m as at the end of March 2019). In pursuit of its strategy, from the beginning of 2020 to the issue date for these interim condensed consolidated financial statements, the Group won new contracts worth PLN 142m, including PLN 128m in the power segment, PLN 13m in the oil and gas segment and PLN 1m in other business. The most important contracts acquired in 2020 include a contract for the design, delivery, supervision of the assembly of pressure components and start-up of a modernised BB-2000 steam generator for the TENT B1 Obrenovac Power Plant in Serbia, with the contract price of ca. EUR 34.4m (VAT exclusive), of which the Group's share is approximately EUR 17.35m (VAT exclusive). The Group makes every effort to ensure that the value of contracts in the order book enables it to secure revenue necessary to cover its operating expenses and generate profit in the long term, also after the completion of the contract to construct the 910 MW power generation unit in Jaworzno. In line with the adopted growth directions, the Group is actively involved in tender procedures and expects to win new major contracts.

Considering all the circumstances described above, which the Management Board of the parent identifies as material risks to the Group's ability to continue as a going concern within 12 months from the reporting date, the Management Board of the parent takes all the steps described above to ensure that these risks do not materialise and presents the interim condensed consolidated financial statements for the three months ended March 31st 2020 prepared on the assumption that the Group will continue as a going concern.

3. Changes in accounting policies (significant accounting policies)

These interim condensed consolidated financial statements have been prepared in accordance with the accounting policies presented in the Group's most recent consolidated financial statements for the year ended December 31st 2019, except for changes resulting from the application of the following standards.

- Amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*

The amendments introduce a new definition of ‘material’ (with regard to omission or misstatement in financial statements). The existing definition in IAS 1 and IAS 8 differed from that contained in the Conceptual Framework for Financial Reporting, which could cause difficulties in making judgements by entities preparing financial statements. The amendments will align the definition used in the Conceptual Framework and all effective IASs and IFRSs.

The new standard did not affect the Group's consolidated financial statements as the materiality judgements so far were consistent with those that would have been made using the new definition.

The amendments are effective for annual periods beginning on or after January 1st 2020.

- Amendments to IFRS 3 *Business Combinations*

The amendments regard the definition of a business and cover mainly the following issues:

- they clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
- they narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce cost;
- add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
- remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and
- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

The amendments are effective for business combinations for which the acquisition date falls in or after the beginning of the first annual reporting period beginning on or after January 1st 2020 and for asset acquisitions that occurred in or after the beginning of that period. Therefore, the amendment did not affect the data disclosed in the Group's previous consolidated financial statements. At this point in time, the Group is also unable to predict future acquisitions.

- Amendments in references to the conceptual framework for IFRS

The Board has prepared a new version of the conceptual framework for financial reporting. For consistency reasons, the references have therefore been adapted accordingly to the conceptual framework set out in the various standards.

The amendments are effective for annual periods beginning on or after January 1st 2020 and have not affected the Group's interim condensed consolidated financial statements.

- Amendments to IFRS 9, IAS 39 and IFRS 7

The IASB amended hedge accounting in connection with the planned reform of reference interest rates (WIBOR, LIBOR, etc.). These rates are often a hedged item, for example in the case of IRS hedges. The planned replacement of existing rates by new reference rates raised doubts as to whether the planned transaction is still highly probable, whether future hedged cash flows are still expected or whether there is an economic link between the hedged item and the hedging item. The amendment to the standards specified that it should be assumed in the estimates that there will be no change in reference rates.

The amendments are effective for annual periods beginning on or after January 1st 2020. As the Group does not apply hedge accounting, the uncertainty related to interest rate derivatives does not affect its interim condensed consolidated financial statements.

4. Standards and interpretations which are effective as published by the IASB, but which have not been approved by the European Union

4.1. Early application of standards or interpretations

In these interim condensed consolidated financial statements, the Group has not opted for early application of any standard or interpretation.

4.2. Published standards and interpretations which were not yet effective for periods beginning on January 1st 2020 and their impact on the Group's financial statements

As at the date of these interim condensed consolidated financial statements, new or amended standards and interpretations effective for annual periods subsequent to 2020 were published. The list also includes amendments, standards and interpretations published but not yet endorsed by the European Union.

- New IFRS 17 *Insurance Contracts*

A new standard governing recognition, measurement, presentation and disclosure of insurance and reinsurance contracts. The standard replaces the existing IFRS 4.

The Group estimates that the new standard will not affect its consolidated financial statements because the Group does not conduct any insurance business.

The standard is effective for annual periods beginning on or after January 1st 2021.

- Amendment to IAS 1 *Presentation of Financial Statements*

The IAS Board clarified the rules for classifying liabilities to non-current or current liabilities primarily in two aspects:

  - it has been clarified that classification depends on the rights of the entity as at the reporting date,
  - management's intention to accelerate or delay payment of a liability is not taken into account.

The amendments are effective for annual periods beginning on or after January 1st 2022. As the Group already applies principles consistent with the amended standard, the changes will not affect its consolidated financial statements.

The Group intends to implement the above regulations at the time required by the individual standards or interpretations.

5. Significant judgements and assumptions

5.1. Professional judgement

The preparation of the Group's interim condensed consolidated financial statements requires the Management Board to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Uncertainties related to these judgements and assumptions may result in material changes to carrying amounts of assets and liabilities in the future, because actual amounts may differ from the amounts estimated by the Management Board.

(PLN thousand)

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

Classification of leases where the Group is the lessee

Group companies are parties to lease contracts. They classify leases as either finance leases or operating leases based on the assessment of the extent to which risks and benefits incidental to ownership have been transferred from the lessor to the lessee. Such assessment is in each case based on the economic substance of the transaction.

Embedded derivatives

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

Consortium agreements

Each time after signing a service contract to be executed as part of a consortium, the companies evaluate the nature of the contract to determine the method of accounting for contract revenue and expenses.

5.2. Uncertainty of estimates

Information on the estimates and assumptions material to the consolidated financial statements is presented in the full-year consolidated financial statements for 2019. In these interim condensed consolidated financial statements, the Group also presented the effect of the Management Board's assumptions on the estimates of impairment losses (see Note 12.18), revenue from contracts with customers (see 11) and provisions (see Note 18).

6. Measurement currency and reporting currency

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

Exchange rates used to determine carrying amounts:

	March 31st 2020	*December 31st 2019*	*March 31st 2019*
USD	4.1466	3.7977	3.8365
EUR	4.5523	4.2585	4.3013
GBP	5.1052	4.9971	4.9960
CHF	4.3001	3.9213	3.8513
SEK	0.4114	0.4073	0.4130
TRY	0.6314	0.6380	0.6802

7. Change in estimates

In the three months ended March 31st 2020 and as at March 31st 2020, there were changes of estimates in significant areas of the Company's business, as described in Note 12.18, Note 11 and Note 18.

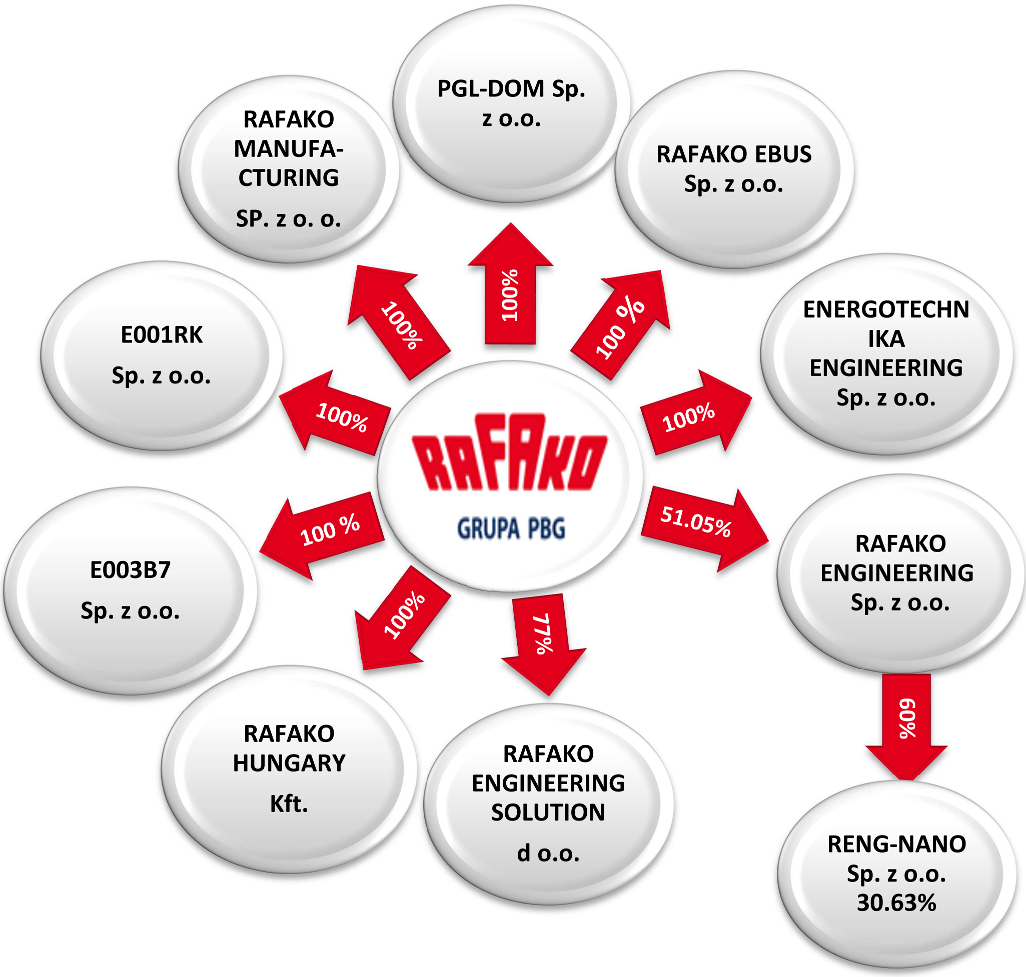
8. Scope of consolidated financial statements

These interim condensed consolidated financial statements comprise the financial statements of RAFAKO and the financial statements of its subsidiaries.

The financial statements of the subsidiaries are prepared for the same reporting period as the financial statements of the parent, using uniform accounting policies. The consolidated financial statements have been prepared in accordance with IAS 27/IFRS 10 *Consolidated and Separate Financial Statements*.

As at March 31st 2020, the RAFAKO Group comprised the parent and ten subsidiaries operating in the power construction, services and trade sectors.

As at March 31st 2020, the following subsidiaries ("Companies", "Group Companies") were included in the Group's consolidated financial statements:


PGL-DOM Sp. z o.o.
100%
RAFAKO MANUFA-CTURING SP. z o. o.
100%
RAFAKO EBUS Sp. z o.o.
100 %
E001RK Sp. z o.o.
100%
ENERGOTECHNIKA ENGINEERING Sp. z o.o.
100%
RAFAKO
GRUPA PBG
E003B7 Sp. z o.o.
100 %
RAFAKO ENGINEERING Sp. z o.o.
51.05%
RAFAKO HUNGARY Kft.
100%
RAFAKO ENGINEERING SOLUTION d o.o.
77%
60%
RENG-NANO Sp. z o.o. 30.63%

(PLN thousand)

The table below lists the consolidated companies of the RAFAKO Group.

Name and principal place of business	*Principal business (according to the Polish Classification of Business Activities (PKD))*	*Registry court and number in the National Court Register (KRS)*	*Consolidation method*
RAFAKO S.A. Racibórz	Production of steam generators, excluding hot water central heating boilers	District Court in Gliwice, KRS 34143	-
PGL – DOM Sp. z o.o. Racibórz	Real property activities with own property	District Court in Gliwice, KRS 58201	full
RAFAKO ENGINEERING Sp. z o.o. of Racibórz	Engineering activities and related technical consultancy	District Court in Gliwice, KRS 287033	full
ENERGOTECHNIKA ENGINEERING Sp. z o.o. of Gliwice	Engineering activities and related technical consultancy	District Court in Gliwice, KRS 417946	full
RAFAKO ENGINEERING SOLUTION d.o.o. Belgrade	Process design, including construction, industry, and environmental protection consultancy and supervision	Commercial Register Agency of the Republic of Serbia 20320524	full
RAFAKO Hungary Kft. Budapest	Equipment assembly in the power and chemical industries	Registry Court of the Capital City of Budapest	full
E001RK Sp. z o.o. Racibórz	Development of building projects; construction of roads and highways, railways and subways, bridges and tunnels; engineering activities and technical and scientific consultancy; production, repair and maintenance of machinery and equipment, generation and transmission of and trading in electricity.	District Court in Gliwice, KRS 479758	full
E003B7 Sp. z o.o. Racibórz	Development of building projects, business consultancy and construction design, engineering and technology	District Court in Gliwice, KRS 486911	full
RENG-NANO Sp. z o.o.* Racibórz	Manufacture of metal structures and components, repair and maintenance of finished metal goods	District Court of Gliwice KRS 663393	full
RAFAKO MANUFACTURING Sp. z o.o. Racibórz	Production of steam generators, excluding hot water central heating boilers	District Court of Gliwice KRS 739782	full
RAFAKO EBUS Sp. z o.o. Racibórz	Manufacture of buses, electrical and electronic equipment for motor vehicles and manufacture of other motor vehicle parts and accessories	District Court of Gliwice KRS 798943	full

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

As at March 31st 2020 and December 31st 2019, the Group’s share in total voting rights in the subsidiaries was equal to the parent's holdings in the share capital of these entities.

9. Changes in the Group's structure

In the three months ended March 31st 2020, there were no changes in the Group's structure.

10. Seasonality and cyclical nature of the Group’s business

The business of the Group companies is not affected by seasonality or periodic fluctuations that could materially affect financial results of the Group.

(PLN thousand)

11. Contract assets and liabilities

Contract assets and liabilities as at the reporting date are presented in the table below.

	March 31st 2020	*December 31st 2019*
Gross contract assets	257,880	271,202
Impairment of contract assets (-)	(1,310)	(1,415)
Contract assets	256,570	269,787
Contract liabilities, including prepayments	285,721	251,625

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

The table below presents the effects of accounting for contracts, including revenue and costs of running contracts recognised in accordance with IFSR 15 as at March 31st 2020 and as at December 31st 2019, as well as gross amounts due to customers for contract work and gross amounts due from customers for contract work.

	March 31st 2020	*December 31st 2019*
Revenue initially agreed in contract	8,064,379	7,971,771
Change in contract revenue	244,110	42,339
Aggregate contract revenue	**8,308,489**	**8,014,110**
Contract costs incurred as at reporting date	5,859,446	5,673,184
Costs expected to be incurred by contract completion date	2,215,811	2,125,054
Estimated aggregate contract costs	**8,075,257**	**7,798,238**
Estimated aggregate profit/(loss) on contracts, including:	**233,232**	**215,872**
profit	443,057	431,683
loss (-)	(209,825)	(215,810)

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

	March 31st 2020	*December 31st 2019*
Advance payments received as at reporting date	156,686	177,222
Advance payments that can be set off against amounts due from customers for contract work	26,896	29,987
Contract costs incurred as at reporting date	5,890,995	5,712,182
Cumulative profit as at reporting date (+)	306,995	303,598
Cumulative loss as at reporting date (+)	(209,825)	(215,810)
Cumulative contract revenue as at reporting date	5,988,165	5,799,970
Amounts invoiced as at reporting date (progress billings)	5,859,319	5,605,335
Settlement of contracts (balance) as at the reporting date, including:	**128,846**	**194,635**
Contract assets less advance payments that can be offset	257,880	271,202
Contract liabilities	155,931	106,554

(PLN thousand)

The main causes of changes in contract assets and liabilities in the reporting period are presented in the tables below.

Contract assets:

	March 31st 2020	*December 31st 2019*
Contract assets at beginning of period	269,788	381,352
Revenue charged in the reporting period to contract assets	49,551	121,220
Total revenue restatements charged to contract assets	26,301	50,298
Changes in impairment losses on contract assets	105	325
Reclassification to trade receivables (-)	(89,175)	(283,407)
Contract assets at end of period	**256,570**	**269,788**

Contract liabilities:

	March 31st 2020	*December 31st 2019*
Contract liabilities at beginning of period	251,625	173,499
Performance obligations recognised in the reporting period as contract liabilities	59,012	59,286
Change in advance payments	(15,281)	42,656
Total revenue restatements charged to contract liabilities	745	1,917
Recognition of revenue recognised in contract liabilities at beginning of period (-)	(10,380)	(25,733)
Contract liabilities at end of period	**285,721**	**251,625**

Disclosures concerning capitalised costs of obtaining and performing contracts are presented by the Company under ‘Short-term prepayments and accrued income’.

11.1 Key contracts

11.1.1 Jaworzno Project

RAFAKO S.A., as a member of the consortium comprising RAFAKO S.A. (consortium leader) and MOSTOSTAL WARSZAWA S.A., is performing the contract for 'Development of new coal-fired generation capacities at TAURON Wytwarzanie S.A. – Construction of supercritical 910 MW generating unit at the Jaworzno III Power Plant – Power Plant II: Steam boiler, turbine generator set, main building, electrical and I&C systems'. The final division of work within the consortium was agreed on August 4th 2013 based on the amendments made to the consortium agreement, which related to RAFAKO S.A. taking over 99.99% of the project deliveries (with 0.01% remaining for Mostostal Warszawa) and changing the distribution of consideration due to the consortium members to reflect the members’ actual shares in the project. The contract for the construction of the Jaworzno III power generation unit was concluded on April 17th 2014. The current contract price (after execution of Annex 8) is PLN 4,547m (VAT exclusive). It is the largest contract executed by RAFAKO S.A. to date. Currently, work is being performed on the last phase of the Jaworzno project, i.e. start-up and commissioning, which will be continued until Unit is placed in service. After the completion of the milestone relating to placement of the unit in service, the warranty period under the contract will commence, during which the final measurements of guaranteed technical parameters are to be performed within 12 months from placing the unit in service.

During the warranty period, the employer will receive the as-built documentation and the invoice for the last milestone, in line with the schedule of works and expenditures.

If the contract is not completed by the prescribed deadline, i.e. the placement-in-service report is not signed, the employer may charge penalties for delayed performance of the contract, which could have a material adverse effect on the performance and financial position of both RAFAKO S.A. and the project's SPV.

On December 19th 2019, Annex 7 to the contract was signed. The parties agreed that certain additional tasks will be performed under the Contract. These include delivery of an additional layer of catalyst and an additive dispensing system for the flue gas desulfurization unit to reduce mercury emissions as well as extension of the fuel mix to enable combustion of a wider range of coal types. After the generating unit is placed in service, the consortium will carry out optimisation tasks to check whether the unit meets the changed technical parameters. The implementation of these changes will have a positive effect on the technical and environmental parameters of the unit and will help to optimise its costs during operation. The expanded scope of work will reduce emissions of noxious substances from the unit, and the extended fuel mix will allow the TAURON Group to achieve greater flexibility in coal procurement.

Under the annex, the net price specified in the Contract was increased by PLN 52,308,355.89, and the placement-in-service report is to be signed by January 31st 2020.

During the final testing of the Unit, a number of objective events occurred which affected the date of delivery of the Unit to the Employer. Following the Unit's being taken offline due to extreme weather conditions, it was found that an unforeseeable event had occurred, involving damage to a component of the boiler. On May 4th 2020, RAFAKO S.A., E003B7 Sp. z o.o. and the employer entered into an agreement to work together to identify the causes and remove the consequences of the Event to enable continuation of work to deliver the Unit to the Employer.

On June 10th 2020, Annex 8 to the Master Contract was signed; it sets out the terms and conditions for the performance of additional works by the Contractor and addresses the following key issues: a PLN 9.9m (VAT exclusive) increase in the contract price to account for additional work; change of the Unit's commissioning deadline; update of the Time and Payment Schedule reflecting changes in the delivery dates for individual milestones; and transfer of ownership rights to the turbine island.

The new payment schedule improved the Company's liquidity, and enabled the Company to pay its subcontractors for the additional work under the contract. Currently, the expected hand-over date is November 15th 2020.

For further information on the performance of the Contract, see Note 2.

Accounting for the Jaworzno Project:

For the purposes of the Project, a special purpose vehicle (E003B7 Sp. z o.o.) was established, to which RAFAKO S.A. subcontracted approximately 88.7% of the Project's scope of work; the remaining 11.3% is performed by RAFAKO S.A. itself (approximately PLN 510.7m); including the design of the boiler island and delivery of boiler pressure components and a particle removal unit, which were delivered mainly in 2015-2017.

For the purposes of the project, RAFAKO S.A. and E003B7 Sp. z o.o. signed agreements with financial institutions, under which the companies secured bank guarantees and insurance bonds required to deliver the project. The total value of the bonds and guarantees is PLN 587.5m. At the same time, RAFAKO S.A.'s and E003B7 Sp. z o.o.'s assets were pledged as security for these instruments. Given the arrangements with the guarantee providers, RAFAKO S.A. does not plan for E003B7 sp. z o.o. to pay any dividend before the expiry of the guarantee agreements as this could result in an adverse response from the guarantee providers.

In the consolidated financial statements, RAFAKO S.A. sets off project-related income, expenses and settlements between RAFAKO and the special purpose vehicle. In its separate financial statements, the Company does not recognise revenue and expenses related to the portion of work performed by E003B7 Sp. z o.o. − they are reported in the separate financial statements of E003B7 Sp. z o.o. and the consolidated financial statements of the RAFAKO Group.

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

Change in estimates for the Jaworzno Project

The effect of the Jaworzno 910 MW contract on the Group's profit or loss for the three months ended March 31st 2020 was negative at PLN 3.9m.

11.1.2 Opole Project

In February 2012, RAFAKO S.A., acting as the leader of a consortium comprising RAFAKO S.A., Polimex-Mostostal S.A. and Mostostal Warszawa S.A., executed a PLN 9.4bn (PLN 11.6bn with VAT included) contract with PGE Elektrownia Opole S.A. (currently PGE Górnictwo i Energetyka Konwencjonalna S.A. − the "employer") for turn-key design, delivery, construction, assembly, start-up and performance of all related services with respect to a facility consisting of power unit 5 and power unit 6 at the Opole Power Plant, together with equipment and devices as well as all related buildings and structures.

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

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

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

Rules of accounting for the Opole Project:

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

Amounts of balances and settlements under the contract have no effect on the amounts disclosed in the Group's consolidated statement of financial position.

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

11.1.3 Vilnius Project

The parent performs the contract of September 29th 2016 with JSC VILNIAUS KOGENERACINÇ JÇGAIN for the construction of a biofuel-fired co-generation unit comprising fluidised bed boilers, biofuel storage and feeder systems, and a flue gas treatment system. The price of the contract and annexes thereto is EUR 149m (exclusive of VAT).

The parent estimated at EUR 17.5m the amount of its claims for extraordinary price increases during the Vilnius Project, works performed which, in the opinion of RAFAKO, were beyond the original scope of the project, and the delay in project completion not attributable to the parent. The Company is holding negotiations with the employer to reach an agreement that would take account of all RAFAKO S.A.'s claims. Given the good cooperation with the employer so far and well documented additional work performed by RAFAKO S.A., the Company expects the negotiations to achieve the desired end. For a detailed description of the dispute, see Note 23 to these interim condensed consolidated financial statements.

The effect of the Vilnius Project on the Group's profit or loss for the three months ended March 31st 2020 and the change in the total profit/(loss) on the contract was positive at PLN 6.2m.

11.1.4 Kozienice Project

The contract of September 30th 2016 between RAFAKO S.A. and ENEA Wytwarzanie Sp. z o.o. provides for the delivery and assembly of a catalytic flue gas NOx reduction system for AP-1650 steam generators 9 and 10 and for the upgrade of the electrostatic precipitators at ENEA Wytwarzanie Sp. z o.o. The contract price is PLN 289m (VAT exclusive).

(PLN thousand)

On June 30th 2020, the parent executed Annex 6 to the contract and an arrangement regarding extension of the term of delivery of the DRIM II station under the contract, with the commissioning date agreed as March 30th 2021. RAFAKO S.A. and the employer waived their mutual claims arising from late performance of the contract and payment for additional works and exceptional changes in circumstances.

The effect of the contract on the Group's profit or loss for the three months ended March 31st 2020 and the change in the total profit/(loss) on the contract was positive at PLN 0.6m.

12. Type and amounts of items significantly affecting assets, liabilities, equity, profit or loss and cash flows

12.1 Revenue and operating segments

In the three months ended March 31st 2020, there were no changes in the Group's accounting policies with respect to the identification of operating segments and the rules of measuring revenue, profit or loss, and assets of the segments which were presented in the Group's most recent full-year consolidated financial statements.

12.1.1 Revenue from sale of goods and services

	3 months ended March 31st 2020	*12 months ended December 31st 2019*	*3 months ended March 31st 2019*
Net revenue from sale of products	19,314	73,788	24,554
Net revenue from sale of services	263,056	1,167,379	286,987
including: from related entities	353	2,328	736
Net revenue from sale of other goods	1,030	3,822	945
Exchange differences on trade receivables	12,096	(1,084)	46
Net revenue from sale of goods and services, total	**295,496**	**1,243,905**	**312,532**
including: from related entities	353	2,328	736

In the three months ended March 31st 2020, the Group reported revenue of PLN 296,201 thousand, down by PLN 16,501 thousand year on year. The decrease was due mainly to the lower revenue from the Jaworzno 910 MW Project.

The year-on-year change in sales in the first quarter 2020 was driven by an increase in the number of projects currently under way, including a contract to construct a biofuel-fired co-generation unit for Lithuania's UAB VILNIAUS KOGENERACINE GAINE, a contract to construct two steam generating units on the Lombok Island in Indonesia, and significant contracts under in the new oil and gas segment.

(PLN thousand)

12.1.2 Revenue from sale of materials

	3 months ended March 31st 2020	*12 months ended December 31st 2019*	*3 months ended March 31st 2019*
Revenue from sale of merchandise and materials	705	999	170
including: from related entities	–	–	–
Net revenue from sale of merchandise and materials, total	**705**	**999**	**170**
including: from related entities	–	–	–

12.1.3 Revenue by geography

	3 months ended March 31st 2020	*12 months ended December 31st 2019*	*3 months ended March 31st 2019*
Revenue from sales to domestic customers	157,541	784,006	198,533
including: from related entities	353	2,328	736
Revenue from sales to foreign customers	138,660	460,898	114,169
including: from related entities	–	–	–
Net sales revenue, total	**296,201**	**1,244,904**	**312,702**
including: from related entities	353	2,328	736

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

Revenue from sales to related entities is presented in detail in Note 26 to these consolidated financial statements.

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

Trading partner	*% of total sales*	*3 months ended March 31st 2020*
UAB VILNIAUS KOGENERACINE JEGAINE	18.0%	53,402
PT PLN (Persero)	17.9%	52,952
Nowe Jaworzno Grupa TAURON Sp. z o.o.	16.1%	47,657
Operator Gazociągów Przesyłowych GAZ-SYSTEM S.A.	10.7%	31,615
Other	37.3%	110,575
Total	**100%**	**296,201**

12.1.4 Operating segments

Management of the Group's business is based on separate segments, corresponding to the types of products and services offered. Each segment is a part of the Group which earns revenue and incurs costs, in accordance with IFRS 8 *Operating Segments*.

The Group identifies the following operating segments:

Operating segments	Segment companies
Power and environmental protection facilities	RAFAKO S.A. E001RK Sp. z o.o. E003B7 Sp. z o.o. RAFAKO MANUFACTURING Sp. z o.o.
Products for oil and gas sector	RAFAKO S.A. RAFAKO Engineering Sp. z o.o.
Other segments	PGL – DOM Sp. z o.o. RAFAKO Engineering Sp. z o.o. ENERGOTECHNIKA ENGINEERING Sp. z o. o. RAFAKO ENGINEERING SOLUTION doo. RAFAKO Hungary Kft. RENG – NANO Sp. z o.o. RAFAKO EBUS Sp. z o.o.

The power and environmental protection facilities segment offers power generating units, stoker-fired boilers, pulverised fuel boilers, stationary and circulating fluidised bed boilers; heat recovery steam generators; systems and facilities ancillary to power boilers; wet, semi-dry and dry flue gas desulfurisation systems; flue gas deNOx technologies; particles removal equipment, including electrostatic precipitators and bag filters, as well as industrial and municipal waste incineration systems. The Group is a supplier to both commercial and industrial power plants.

The 'Products for oil and gas sector' segment offers surface systems for oil and gas production, LNG unloading, regasification and storage facilities, oil and gas pipelines, fuel tanks, as well as technical and sanitary installations.

Other segments are made up of those segments which do not meet the quantitative thresholds set out in IFRS 8, including property management and design services provided by other Group companies.

The Management Board monitors the performance of each of the segments separately to make resource allocation decisions and to evaluate results of the allocation as well as results of the segments' operations. Operating profit/(loss) is used as the key metric to evaluate results of the operations.

(PLN thousand)

For the three months ended March 31st 2020 or as at March 31st 2020	*Power and environmental protection facilities*	*Products for oil and gas sector*	*Other segments*	*Segments – total*	*Eliminations and unallocated items*	*Total*
Revenue						
Sales to external customers	252,520	41,330	5,587	299,437	(3,236)	296,201
Inter-segment sales	121	–	7,907	8,028	(8,028)	–
Total segment revenue	252,641	41,330	13,494	307,465	(11,264)	296,201
Cost of products and materials sold	(238,531)	(41,821)	(12,071)	(292,423)	8,858	(283,565)
Total						
Gross profit/(loss)	14,110	(491)	1,423	15,042	(2,406)	12,636
Other income/(expenses)	(9,517)	(1,761)	(1,875)	(13,153)	(1,359)	(14,512)
Operating profit/(loss)	4,593	(2,252)	(452)	1,889	(3,765)	(1,876)
Finance income/(costs)	697	5	(135)	567	(338)	229
Profit/(loss) before tax	5,290	(2,247)	(587)	2,456	(4,103)	(1,647)
Income tax	(121)	–	(658)	(779)	747	(32)
Segment's net profit/(loss)	5,169	(2,247)	(1,245)	1,677	(3,356)	(1,679)
Results						
Depreciation and amortisation	2,896	74	701	3,671	(34)	3,637
Share of profit of associates and joint ventures	–	–	–	–	–	–
Assets and liabilities as at March 31st 2020						
Segment assets	1,053,169	93,701	80,504	1,227,374	(100,639)	1,126,735
Segment liabilities	967,488	70,683	40,284	1,078,455	(64,025)	1,014,430
Other information						
Investments in associates and joint ventures	–	–	–	–	–	–
Capital expenditure	981	230	1,103	2,314	–	2,314

(PLN thousand)

For the three months ended March 31st 2019 or as at March 31st 2019	*Power and environmental protection facilities*	*Other segments*	*Segments – total*	*Eliminations and unallocated items*	*Total*
Revenue					
Sales to external customers	301,498	12,771	314,269	(1,567)	312,702
Inter-segment sales	263	9,020	9,283	(9,283)	–
Total segment revenue	301,761	21,791	323,552	(10,850)	312,702
Cost of products and materials sold	(281,682)	(20,736)	(302,418)	11,381	(291,037)
Total					
Gross profit/(loss)	20,079	1,055	21,134	531	21,665
Other income/(expenses)	(17,025)	(2,014)	(19,039)	(1,288)	(20,327)
Operating profit/(loss)	3,054	(959)	2,095	(757)	1,338
Finance income/(costs)	306	79	385	(2)	383
Profit/(loss) before tax	3,360	(880)	2,480	(759)	1,721
Income tax	(1,027)	(87)	(1,114)	143	(971)
Segment's net profit/(loss)	2,333	(967)	1,366	(616)	750
Results					
Depreciation and amortisation	3,737	742	4,479	25	4,504
Share of profit of associates and joint ventures	–	–	–	–	–
Assets and liabilities as at March 31st 2019					
Segment assets	1,364,474	99,407	1,463,881	(124,050)	1,339,831
Segment liabilities	785,402	42,297	827,699	(86,032)	741,667
Other information					
Investments in associates and joint ventures	–	–	–	–	–
Capital expenditure	726	172	898	–	898

(PLN thousand)

Three months ended March 31st 2020	*Power and environmental protection facilities*	*Products for oil and gas sector*	*Other segments*	*Segments – total*	*Eliminations and unallocated items*	*Total*
Region						
Poland	116,409	41,077	11,607	169,093	(11,153)	157,940
European Union	77,036	253	1,776	79,065	–	79,065
Other countries	59,196	–	111	59,307	(111)	59,196
Total segment revenue	252,641	41,330	13,494	307,465	(11,264)	296,201
Term of the contract						
Short-term contracts	179,668	10,433	12,354	202,455	(11,264)	191,191
Long-term contracts	72,973	30,897	1,140	105,010	–	105,010
Total segment revenue	252,641	41,330	13,494	307,465	(11,264)	296,201

(PLN thousand)

The Group's principal business comprises the manufacture of the following product groups:

Product group name	*3 months ended March 31st 2020*	*12 months ended December 31st 2019*	*3 months ended March 31st 2019*
Power generation units and steam generators	108,309	348,137	76,868
Revenue under the Jaworzno 910 MW project	47,657	285,272	94,430
Air pollution control systems	46,874	252,639	55,173
Power equipment, machinery and components, and related services	42,709	207,301	54,426
Services and products for oil and gas sector	39,751	117,825	29,858
Other revenue	10,901	33,730	1,947
Total	**296,201**	**1,244,904**	**312,702**

12.2 Selling expenses, operating income and expenses and finance income and costs

Cost of sales in the reporting period was PLN 283,565 thousand, with gross profit reported by the Group at PLN 12,636 thousand.

In the reporting period, selling expenses of PLN 4,195 thousand disclosed in the statement of profit or loss comprised costs of bid preparation as well as costs of PR and marketing activities.

Other income included mainly contractual penalties received of PLN 4,484 thousand (March 31st 2019: PLN 135 thousand) and compensation received of PLN 1,604 thousand (March 31st 2019: PLN 255 thousand). In the three months ended March 31st 2020, other income also included PLN 946 thousand gain on disposal of non-current non-financial assets (March 31st 2019: PLN 199 thousand).

Other expenses chiefly included impairment losses on trade receivables of PLN 1,263 thousand and on other receivables of PLN 164 thousand (March 31st 2019: PLN 886 thousand), and costs of scrapping materials, of PLN 472 thousand.

Finance income in the period was mainly attributable to foreign exchange gains of PLN 2,514 thousand and interest on financial instruments of PLN 408 thousand (March 31st 2019: PLN 470 thousand).

Finance costs in the period chiefly included interest expense on financial instruments of PLN 1,292 thousand (March 31st 2019: PLN 1,168 thousand) and discount on long-term receivables of PLN 845 thousand.

12.3 Income tax

Income tax expense

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

Continuing operations	*3 months ended March 31st 2020*	*3 months ended March 31st 2019*
Consolidated statement of profit or loss		
Current tax	(149)	(723)
Current income tax expense	(149)	(723)
Deferred tax	117	(248)
Related to recognition and reversal of temporary differences	(2,621)	(248)
Impairment loss on deferred tax	2,738	–
Income tax expense in the consolidated statement of profit or loss	**(32)**	**(971)**

Continuing operations	*3 months ended March 31st 2020*	*3 months ended March 31st 2019*
Deferred tax on other comprehensive income	121	58
Related to recognition and reversal of temporary differences	121	58
Adjustments to current income tax from previous years	–	–

Income tax expense disclosed in other comprehensive income	**121**	**58**

Deferred income tax calculated as at March 31st 2020

The deferred income tax calculated as at March 31st 2020 relates to the following items of the financial statements:

	Statement of financial position		*Statement of comprehensive income*	
	March 31st 2020	*December 31st 2019*	*March 31st 2020*	*March 31st 2019*
– on investment reliefs	(1)	(1)	–	–
– difference between tax base and carrying amount of property, plant and equipment and intangible assets	(11,914)	(14,183)	2,269	(928)
– difference between tax base and carrying amount of assets measured at fair value through profit or loss	1,038	1,031	7	(208)
– difference between tax base and carrying amount of loans and receivables	6,195	6,610	(414)	2
– difference between tax base and carrying amount of gross amount due from customers for contract work and related accruals and deferrals	(28,361)	(41,302)	12,941	(26,478)
– difference between tax base and carrying amount of inventories	2,275	2,275	–	(44)
– provisions	20,365	22,752	(2,387)	(483)
– difference between tax base and carrying amount of liabilities, provisions, and accruals and deferrals relating to accounting for contracts	60,942	74,208	(13,266)	26,514
– tax asset related to tax loss	223	223	–	(37)
– adjustment to costs of unpaid invoices	3,521	3,535	(15)	–
– other	7,322	8,957	(1,635)	1,472
Deferred tax expense/benefit disclosed in the statement of profit or loss			(2,621)	(248)
Deferred tax expense/benefit disclosed in other comprehensive income			121	58
Impairment loss on deferred tax	(18,695)	(21,433)	2,738	–
Net deferred tax asset/(liability) including:			**238**	**(190)**
Net deferred tax asset/(liability), including:	**42,910**	**42,672**		
Deferred tax assets	42,910	42,672		
Deferred tax liability	–	–		

As at March 31st 2020, the Group analysed the recoverable amount of the deferred tax asset based on forecasts and budgets prepared for subsequent years and recognised a PLN 2,738 thousand reversal of the impairment loss on deferred tax assets.

In the 12 months ended December 31st 2019, the parent wrote off a tax loss asset of PLN 16,178 thousand. The total amount of tax loss for 2015–2018 and 2019 which was not recognised in deferred tax is PLN 307,440 thousand.

In the 12 months ended December 31st 2019, the Group analysed the recoverable amount of the deferred tax asset based on forecasts and budgets prepared for subsequent years and recognised a PLN 21,433 thousand impairment loss on deferred tax assets.

12.4 Significant items disclosed in the statement of cash flows

The PLN 141,258 thousand decrease in receivables disclosed in the interim condensed consolidated statement of cash flows for the three months ended March 31st 2020 resulted mainly from:

- PLN (146,860) thousand — decrease in trade receivables,
- PLN (18,110) thousand — increase in receivables from the state budget (including VAT),
- PLN 4,191 thousand — decrease in advance payments made,
- PLN 9,962 thousand — decrease in security deposits receivable,
- PLN (1,645) thousand — increase in other receivables.

For a detailed description of changes in security deposits and disputed receivables in the three months ended March 31st 2020, see Note 12.15.

The PLN 163,090 thousand increase in liabilities disclosed in the statement of cash flows resulted mainly from:

- PLN (130,945) thousand — decrease in trade payables,
- PLN (20,710) thousand — decrease in taxes and other duties payable,
- PLN 1,234 thousand — increase in employee benefit obligations and provisions,
- PLN (639) thousand — change in actuarial gains/(losses),
- PLN (12,030) thousand — increase in other liabilities.

The PLN 47,313 thousand change in gross amounts due to and from customers for contract work disclosed in the statement of cash flows resulted primarily from:

- PLN 13,217 thousand — decrease in gross amounts due from customers for contract work and accruals and deferrals,
- PLN 34,096 thousand — increase in gross amounts due for contract work,

The PLN (11,548) thousand change in provisions, accruals and deferrals disclosed in the statement of cash flows resulted mainly from:

- PLN 638 thousand — increase in the provision for warranty repairs,
- PLN (8,078) thousand — decrease in the provision for expected contract losses,
- PLN (3,991) thousand — change in accruals and deferrals,
- PLN (117) thousand — change in other provisions.

The cash flows of PLN 760 thousand relating to purchase of property, plant and equipment and intangible assets included PLN 265 thousand incurred to purchase property, plant and equipment, and PLN 495 thousand incurred to purchase intangible assets.

Cash flows from financing activities were mainly affected by a PLN 35,249 thousand decrease in debt outstanding under the overdraft facility and working capital facility advanced by PKO BP S.A. to the parent.

(PLN thousand)

12.5 Goodwill and intangible assets

March 31st 2020	*Goodwill*	*Patents and licences*	*Other intangible assets*	*Intangible assets under development*	*Total*
Net carrying amount as at January 1st 2019	**6,704**	**6,592**	**52**	**196**	**13,544**
Acquisitions	–	–	–	–	–
Transfers from intangible assets under development	–	–	–	82	82
Amortisation for the year	–	(324)	(14)	–	(338)
As at March 31st 2020	**6,704**	**6,268**	**38**	**278**	**13,288**

* pledged as security for the Group's liabilities as at the reporting date; see Note 12.19.2.

December 31st 2019	*Goodwill*	*Patents and licences*	*Other intangible assets*	*Intangible assets under development*	*Total*
Net carrying amount as at January 1st 2019	**9,166**	**7,871**	**109**	**28**	**17,173**
Transfers from intangible assets under development	–	136	–	(136)	–
Acquisitions	–	76	–	304	380
Amortisation for the year	–	(1,491)	(57)	–	(1,548)
Impairment loss for period	(2,461)	–	–	–	(2,461)
As at December 31st 2019	**6,704**	**6,592**	**52**	**196**	**13,544**

March 31st 2019	*Goodwill*	*Patents and licences*	*Other intangible assets*	*Intangible assets under development*	*Total*
Net carrying amount as at January 1st 2019	**9,166**	**7,870**	**109**	**28**	**17,173**
Acquisitions	–	–	–	74	74
Transfers from intangible assets under development	–	96	–	(96)	–
Amortisation for the year	–	(365)	(15)	–	(380)
As at March 31st 2019	**9,166**	**7,601**	**94**	–	**16,867**

In the three months ended March 31st 2020, goodwill did not change and amounted to PLN 6,704 thousand as at March 31st 2020.

(PLN thousand)

12.6 Property, plant and equipment

For the three months ended March 31st 2020	*Land*	*Buildings*	*Plant and equipment*	*Vehicles*	*Other*	*Property, plant and equipment under construction*	*Total*
Net carrying amount as at January 1st 2020	**23,636**	**81,096**	**37,274**	**2,732**	**647**	**1,977**	**147,362**
Transfers from property, plant and equipment under construction	–	–	50	–	–	(50)	–
Acquisitions	–	–	1	1	–	432	434
Liquidation/sale	(170)	(65)	(17)	(62)	–	–	(314)
Exchange differences on translating foreign operations	–	–	1	2	(5)	–	(2)
Depreciation for period	–	(717)	(1,118)	(68)	(59)	–	(1,962)
Impairment loss for period	–	–	(9)	–	–	–	(9)
Other, including reclassification to/from other asset category	–	–	30	(214)	(29)	–	(213)
Net carrying amount as at March 31st 2020*	**23,466**	**80,314**	**36,212**	**2,391**	**554**	**2,359**	**145,296**

*Tangible assets pledged as security for the Group's liabilities as at the reporting date are presented in Note 12.19.1.

December 31st 2019	*Land*	*Buildings*	*Plant and equipment*	*Vehicles*	*Other*	*Property, plant and equipment under construction*	*Total*
Net carrying amount as at January 1st 2019	**23,703**	**84,743**	**44,595**	**7,220**	**793**	**196**	**161,250**
Adjustment to opening balance following implementation of IFRS 16	–	–	(1,340)	(5,134)	(324)	–	(6,798)
Net carrying amount as at January 1st 2019	**23,703**	**84,743**	**43,255**	**2,086**	**469**	**196**	**154,452**
Transfers from property, plant and equipment under construction	–	96	246	–	–	(342)	–
Acquisitions	–	–	80	98	528	2,123	2,829
Lease agreements	–	–	–	–	–	–	–
Liquidation/sale	(65)	(695)	(177)	(98)	(69)	–	(1,104)
Exchange differences on translating foreign operations	–	–	–	–	(10)	–	(10)

(PLN thousand)

Depreciation for period	–	(2,990)	(6,216)	(1,073)	(271)	–	(10,550)
Impairment loss for period	–	–	33	96	–	–	129
Other, including reclassification of property, plant and equipment to/from assets held for sale	(2)	(58)	53	1,623	–	–	1,616
Net carrying amount as at December 31st 2019	**23,636**	**81,096**	**37,274**	**2,732**	**647**	**1,977**	**147,362**

For the three months ended March 31st 2019	*Land*	*Buildings*	*Plant and equipment*	*Vehicles*	*Other*	*Property, plant and equipment under construction*	*Total*
Net carrying amount as at January 1st 2019	**23,703**	**84,736**	**44,595**	**7,228**	**797**	**191**	**161,250**
Adjustment to opening balance following implementation of IFRS 16	(9,108)		(774)	(4,788)			(14,670)
Net carrying amount as at January 1st 2019	**14,595**	**84,743**	**43,821**	**2,432**	**793**	**196**	**146,580**
Transfers from property, plant and equipment under construction	–	96	13	–	–	(109)	–
Acquisitions	–	–	24	–	38	113	175
Liquidation/sale	–	(1)	(103)	(24)	–	–	(128)
Exchange differences on translating foreign operations	–	–	–	–	–	–	
Depreciation for period	–	(751)	(1,323)	(1,436)	(120)		(3,630)
Impairment loss for period	–	–	55	–	–	–	55
Other, including reclassification of property, plant and equipment to/from assets held for sale	–	7	54	957	–	–	1,018
Net carrying amount as at March 31st 2019*	**14,595**	**84,094**	**42,541**	**1,929**	**711**	**200**	**144,070**

(PLN thousand)

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

	3 months ended March 31st 2020	*3 months ended March 31st 2019*
Purchase of property, plant and equipment and intangible assets *	2,314	898
Proceeds from sale of property, plant and equipment and intangible assets	1,356	509

* Capital expenditure incurred in the reporting 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 Group's capital expenditure on property, plant and equipment involved chiefly expenditure on purchases of plant and equipment, vehicles and computer hardware. The expenditure was financed with internally generated funds.

12.8 Right-of-use assets

The carrying amount of leased assets is disclosed recognised in the statement of financial position under 'Right-of-use assets'.

Class of underlying assets	*Carrying amount of right-of-use assets*	*Depreciation of right-of-use assets (cumulative)*	*Depreciation in the reporting period*
	March 31st 2020	*March 31st 2020*	*January 1st–March 31st 2020*
Land	109	144	29
Buildings and structures	7,126	2,205	454
Plant and equipment	5,087	2,944	558
Vehicles	3,694	2,609	248
Other	65	553	42
Intangible assets	102	11	6
Total	**16,183**	**8,466**	**1,337**

Class of underlying assets	*Carrying amount of right-of-use assets*	*Depreciation of right-of-use assets (cumulative)*	*Depreciation in the reporting period*
	December 31st 2019	*December 31st 2019*	*January 1st–December 31st 2019*
Land	134	115	115
Buildings and structures	6,442	1,751	1,779
Plant and equipment	4,995	2,385	2,081
Vehicles	4,007	2,623	1,304
Other	107	511	217
Intangible assets	108	6	6
Total	**15,793**	**7,391**	**5,502**

In 2020, the most significant lease contracts were:

- lease of the CO_2 capture unit with a carrying amount of PLN 5,037 thousand as at the date of recognition of the lease contract. The contract was executed on March 8th 2018 for two years, after which time the Group has the right to purchase the leased asset. The Group is required to insure the lease asset and maintain it in the working condition described in the contract;

(PLN thousand)

- lease of office space with social amenities, parking space, production hall and storage site, with a carrying amount of PLN 6,488 thousand as at the reporting date. The contract was concluded on March 30th 2018 for a period of 10 years, with no purchase option. The Group is required to insure the lease asset and maintain it in the working condition described in the contract.

The Group's leasing activities are summarised in the table below:

Class of underlying assets	*Number of rights of use*	*Remaining lease term (years) from*	*to*	*Average remaining lease term (years)*	*Number of contracts with extension option*	*Number of contracts with purchase option*	*Number of contracts with variable rate-indexed payments*	*Number of contracts with early termination option*
Land	1	1.0	1.0	1.0	1	–	–	1
Buildings and structures	21	0.1	8.0	1.1	20	–	–	18
Plant and equipment	21	0.2	4.6	1.5	2	17	4	5
Vehicles	76	0.1	3.5	2.0	2	75	–	50
Other	4	0.1	1.1	0.6	–	4	–	–
Intangible assets	1	4.6	4.6	4.6	1	–	–	1

In 2020, the Group changed its estimates of the duration of active lease contracts for the lease of residential units. The Group estimated that it would exercise the extension options, which it had not previously foreseen. As a result of the change, the amount of lease liabilities and right-of-use assets increased by PLN 186 thousand.

The economic useful lives of those assets are consistent with the lease terms, ranging from 12 months to 10 years. The Group depreciates leased assets with the straight-line method.

The following table presents future minimum lease payments as at the reporting date:

	March 31st 2020		*December 31st 2019*	
	Minimum payments	*Present value*	*Minimum payments*	*Present value*
up to 1 year	6,328	6,191	5,945	5,490
from 1 to 5 years	6,517	5,415	6,146	5,187
Over 5 years	2,404	2,231	2,604	2,402
Total minimum lease payments	**15,249**	**13,837**	**14,695**	**13,079**
Less finance costs	(1,412)	–	(1,616)	–
Present value of minimum lease payments, including:	**13,837**	**13,837**	**13,079**	**13,079**
short-term	6,191	6,191	5,490	5,490
long-term	7,646	7,646	7,589	7,589

In the three months ended March 31st 2020, interest expense on the lease contracts was PLN 127 thousand.

The Group does not recognise liabilities under short-term leases or leases of low-value underlying assets. Contingent lease payments are not recognised in lease liabilities.

In the three months ended March 31st 2020, the related costs were as follows:

(PLN thousand)

	December 31st 2019
Short-term leases	2,791
Leases of low-value assets	–
Total	**2,791**

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

12.9 Other long-term receivables

	March 31st 2020	*December 31st 2019*
Financial receivables		
Security deposits/amounts retained	790	503
Other financial receivables	82,102	77,246
Impairment loss on financial receivables (-)	(15)	(107)
Other long-term financial receivables (net)	**82,877**	**77,642**
Non-financial receivables		
Other non-financial receivables	140	138
Other non-financial receivables (net)	**140**	**138**
Total other long-term receivables (net)	**83,017**	**77,780**

12.10 Shares in other entities

	March 31st 2020	*December 31st 2019*
Shares in other listed companies	82	120
Shares in other non-listed companies	1,376	1,376
	1,458	**1,496**

* Shares pledged as security for the Group's liabilities as at the reporting date are disclosed in Note 12.19.3.

12.11 Non-current financial assets

	March 31st 2020	*December 31st 2019*
Long-term bonds	–	–
	–	–

(PLN thousand)

12.12 Inventories

	March 31st 2020	*December 31st 2019*
Materials (at net realisable value)	**32,823**	31,872
At cost	44,797	43,847
At net realisable value	32,823	31,872
Finished goods:	–	1,155
At cost	–	1,155
At net realisable value	–	1,155
Total inventories, at the lower of cost and net realisable value	**32,823**	**33,027**

* Inventories pledged as security for the Group's liabilities as at the reporting date are disclosed in Note 12.19.4.

12.13 Other current financial assets

	March 31st 2020	*December 31st 2019*
Advance payment to acquire the right to a loan	10,400	10,400
Impairment loss on advance payment to acquire the right to a loan	(10,400)	(10,400)
Short-term bonds*	27,822	27,822
Impairment of short-term bonds	(27,822)	(27,822)
	–	–

* For a detailed description of bonds, see Note 12.13.1.

12.13.1 Bonds

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

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

On February 9th 2017, the Bonds were allotted to RAFAKO S.A. By the end of 2019, PBG S.A. redeemed Series B1, C1, D1, E1 and F1 bonds for a total amount of PLN 11,026,800.

On December 19th 2019, PBG S.A. filed a petition to open remedial proceedings and to rescind the arrangement with its creditors of August 5th 2015. On January 9th 2020, the District Court in Poznań rescinded the arrangement. On February 12th 2020, the remedial proceedings were opened with respect to PBG S.A. w restrukturyzacji.

As at the date of these interim condensed consolidated financial statements, the following series of bonds of PBG S.A. w restrukturyzacji were outstanding:

Redemption Date	30.06.2019	December 31st 2019	30.06.2020
Series	G, G1 and G3	H, H1 and H3	I, I1 and I3
Amount of Bonds to be redeemed	PLN 61,934,800	PLN 46,875,600	PLN 238,445,700
including Bonds acquired by RAFAKO S.A.	*PLN 4,996,100*	*PLN 3,781,300*	*PLN 19,045,000*

(PLN thousand)

In accordance with their terms, the bonds issued by PGB S.A. have been secured bonds within the meaning of the Bonds Act of January 15th 2015. The bonds are secured primarily with a registered pledge over 42,466,000 RAFAKO shares in a book-entry form (currently representing 33.2% of RAFAKO's share capital), mortgages over the PBG Group's properties, registered pledges over other selected assets of the PBG Group, including over shares in selected companies of the PBG Group (including PBG oil and gas Sp. z o.o), sureties and declarations of voluntary submission to enforcement up to PLN 1,065,000,000.00.

Although as at the date of these interim condensed consolidated financial statements, the outstanding bonds of PBG S.A. (for a total amount of PLN 353.3m) were secured with the collateral specified above, the Management Board of the parent is of the opinion that given the total amount of liabilities under the Bonds and other liabilities of PBG S.A. w restrukturyzacji the security is not sufficient to consider the receivables as collectible.

As at March 31st 2020, RAFAKO S.A. recognised impairment losses on all bonds held by the parent.

12.14 Cash and cash equivalents

	March 31st 2020	*December 31st 2019*	*March 31st 2019*
Cash at bank and in hand	44,824	62,625	117,170
Short-term deposits for up to 3 months	182	3,457	213
	45,006	**66,082**	**117,383**

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

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

As at March 31st 2020, cash included restricted cash of PLN 38.5m (December 31st 2019: PLN 40.1m), which comprised cash held by the subsidiary E003B7 Sp. z o.o. and earmarked for the Jaworzno contract, which from the RAFAKO Group's perspective is restricted due to formal arrangements with the institutions which provide financing for the Jaworzno project.

Dividend may be paid by E003B7 Sp. z o.o. to its sole shareholder, RAFAKO S.A., without triggering an adverse response from the financial institutions only after the expiry of the guarantee provided by those institutions (for details, see Note 0).

(PLN thousand)

12.15 Short-term trade and other receivables

	March 31st 2020	*December 31st 2019*
Financial receivables		
Trade receivables	302,386	452,764
Impairment loss on trade receivables (-)	(15,104)	(13,674)
Net trade receivables	**287,282**	**439,090**
Receivables on sale of property, plant and equipment and intangible assets	13	8
Security deposits	57,461	67,710
Receivables in litigation*	32,150	31,896
Other financial receivables	11,485	11,072
Impairment loss on financial receivables (-)	(33,866)	(33,648)
Total financial receivables, net	**354,525**	**516,128**
Non-financial receivables		
Receivables under prepayments and advance payments	101,728	105,919
Receivables from the state budget	31,608	13,498
Other non-financial receivables	17,698	11,849
Impairment loss on non-financial receivables (-)	(44,085)	(39,430)
Total non-financial receivables, net	**106,949**	**91,836**
Total short-term receivables, net	**461,474**	**607,964**

* The parent recognised an impairment loss on the receivables in an amount corresponding to the risk of their non-recoverability. For a detailed description of disputed receivables, see Note 23 to these interim condensed consolidated financial statements.

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

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

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

Short-term trade receivables of PLN 287,282 thousand disclosed in the interim condensed consolidated statement of financial position as at March 31st 2020 relate to contracts with domestic and foreign trading partners.

The security deposits of PLN 57,461 thousand disclosed in the statement of financial position as at March 31st 2020 relate mainly to:

- construction of a coal-fired steam unit – PLN 18,432 thousand;
- construction of a coke gas-fired power generation unit – PLN 7,113 thousand;
- manufacture of high-pressure parts of a boiler for an incineration plant – PLN 6,114 thousand,
- construction of a compressor station of PLN 3,120 thousand.

(PLN thousand)

The change in the amount of security deposits in the three months ended March 31st 2020 was primarily attributable to the refund of a PLN 3,000 thousand cash security deposit provided in connection with the performance of contracts for the upgrade of FGD units and the refund of a PLN 8,139 thousand cash security deposit provided in connection with the performance of a contract for delivery of a catalytic flue gas NOx reduction unit.

Advance payments represented a significant portion of other receivables, and as at March 31st 2020 amounted to PLN 101,728 thousand, including:

- advance payment of PLN 44,740 thousand towards a contract to construct fuel storage tanks;
- advance payment of PLN 14,537 thousand under a contract to construct a biomass boiler island;
- advance payment of PLN 11,119 thousand under a contract to construct a gas pipeline;
- advance payment of PLN 6,450 thousand under a contract to construct an LNG storage tank.

12.16 Short-term accrued expenses and deferred income

	March 31st 2020	*December 31st 2019*
Costs of bank and insurance guarantees	5,365	6,333
Costs of obtaining contracts with customers	–	–
Expenditure on development work – eBus	14,551	13,436
Other costs	2,672	1,561
Accrued expenses and deferred income	**22,588**	**21,330**

12.17 Loans

As at March 31st 2020, loans granted by the Group companies to PBG S.A. w restrukturyzacji (formerly PBG oil and gas Sp. z o.o.), for a total amount of PLN 12,189 thousand, plus accrued interest, were impaired. The loan repayment date was December 31st 2019. The loans are secured with blank promissory notes.

(PLN thousand)

12.18 Impairment losses on consolidated assets

	Property, plant, equipment and intangible assets	*Shares**	*Other financial assets ****	*Other non-financial assets *****	*Inventories***	*Contract assets*	*Receivables****
January 1st 2020	(2,566)	(5,426)	(10,400)	(5,676)	(11,974)	(1,415)	(86,859)
Recognised	(9)	(38)	–	–	(1,018)	(61)	(7,206)
Reversed	–	–	–	–	–	166	715
Used	–	–	–	–	1,018	–	280
March 31st 2020	**(2,575)**	**(5,464)**	**(10,400)**	**(5,676)**	**(11,974)**	**(1,310)**	**(93,070)**
January 1st 2019	(233)	(4,975)	(10,400)	(5,676)	(10,287)	(1,848)	(51,502)
Recognised	–	(12)	–	–	–	(886)	(18)
Reversed	–	–	–	–	–	–	916
Used	–	–	–	–	231	–	–
March 31st 2019	**(233)**	**(4,987)**	**(10,400)**	**(5,676)**	**(10,056)**	**(2,734)**	**(50,604)**

* Impairment losses on shares are allowances recognised for shares in companies declared bankrupt as well as allowances arising from remeasurement of shares in companies in voluntary arrangement.
** Inventory write-downs and write-down reversals are charged to cost of products and services sold.
*** Impairment losses on trade and other receivables, including on contractual penalties.
**** The Management Board of the parent estimates that financial assets covered by the agreement executed in 2012 are exposed to a significant default risk and has upheld its decision to recognise an impairment loss for the entire amount of the investment.

With respect to trade receivables for which lifetime expected losses are estimated, the Group is not exposed to credit risk in relation to a single major counterparty. In consequence, impairment losses are estimated on a collective basis and the receivables are grouped based on the past due period. Allowances are estimated based mainly on historical days past due information, an analysis of days past due and actual payments received over the last five years.

(PLN thousand)

The gross carrying amounts by individual days past due groups and the impairment losses as at March 31st 2020 and the comparative reporting date are presented below.

	Contract assets	Not past due	Trade receivables 0–30 days	31–90 days	91–180 days	181–365 days	365 days or more	Total
March 31st 2020								
Location: Poland								
Write-down rate	0.54%	0.54%	0.54%	22.23%	44.03%	64.48%	93.30%	–
Gross carrying amount	257,880	9,120	47,190	6,414	6,931	5,188	7,782	340,505
Impairment loss	(1,310)	(493)	(95)	(2,129)	(14)	(2,512)	(7,500)	(14,053)
Location: foreign markets								
Write-down rate	–	0.54%	0.54%	22.23%	44.03%	64.48%	93.30%	–
Gross carrying amount	–	209,929	8,078	–	462	812	482	219,763
Impairment loss	–	(1,140)	(44)	–	(204)	(523)	(450)	(2,361)
Total impairment losses	**(1,310)**	**(1,633)**	**(139)**	**(2,129)**	**(218)**	**(3,035)**	**(7,950)**	**(16,414)**

	Assets assets	Current	Trade receivables 0–30 days	31–90 days	91–180 days	181–365 days	365 days or more	Total
December 31st 2019								
Location: Poland								
Write-down rate	0.54%	0.54%	0.54%	22.23%	44.03%	64.48%	93.30%	–
Gross carrying amount	271,203	301,429	3,249	11,488	8,675	1,046	7,552	604,642
Impairment loss	(1,415)	(1,097)	(395)	(159)	(2,171)	(861)	(7,493)	(13,591)
Location: foreign markets								
Write-down rate	–	0.54%	0.54%	22.23%	44.03%	64.48%	93.30%	–
Gross carrying amount	–	112,099	5,562	453	471	491	249	119,325
Impairment loss	–	(609)	(30)	(101)	(208)	(317)	(233)	(1,498)
Total impairment losses	**(1,415)**	**(1,706)**	**(425)**	**(260)**	**(2,379)**	**(1,178)**	**(7,726)**	**(15,089)**

As at March 31st 2020, an impairment loss of PLN 33,866 thousand was recognised on other short-term financial receivables with a gross carrying amount of PLN 101,109 thousand (December 31st 2019: PLN 110,686 thousand; impairment loss on other receivables: PLN 33,648 thousand).

(PLN thousand)

12.19 Assets pledged as security for the Group's liabilities

12.19.1 Property, plant and equipment pledged as security

As at March 31st 2020, the carrying amount of property, plant and equipment pledged as security for the Group's liabilities was PLN 121,744 thousand. The parent's property, plant and equipment of PLN 120,564 thousand were pledged as security for liabilities under the multi-purpose credit facility agreement with PKO BP S.A. (mortgage of up to PLN 300m on property of which RAFAKO is the owner or perpetual usufructuary, except residential property, and a first-ranking registered pledge over a set of movables and rights) and in respect of the repayment of BGK's, PKO BP's, mBank's and PZU's claims against RAFAKO S.A. under the Surety Agreement signed to secure the liabilities of E003B7 Sp. z o.o. arising in connection with the agreement providing for issuance of guarantees for the benefit of Nowe Jaworzno TAURON Sp. z o.o. in connection with the execution of the Jaworzno III 910 MW unit Project (a second-ranking registered pledge over a set of movables and rights). A subsidiary's buildings and structures worth PLN 1,175 thousand, as well as IT equipment and office containers worth PLN 5 thousand are also pledged as security for liabilities under the credit facility agreements.

	March 31st 2020	*December 31st 2019*
Mortgaged property, plant and equipment, including:	83,119	84,278
land	9,162	9,162
buildings and structures	73,957	75,116
Property, plant and equipment encumbered with registered pledge, including:	38,625	39,287
plant and equipment	36,235	36,885
vehicles	2,390	2,402
	121,744	**123 565***

* The disclosed amounts include PLN 382 thousand of property, plant and equipment classified as held for sale (December 31st 2019: PLN 123 thousand).

12.19.2 Intangible items pledged as security

As at March 31st 2020, the carrying amount of intangible assets pledged as security for the parent's liabilities was PLN 7,790 thousand (December 31st 2019: PLN 8,097 thousand). The assets were pledged as security for liabilities under the multi-purpose credit facility agreement with PKO BP S.A. (a first-ranking registered pledge over a set of movables and rights) and in respect of the repayment of BGK's, PKO BP's, mBank's and PZU's claims towards RAFAKO S.A. under the Surety Agreement signed to secure the liabilities of E003B7 Sp. z o.o. arising in connection with the agreement providing for issuance of guarantees for the benefit of Nowe Jaworzno TAURON Sp. z o.o. in connection with execution of the Jaworzno III 910 MW unit Project (a second-ranking registered pledge over a set of movables and rights).

12.19.3 Shares pledged as security

As at March 31st 2020, the parent's shares in subsidiaries and other entities worth PLN 31,272 thousand (December 31st 2019: PLN 31,310 thousand) were pledged as security for liabilities under the multi-purpose credit facility agreement with PKO BP S.A. (a first-ranking registered pledge over a set of movables and rights) and in respect of the repayment of BGK's, PKO BP's, mBank's and PZU's claims towards RAFAKO S.A. under the Surety Agreement signed to secure the liabilities of E003B7 Sp. z o.o. arising in connection with the agreement providing for issuance of guarantees for the benefit of Nowe Jaworzno TAURON Sp. z o.o. in connection with execution of the Jaworzno III 910 MW unit Project (a second-ranking registered pledge over a set of movables and rights, a registered and financial pledge over shares in E003B7 Sp. z o.o.).

12.19.4 Inventories pledged as security

As at March 31st 2020, the carrying amount of inventories pledged as security for the parent's liabilities was PLN 30,773 thousand (December 31st 2019: PLN 27,205 thousand). The inventories were pledged as security for liabilities under the Multi-Purpose Credit Facility Agreement with PKO BP S.A. (a first-ranking registered pledge over a set of movables and rights) and in respect of the repayment of BGK S.A. 's, PKO BP S.A.' s, mBank S.A. 's and PZU S.A. 's claims towards RAFAKO S.A. under the Surety Agreement signed to secure the liabilities of E003B7 Sp. z o.o. arising in connection with the agreement providing for issuance of guarantees for the benefit of Nowe Jaworzno Grupa TAURON Sp. z o.o. (formerly TAURON Wytwarzanie S.A.) in connection with the implementation of the Jaworzno III 910 MW unit Project (a second-ranking registered pledge over a set of movables and rights).

12.19.5 Trade receivables pledged as security

As at March 31st 2020, trade receivables of PLN 68,101 thousand were pledged as security for guarantees and borrowings received by the Group (December 31st 2019: PLN 21,499 thousand).

12.20 Share capital

In the three months ended March 31st 2020, there were no changes in RAFAKO S.A.'s share capital, and as at March 31st 2020 the amount of the share capital was PLN 254,864 thousand.

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

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

12.21 Par value per share

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

12.22 Shareholders’ rights

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

12.23 Share premium

In the three months ended March 31st 2020, there were no changes in the share premium, and as at March 31st 2020 the share premium was PLN 165,119 thousand.

12.24 Earnings /(loss) per share

Earnings per share are calculated as the quotient of net profit attributable to owners of the parent and the weighted average number of ordinary shares outstanding during the period.

(PLN thousand)

To calculate basic and diluted earnings/(loss) per share, the Group uses the amount of net profit/(loss) attributable to owners of RAFAKO S.A. in the numerator, which does not have a dilutive effect on profit/(loss).

The table below presents the computation of the basic and diluted earnings/(loss) per share, with the reconciliation of the diluted weighted average number of shares.

	3 months ended March 31st 2020	*3 months ended March 31st 2019*
Net profit/(loss) from continuing operations	(1,679)	750
Net profit/(loss) attributable to holders of ordinary shares, applied to calculate earnings/(loss) per share	**(844)**	**1,312**
Weighted average number of outstanding ordinary shares, applied to calculate basic earnings/(loss) per share	127,431,998	127,431,998
Dilutive effect:	–	–
Stock options	–	–
Cancellable preference shares	–	–
Adjusted weighted average number of ordinary shares used to calculate diluted earnings/(loss) per share	127,431,998	127,431,998
Earnings/(loss) per share, PLN		
– basic earnings from profit attributable to holders of ordinary shares for period	(0.01)	0.01
– diluted earnings from profit attributable to holders of ordinary shares for period	(0.01)	0.01

In the three months ended March 31st 2020, the parent did not issue new shares.

The Group does not present diluted earnings per share for the three months ended March 31st 2020 as it does not have any dilutive financial instruments.

12.25 Other non-current liabilities

	March 31st 2020	*December 31st 2019*
Financial liabilities		
Retentions (security deposits)	20	43
Other liabilities	18,171	20,552
Total financial liabilities	**18,191**	**20,595**

(PLN thousand)

12.26 Long-term employee benefit obligations

	March 31st 2020	*December 31st 2019*
Unpaid bonus accrual	15	5
Provisions for retirement severance payments	8,862	8,716
Provision for long-service benefits	14,383	13,944
Provision for other employee benefits	6,872	6,815
	30,132	**29,480**

12.27 Post-employment and other benefits

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

	March 31st 2020	*December 31st 2019*
As at January 1st	31,941	26,207
Interest expense	149	729
Current service costs	171	692
Actuarial (gains)/losses	639	6,877
Benefits paid	(477)	(2,564)
Closing balance	**32,423**	**31,941**
Long-term provisions	30,117	29,475
Short-term provisions	2,306	2,466

The main assumptions adopted by the actuary as at March 31st 2020 and for the three months ended March 31st 2019 as well as for the 12 months ended December 31st 2019 to determine the amount of the obligation are presented below.

	March 31st 2020	*December 31st 2019*
Discount rate (%)	1.9	1.9
Expected inflation rate (%)*	–	–
Employee turnover rate	7.5	7.5
Expected growth of salaries and wages (%)**	2	2

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

12.28 Other long-term provisions

	March 31st 2020	*December 31st 2019*
Provision for warranty repairs	37,944	36,357
	37,944	**36,357**

(PLN thousand)

12.29 Short-term trade and other payables

	March 31st 2020	*December 31st 2019*
Financial liabilities		
Trade payables	442,801	571,365
Amounts payable for tangible and intangible assets	118	169
Retentions (security deposits)	197	261
Other financial liabilities	263	–
Total financial liabilities	**443,379**	**571,795**
Non-financial liabilities		
Taxes and other duties payable	3,214	23,924
Amounts payable under sureties/joint and several liability	10,571	15,386
Liabilities due to delayed payment of costs	6,024	13,582
Other non-financial liabilities	4,145	3,968
Total non-financial liabilities	**23,954**	**56,860**
	467,333	**628,655**

12.30 Short-term employee benefit obligations and provisions

	March 31st 2020	*December 31st 2019*
Social security	9,420	9,494
Salaries and wages payable	9,707	9,118
Obligations under Employee Capital Plans	104	226
Accrued holiday entitlements	4,460	4,129
Unpaid bonus accrual	897	883
Provisions for retirement severance payments	330	433
Provision for long-service benefits	1,716	1,771
Provision for other employee benefits	272	270
	26,906	**26,324**

12.31 Other short-term provisions

	March 31st 2020	*December 31st 2019*
Provision for warranty repairs	5,765	6,714
Provision for expected contract losses	31,617	39,695
Other provisions	595	713
	37,977	**47,121**

13 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 consolidated financial statements for 2019.

(PLN thousand)

14 Financial instruments

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

The amount of financial assets presented in the consolidated statement of financial position as at March 31st 2020 and December 31st 2019 related to the following IFRS-9 categories of financial instruments:

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

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

Classes and categories of financial assets	*Carrying amount March 31st 2020*	*Carrying amount December 31st 2019*
Assets at fair value through profit or loss	**82**	**120**
Long-term shareholdings	82	120
Assets at fair value through other comprehensive income	**1,376**	**1,376**
Long-term shareholdings	1,376	1,376
Assets at amortised cost	**482,407**	**659,854**
Trade receivables	369,370	516,230
Receivables on sale of property, plant and equipment and intangible assets	13	8
Other financial receivables*	68,018	77,534
Cash and cash equivalents	45,006	66,082
	483,865	**661,350**

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

(PLN thousand)

The amount of financial liabilities presented in the statement of financial position as at March 31st 2020 and December 31st 2019 related to the following IFRS-9 categories of financial instruments:

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

Classes and categories of financial liabilities	*Carrying amount*	
	March 31st 2020	*December 31st 2019*
Financial liabilities at amortised cost	**539,292**	**705,466**
Borrowings	77,722	113,075
Trade payables (including capital commitments)	461,090	592,086
Other financial liabilities	480	305
Liabilities under guarantees, factoring and excluded from the scope of IFRS 9	**13,837**	**13,079**
Liabilities under leases and rental contracts with purchase option	13,837	13,079
	553,129	**718,545**

The table below presents financial assets and liabilities recognised at fair value in the consolidated financial statements, classified in accordance with a 3-level fair value hierarchy:

- level 1 - quoted prices in active markets for identical assets or liabilities (not adjusted),
- level 2 – inputs other than level-1 quoted market prices that are observable for the assets and liabilities in active markets,
- Level 3 - inputs not observable in active markets.

March 31st 2020	*Level 1*	*Level 2*	*Level 3*
Assets at fair value through profit or loss	**82**	–	–
Long-term shareholdings	82	–	–
Assets at fair value through other comprehensive income	**1,376**	–	–
Long-term shareholdings	1,376	–	–

December 31st 2019	*Level 1*	*Level 2*	*Level 3*
Assets at fair value through profit or loss	**120**	–	–
Long-term shareholdings	120	–	–
Assets at fair value through other comprehensive income	**1,376**	–	–
Long-term shareholdings	1,376	–	–

In the reporting period there were no significant transfers between level 1 and level 2 of the fair value hierarchy.

15 Derivative instruments

As at March 31st 2020 and December 31st 2019, the Group did not carry any open currency forward contracts.

As at March 31st 2020 and December 31st 2019, the Group did not carry any other types of open derivative instruments.

The Group companies do not apply hedge accounting, transactions in derivative instruments are not speculative, and their purpose is to effectively hedge purchase/sale contracts denominated in foreign currencies.

(PLN thousand)

16 Borrowings

Short-term borrowings	*Security*	*Other*	*Currency*	*Effective interest rate*	*Maturity*	*March 31st 2020*	*December 31st 2019*
PKO BP S.A.	blank promissory note with a promissory note declaration, assignment of receivables under contracts*, clause providing for debt set-off against RAFAKO S.A.'s cash held in bank accounts, mortgage**, statement of submission to enforcement, registered pledge over a set of movables and rights comprising an entire business	current account overdraft facility of up to PLN 70m***	PLN	1M WIBOR + margin	10.11.2020****	46,923	69,569
PKO BP S.A.	blank promissory note with a promissory note declaration, assignment of receivables under contracts*, clause providing for debt set-off against RAFAKO S.A.'s cash held in bank accounts, mortgage**, statement of submission to enforcement, registered pledge over a set of movables and rights comprising an entire business	revolving working capital facility of up to PLN 80m***	PLN	1M WIBOR or 1M EURIBOR + margin	10.11.2020****	21,753	34,149
PKO BP S.A.	blank promissory note with a promissory note declaration, assignment of receivables under contracts*, clause providing for debt set-off against RAFAKO S.A.'s cash held in bank accounts, mortgage**, statement of submission to enforcement, registered pledge over a set of movables and rights comprising an entire business	revolving working capital facility to cover liabilities related to payments made under bank guarantees	PLN	1M WIBOR + margin	10.11.2020****	8,301	8,303

*The facility is secured by receivables under contracts executed by RAFAKO S.A.;
**As at the date of these interim condensed consolidated financial statements, RAFAKO S.A. had established mortgages on its properties (other than flats and residential buildings) for a total amount of up to PLN 300m, to provide additional security for the PKO BP credit facility.
***As at the date of issue of these interim condensed consolidated financial statements, in accordance with the annex of June 30th 2020 to the multi-purpose credit facility agreement, the facility limit was set at PLN 142m, including an overdraft facility of up to 50 million;
***As at the date of issue of these interim condensed consolidated financial statements, in accordance with the annex of June 30th 2020 to the multi-purpose credit facility agreement, the term of the facility and its repayment date were extended until November 10th 2020.

(PLN thousand)

Short-term borrowings	*Security*	*Other*	*Currency*	*Effective interest rate*	*Maturity*	*March 31st 2020*	*December 31st 2019*
Podkarpacki Bank Spółdzielczy	blank promissory note, power of attorney over bank account, mortgages, assignment of claims under insurance policy	PLN 1m overdraft facility	PLN	1M WIBOR + margin	04.09.2020	689	936
Podkarpacki Bank Spółdzielczy	blank promissory note, power of attorney over bank account, statements on submission to enforcement, mortgages, assignment of claims under insurance policy	PLN 2m working capital facility agreement	PLN	1M WIBOR + margin	10.11.2020	–	56
Siemens Finance Sp. z o.o.	blank promissory note	Loan agreement	PLN	1M WIBOR + margin	15.07.2021	41	38
						77,707	**113,051**

The parent plans to extend the credit facility agreement for subsequent periods. The Group's credit standing should be analysed taking into account the information presented in Note 2.

(PLN thousand)

17 Capital management

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

	March 31st 2020	*December 31st 2019*
Debt to equity		
Equity	112,305	114,263
Borrowed funds (bank and non-bank borrowings)	77,721	113,075
Total equity and liabilities	1,126,735	1,302,431
Capitalisation ratio (equity / total assets)	**0.10**	**0.09**
Total financing sources		
Equity	112,305	114,263
Borrowed funds (bank and non-bank borrowings)	77,721	113,075
Finance leases	13,837	13,079
Capital-to-total financing sources ratio	**1.23**	**0.91**
EBITDA		
Operating profit/(loss)	(1,876)	(437,561)
Depreciation and amortisation	3,637	17,599
EBITDA	**1,761**	**(419,962)**
Debt		
Borrowings and other debt instruments	77,721	113,075
Finance leases	13,837	13,079
Debt to EBITDA	**51.99**	**(0.30)**

(PLN thousand)

18 Change in provisions, liabilities and accruals and deferrals disclosed in the consolidated statement of financial position

	Provision for expected contract losses	*Provision for jubilee benefits, retirement gratuity and Company Social Benefits Fund*	*Provision for holiday entitlements*	*Provision for warranty repairs*	*Employee benefit obligations*	*Provision for credit losses on sureties*	*Provision for Voluntary Redundancy Programme*	*Provision for other costs*	*Other provisions*
January 1st 2020	**39,694**	**31,942**	**4,129**	**43,071**	**888**	**7,347**	**–**	**1,775**	**424**
Recognised	774	958	1,135	710	29	–	–	16	–
Reversed	–	–	–	(351)	–	–	–	–	(45)
Used	(6,571)	(476)	(804)	(2,002)	(5)	–	–	(150)	–
March 31st 2020	**33,897**	**32,424**	**4,460**	**41,428**	**912**	**7,347**	**–**	**1,641**	**379**
January 1st 2019	**3,677**	**26,207**	**4,202**	**40,553**	**5,725**	1,549	**145**	**571**	**233**
Recognised	36	620	1,702	1,959	29	–	–	–	155
Reversed	–	–	–	(2,499)	(367)	–	(4)	(45)	–
Used	(748)	(438)	(735)	(1,717)	(10)	–	(141)	–	(89)
March 31st 2019	**2,965**	**26,389**	**5,169**	**38,296**	**5,377**	**1,549**	**–**	**526**	**299**

(PLN thousand)

19 Issue, redemption and repayment of debt and equity securities

In the three months ended March 31st 2020, the parent did not issue, redeem or repay any debt or equity securities.

20 Dividends paid or declared

In the three months ended March 31st 2020, the Group companies did not pay any dividends. In accordance with applicable laws, dividends may only be distributed from the profit of individual Group companies, and may not based on the Group's consolidated profit or loss.

21 Investment commitments

As at March 31st 2020, the RAFAKO Group companies did not disclose any commitments to purchase of property, plant and equipment. The Group companies were not a party to any contracts or agreements which would commit them to incur capital expenditure in 2020 but were not disclosed in the accounting records as at the reporting date.

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

	March 31st 2020	*December 31st 2019*
Receivables under financial guarantees obtained mainly as security for performance of contracts, including:	748,544	701,105
– from related entities	–	–
Receivables under sureties received, including:	–	–
– from related entities	–	–
Promissory notes received as security, including:	41,443	65,997
– from related entities	17,669	48,625
Letters of credit	6,430	5,643
	796,417	**772,745**

	March 31st 2020	*December 31st 2019*
Liabilities under financial guarantees issued mainly as security for contract performance, including:	507,828	515,074
– to related entities	–	–
Liabilities under sureties, including:	1,175,587	1,175,587
– to related entities	–	–
Promissory notes issued as security, including:	120,893	117,868
– to related entities	–	576
Letters of credit	–	–
	1,804,308	**1,808,529**

In the three months ended March 31st 2019, there was a PLN 4,221 thousand decrease in the amount of the RAFAKO Group's contingent liabilities, mainly due to the lower amount of the guarantees granted. In the reporting period, at the request of the parent, the banks and insurance companies issued guarantees (performance bonds and bid bonds) for the benefit of the Group's trading partners for a total amount of PLN 1,601 thousand. The largest item in this group of liabilities was a EUR 231 thousand performance bond issued in January 2020. As at March 31st 2020, liabilities under sureties in issue were PLN 1,175,587. In this category of liabilities, the largest item was the sureties covering E003B7 Sp. z o.o.'s liabilities, issued by RAFAKO S.A. on April 16th 2014 and February 24th 2016 and valid until April 17th 2028, in connection with the project to develop new coal-fired generation capacities at TAURON Wytwarzanie S.A. – construction of supercritical 910 MW generating unit at the Jaworzno III Power Plant – Power Plant II. The largest item of guarantees expired in the 3 months ended March 31st 2020 was a EUR 8,139 thousand performance bond.

In the three months ended March 31st 2020, the RAFAKO Group's contingent receivables (mainly under performance bonds and advance payment guarantees) increased by PLN 23,672 thousand, including an increase of PLN 47,439 thousand in receivables under bank and insurance guarantees and a decrease of PLN 24,554 thousand in receivables under promissory notes. The largest item among guarantees received in the three months ended March 31st 2020 was an advance payment guarantee of EUR 953 thousand. The largest guarantee which expired in the reporting period was a EUR 974 thousand performance bond.

23 Litigation and disputes

As at the date of these interim condensed consolidated financial statements, the Group companies were involved in litigation both as a defendant and a plaintiff.

For a detailed description of key court cases, see the Group's consolidated financial statements for the year ended December 31st 2019, available at:

https://www.rafako.com.pl/relacje-inwestorskie/raporty-okresowe?page=18326

The disputes described in Notes 38.1 and 38.4 to the full-year financial statements are considered closed. With respect to the case described in Note 42.7, the court dismissed the motion for injunctive relief; the dispute amount was drawn from the bank guarantee, with the Company's account debited for the same amount. On July 27th 2020, RAFAKO S.A. filed a claim for payment of PLN 1,917,750.00 due to the lack of grounds for release of the amount from the bank guarantee. RAFAKO is preparing a separate action regarding the remaining amount of approximately PLN 4m drawn under the guarantee, which according to SODA CIECH Polska S.A. represents liquidated damages for termination of the contract.

Dispute with UAB VILNIAUS KOGENERACINE JEGAINE (VKJ), the employer in the Vilnius project, is a new case. In the absence of willingness on the part of VKJ to resolve amicably the claims made by RAFAKO S.A., on July 10th 2020 the Company submitted a request to initiate arbitration proceedings, which will be held at the Arbitration Institute of the Stockholm Chamber of Commerce in Stockholm. RAFAKO S.A. is of the opinion that the lack of proper coordination by VKJ of work carried out simultaneously at the same site, as part of two different projects (including the project executed by the Company), led to a number of delays/extensions of execution time, with additional costs incurred by RAFAKO S.A. Therefore, the main claims made by the Company are: (i) to extend the project completion date until April 1st 2021, and (ii) to increase the contract price by EUR 13,487,081.65. Additionally, RAFAKO S.A. has moved that the liquidated damages demanded by VKJ for late contract performance be considered unfounded due to the lack of fault of RAFAKO S.A. in this respect.

There were no material changes in all other proceedings described in the full-year consolidated financial statements for 2019.

24 Management Board and Supervisory Board of the parent

In the three months ended March 31st 2020 and until the date of these interim condensed consolidated financial statements, there were changes in the composition of the parent's Management Board.

On January 7th 2020, Jerzy Ciechanowski, Vice President of the Management Board, resigned from his position on the Management Board, with effect from January 7th 2020, citing personal reasons.

On May 20th 2020, the Supervisory Board of RAFAKO S.A:

- removed Paweł Jarczewski from the Management Board,
- appointed Ms Agnieszka Wasilewska-Semail as acting President of the Management Board,

(PLN thousand)

- delegated Michał Sikorski to temporarily serve as Member of the Management Board for a period of three months, and
- appointed Radosław Domagalski-Łabędzki as Vice President of the Management Board.

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

Agnieszka Wasilewska-Semail	– acting President of the Management Board
Jacek Drozd	– Vice President of the Management Board
Radosław Domagalski-Łabędzki	– Vice President of the Management Board
Michał Sikorski	– delegated by the Supervisory Board to temporarily perform the duties of a Management Board Member.

In the three months ended March 31st 2020 and until the date of these interim condensed consolidated financial statements, there were changes in the composition of the parent's Supervisory Board.

On February 4th 2020, PBG S.A. w restrukturyzacji, in the exercise of its special shareholder rights, removed Jerzy Karney from the Supervisory Board and appointed Mr Maciej Stańczuk to the Supervisory Board.

On April 18th 2020, PBG S.A. w restrukturyzacji, in the exercise of its special shareholder rights, removed Michał Maćkowiak from the Supervisory Board and appointed Konrad Milczarski to the Supervisory Board.

On May 11th 2020, PBG S.A. w restrukturyzacji, in the exercise of its special shareholder rights, removed Małgorzata Wiśniewska from the Supervisory Board and appointed Piotr Zimmerman to the Supervisory Board.

On May 28th 2020, PBG S.A. w restrukturyzacji, in the exercise of its special shareholder rights:

- removed Konrad Milczarski from the Supervisory Board,
- appointed Bartosz Sierakowski as Member of the Supervisory Board.

On the same day, the Extraordinary General Meeting of RAFAKO S.A.:

- removed Adam Szyszka from the Supervisory Board, and
- appointed Konrad Milczarski as Member of the Supervisory Board.

As at the date of these interim condensed consolidated financial statements, the composition of the parent's Supervisory Board was as follows:

Piotr Zimmerman	– Chairman of the Supervisory Board
Michał Sikorski	– Deputy Chairman of the Supervisory Board – delegated to perform the duties of a Management Board Member
Przemysław Schmidt	– Secretary of the Supervisory Board (independent member)
Krzysztof Gerula	– Member of the Supervisory Board (independent member)
Konrad Milczarski	– Member of the Supervisory Board
Bartosz Sierakowski	– Member of the Supervisory Board
Maciej Stańczuk	– Member of the Supervisory Board.

25 Transactions with members of the Management Board and the Supervisory Board

In the reporting and comparative periods, no loans were advanced to members of management or supervisory boards of the Group companies.

In the reporting and comparative periods, the Group companies did not enter into any transactions with members of their management boards, other than the transactions described in Note 26.

26 Related-party transactions

The related parties of RAFAKO S.A. are its key management personnel, subsidiaries exempt from consolidation and other related parties, including entities controlled by the management boards of Group companies. The Group's other key related parties include PBG S.A. w restrukturyzacji.

Outstanding balances of receivables and liabilities are usually settled in cash. For information on contingent liabilities associated with related parties, see Note 22.

(PLN thousand)

In the three months ended March 31st 2020, the parent and its subsidiaries did not enter into any material transactions with related parties on non-arm's length terms. All transactions with related parties are executed on terms applied by the Group in its business relations with non-related parties. Consideration is generally determined by way of a tender and standard payment terms are applied. A related party must ensure that a contract is performed in accordance with the relevant documentation, give a warranty for a specified period, and provide security in the form of a performance bond. Related parties are also required to accept standard liquidated damages clauses, non-disclosure agreements, provisions protecting industrial property rights, and provisions regarding contract insurance, force majeure and dispute resolution.

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

	Operating income	
	from January 1st 2020 to March 31st 2020	*from January 1st 2019 to March 31st 2019*
Sales to:		
Entities related through equity links:	246	736
Entities related through personal links:	33	–
TOTAL	**279**	**736**

	Receivables	
	March 31st 2020	*December 31st 2019*
Sales to:		
Entities related through equity links:	43,702	39,126
Entities related through personal links:	144	127
TOTAL	**43,846**	**39,253**

** Including bonds from PBG S.A. described in Note 12.13.1.*

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

	Purchases (costs, assets)	
	from January 1st 2020 to March 31st 2020	*from January 1st 2019 to March 31st 2019*
Purchases from:		
Entities related through equity links:	1,154	17,571
Entities related through personal links:	3,769	2,652
TOTAL	**4,923**	**20,223**

(PLN thousand)

	Liabilities	
	March 31st 2020	*December 31st 2019*
Purchases from:		
Entities related through equity links:	454	241
Entities related through personal links:	8,981	6,506
TOTAL	**9,435**	**6,747**

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

The Group has not published any forecasts for 2020.

28 Brief description of significant achievements or failures of the Company in the three months ended March 31st 2020

On January 16th 2020, the parent and Agencja Rozwoju Przemysłu S.A. of Warsaw executed a memorandum of understanding to define the terms of cooperation between the parties and to initiate discussions with respect to ARP and RAFAKO S.A. obtaining a business plan and valuation. These documents would be used for the purposes of a contemplated transaction consisting in the sale by the parent to ARP of an organised part of its business following spin-off (or the sale of shares in a special purpose vehicle, i.e. RAFAKO E-Bus spółka z ograniczoną odpowiedzialnością of Racibórz, to which the organised part of business would be contributed by any legal process), in the form of the Company's branch established in Solec Kujawski on February 1st 2020, whose business would consist in the production and sale of electric vehicles, the provision of related engineering design services and R&D activities.

In the memorandum, RAFAKO granted ARP exclusive rights to negotiate and carry out the Transaction until July 31st 2020. Each party has the right to terminate the memorandum of understanding subject to a notice period of two weeks from the date of delivery of the relevant notice to the other party.

In connection with the contract for the construction of a supercritical 910 MW power generation unit at the Jaworzno III Power Plant - Power Plant II, in January 2020, the Management Board of RAFAKO S.A. was notified of a delay in execution of the works which originally were to be completed by January 31st 2020. The delay was caused by circumstances beyond the control of the parent. According to the information received by the Management Board of RAFAKO S.A., E003B7 Sp. z o.o., the special purpose vehicle responsible for the performance of the contract, is expected to complete the tests and technical work necessary to hand over the project to the Employer by February 4th 2020. During the final testing of the unit, a number of objective events occurred which affected the date of delivery of the unit to the employer.

According to the information received, following the unit's being taken offline due to extreme weather conditions, it was found that an unforeseeable event had occurred, involving damage to a component of the steam generator.

In March 2020, the parent, in consultation with the employer, took immediate steps to prepare the unit for restart as soon as possible. An analysis carried out by the joint commission established to determine effects of the event, consisting of representatives of the Employer, RAFAKO S.A. and E003B7 Sp. z o.o, helped determine the rules for removing those effects and set an updated timetable for commissioning the unit by July 31st 2020. On June 10th 2020, Annex No. 8 to the contract was concluded in order to bring about efficient and swift handover of the unit to the customer. Annex 8 introduces a new schedule for the performance of the contract, with November 15th 2020 confirmed as the date the unit is to be handed over for use. The new schedule is already followed by the Company.

On March 17th 2020, a contract was signed by and between JP Elektroprivreda Srbije and a consortium of RAFAKO S.A. (leader), RAFAKO ENGINEERING Solution d o.o. and VIA Ocel Serbia. The contract provides for the design, supply, supervision of the assembly of pressure components and launch of a modernised BB-2000 steam generator for the TENT B1 Obrenovac Power Plant in Serbia. The contract price is approximately EUR 34.4m (VAT-exclusive), with the share of RAFAKO S.A. and its subsidiary RAFAKO ENGINEERING Solution d o.o. amounting to approximately EUR 17.35m (VAT-exclusive), of which RAFAKO S.A.'s share is approximately EUR 14.6m (VAT-exclusive). The project is to be completed in November 2021.

The World Health Organisation declaring the coronavirus outbreak a pandemic prompted many governments to introduce various restrictions aimed at limiting spread of the disease. The countermeasures taken by the state administration have caused significant disturbances in the economic, legal and administrative system in Poland. Following the introduction in mid-March 2020 of the state of epidemic in Poland, the Group adapted to the new situation to the extent possible. In order to ensure that the highest safety standards are met, the parent has established a Crisis Management Team, which monitors the situation on an ongoing basis, takes decisions and prepares operating guidelines related to the risk of coronavirus infection. Based on the guidelines from the Ministry of Health and Chief Sanitary Inspector, the sanitary rules have been tightened both at all Group companies and at contract performance sites, where additional sanitary procedures have been implemented by the employers.

(PLN thousand)

Despite the measures taken, the Group's active contracts were affected, as the restriction on freedom of movement of the population and business activities had an adverse effect on the Group companies' core business, with subcontracted works and foreign supplies particularly affected. The impact of the epidemic is being analysed and estimated in consultation with project owners on a case-by-case basis. As at the date of these consolidated financial statements, the future development of the epidemic in Poland and globally and its impact on the Company's and the Group's business and financial results are unknown and cannot be predicted. However, given the gradual easing of the lockdown restrictions, the Group companies monitor the situation on an ongoing basis and, in consultation with the Management Board of RAFAKO S.A., take appropriate measures to mitigate the adverse impact of the situation on the business, and their priority is to maintain business continuity and the safety of employees and stakeholders.

29 Shareholders holding 5% or more of total voting rights at the General Meeting of RAFAKO S.A. (the parent) as at the date of issue of these interim condensed consolidated financial statements

The list of shareholders holding 5% or more of total voting rights at the General Meeting of RAFAKO S.A. as at the date of issue of these interim condensed consolidated financial statements is presented below.

Shareholder	*Number of shares*	*Number of voting rights*	*Ownership interest*	*% of total voting rights at GM*
PBG S.A., Multaros Trading Company Ltd. and Fundusz Inwestycji Polskich Przedsiębiorstw Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych, in accordance with the agreement of October 24th 2017 referred to in Art. 87.1.6) of the Public Offering Act (*), of which:	55,081,769	55,081,769	43.22%	43.22%
PBG S.A.(*)	7,665,999	7,665,999	6.02%	6.02%
Multaros Trading Company Limited (subsidiary of PBG S.A.) (*) (***)	34,800,001	34,800,001	27.31%	27.31%
Fundusz Inwestycji Polskich Przedsiębiorstw Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych managed by PFR TFI S.A. (**)	12,615,769	12,615,769	9.90%	9.90%
Other	72,350,229	72,350,229	56.78%	56.78%

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

(PLN thousand)

30 Statement of changes in holdings of RAFAKO S.A. shares or RAFAKO S.A. share options by management and supervisory staff of the consolidated Group companies notified to RAFAKO S.A. after the issue of the previous financial statements

According to the information available to RAFAKO S.A, as at the date of this report the holdings of RAFAKO S.A. shares by the management and supervisory staff of the consolidated Group companies were as follows:

	Company	*As at June 30th 2020*	*Increase*	*Decrease*	*As at July 28th 2020*
Management staff member					
Agnieszka Wasilewska-Semail – Vice President of the Management Board	RAFAKO S.A.	60,245	–	–	60,245
Supervisory staff member		–	–	–	–

31 Factors with a material bearing on the Groups's in Q2 2020

- Possible changes in cost estimates for ongoing contracts, including as a result of ongoing procurement processes for products and services, which may have a positive or negative effect on the results after March 31st 2020;
- Adequacy of provisions and impairment losses for ongoing contracts;
- Risk that provisions may need to be recognised for liquidated damages for time overruns or failure to meet the guaranteed technical parameters under certain contracts;
- Risk of incurring repair, overhaul or upgrade costs during the contractual warranty period that are not covered by provisions for warranty repairs;
- Currency movements − significant changes in the PLN/EUR exchange rate may have a material effect on the profitability of EUR-denominated contracts;
- Risk of failure to obtain financial guarantees required to acquire and perform contracts;
- Progress in work on bringing the 910 MW unit into operation at the Jaworzno Power Plant and successful completion of negotiations on mutual relations and settlements with the parties to the contract;
- Adverse economic impact of the COVID-19 epidemic.

32 Key items of the financial statements translated into the euro

In the periods covered by these interim condensed consolidated financial statements, the average exchange rates quoted by the National Bank of Poland were as follows:

- the exchange rate effective for the last day of the reporting period, March 31st 2020: 4.5523 PLN/EUR, December 31st 2019: 4.2585 PLN/EUR,
- the average exchange rate for the period, calculated as the arithmetic mean of the exchange rates effective for the last day of each month in the period: January 1st–March 31st 2020: 4.3257; PLN/EUR, January 1st–December 31st 2019: 4.2988 PLN/EUR.

The highest and the lowest exchange rates in each period were as follows: January 1st–March 31st 2020: 4.6044/4.2279 PLN/EUR, January 1st–December 31st 2019: 4.3891/4.2406 PLN/EUR.

	March 31st 2020	*December 31st 2019*	*March 31st 2020*	*December 31st 2019*
	PLN '000		*EUR '000*	
Statement of financial position				
Assets	1,126,735	1,302,431	247,509	305,843
Non-current liabilities	93,927	94,045	20,633	22,084
Current liabilities	920,503	1,094,123	202,206	256,927
Equity	112,305	114,263	24,670	26,832
PLN/EUR exchange rate at end of period			4.5523	4.2585

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

	from January 1st 2020 to March 31st 2020	*from January 1st 2019 to March 31st 2019*	*from January 1st 2020 to March 31st 2020*	*from January 1st 2019 to March 31st 2019*
	PLN '000		*EUR '000*	
Statement of comprehensive income				
Revenue	296,201	312,702	68,475	72,666
Operating profit/(loss)	(1,876)	1,338	(434)	311
Profit/(loss) before tax	(1,647)	1,720	(381)	400
Net profit/(loss) attributable to the parent	(844)	1,311	(195)	305
Earnings per share (PLN)	(0.01)	0.01	(0.00)	0.00
Average PLN/EUR exchange rate in the period			4.3257	4.3033
Statement of cash flows				
Net cash from operating activities	15,553	27,193	3,595	6,319
Net cash from investing activities	794	192	184	45
Net cash from financing activities	(37,500)	1,331	(8,669)	309
Net increase/(decrease) in cash and cash equivalents	(21,153)	28,716	(4,890)	6,673
Average PLN/EUR exchange rate in the period			4.3257	4.3033

(PLN thousand)

33 Remuneration of members of the management and supervisory boards of the parent and the Group companies

Remuneration paid to members of the management boards and supervisory boards of the Group companies for the three months ended March 31st 2020 is presented below.

	Base pay	*Awards*	*Other*
RAFAKO S.A. – the parent			
Management Board	533	–	13
Supervisory Board	215	–	183
PGL-DOM Sp. z o.o. – subsidiary			
Management Board	27	–	–
Supervisory Board	–	–	–
RAFAKO ENGINEERING Sp. z o.o. – subsidiary			
Management Board	240	1	120
Supervisory Board	40	–	–
ENERGOTECHNIKA ENGINEERING Sp. z o.o. – indirect subsidiary			
Management Board	116	–	78
Supervisory Board	–	–	–
E001RK Sp. z o.o. – subsidiary			
Management Board	37	–	–
Supervisory Board	–	–	–
E003B7 Sp. z o.o. – subsidiary			
Management Board	405	–	120
Supervisory Board	281	–	–
RENG – NANO Sp. z o.o. – subsidiary			
Management Board	48	–	–
Supervisory Board	–	–	–

34 Order book

As at March 31st 2020, the value of the Group's order book was in ca. PLN 2.3bn. The largest item is the PLN 0.5bn Jaworzno Project, with PLN 0.1bn outstanding under the contract and attributable to the parent and PLN 0.4bn outstanding under the contract and attributable to SPV Jaworzno. The order book does not include the Opole contract (RAFAKO's entire share in the project worth PLN 3.2bn was subcontracted outside the RAFAKO Group, of which PLN 0.04bn is still outstanding).

	ORDER BOOK (PLNm)		**Due for execution in**		
	as at March 31st 2019	**as at March 31st 2020**	**April-December 2020**	**2021**	**after 2021**
RAFAKO	2,057	1,869	1,238	602	29
SPV Jaworzno	723	416	228	188	–
Other	31	39	22	12	5
TOTAL	**2,811**	**2,324**	**1,488**	**802**	**34**

The data and information regarding the RAFAKO Group's order book presented in this document is based on the following assumptions:

a. The value of the order book is equal to the aggregate amount of the Group's consideration under individual contracts executed by the Group companies by March 31st 2020; the amount does not include any planned contracts that have not yet been signed, but it does include contracts signed conditionally;
b. The disclosed value of the order book is as at March 31st 2020; actual revenue from contracts and completion periods depend on a number of factors, which may be outside the Group's control.

35 Events after the reporting period

After the reporting period, there were no events that would materially affect the Group's financial results.

On June 10th 2020, Annex No. 8 to the contract was concluded in order to bring about efficient and swift handover of the unit to the customer. Annex 8 introduces a new schedule for the performance of the contract, with November 15th 2020 confirmed as the date the unit is to be handed over for use. The new schedule is already followed by the Company. For a detailed description of the project execution, see Note 0 to these interim condensed consolidated financial statements.

On June 2nd 2020, the Management Board of RAFAKO S.A. passed a resolution to increase the share capital of RAFAKO MANUFACTURING Sp. z o.o. from PLN 30 thousand to PLN 60 thousand, through the issue of 300 new shares with a par value of PLN 100 per share.

On June 25th 2020, the Extraordinary General Meeting of RAFAKO EBUS Sp. z o.o. adopted a resolution to increase the company's share capital from PLN 5 thousand to PLN 15 thousand, through the issue of 20 new shares with a par value of PLN 500 per share. The new shares will be acquired by RAFAKO S.A. and paid for in cash (PLN 10 thousand).

On June 30th 2020, the parent agreed to extend until July 31st 2020 the exclusive rights of Agencja Rozwoju Przemysłu S.A. to negotiate and acquire an organised part of RAFAKO S.A.'s business, i.e. the Solec Kujawski branch, and 100% of shares in RAFAKO EBUS sp. z o.o.

On June 30th 2020, the parent executed Annex 31 to the multi-purpose credit facility agreement of February 7th 2012, as amended. The Annex sets out primarily the following amendments:

- The limit of the facility was set at PLN 142m limit, including:
  - an overdraft facility of PLN 50 million;
  - a revolving working capital facility, in PLN and EUR, up to PLN 30m to finance current liabilities under day-to-day operations;
  - a PLN 142m revolving working capital facility to cover the Issuer's liabilities towards the Bank under bank guarantees issued by the Bank;
  - bank guarantees in PLN, CZK, USD, EUR and GBP up to PLN 142m.
- The annex extended the facility's term and maturity date until November 10th 2020.

On June 30th 2020, the parent and ENEA Wytwarzanie Sp. z o.o. executed Annex 6 to the contract for the delivery and installation of a catalytic flue gas NOx removal system for AP-1650 steam generators No. 9 and 10, with upgrade of the electrostatic precipitators, and an arrangement regarding extension of the term of delivery of the DRIM II station under the contract, with the commissioning date agreed as March 30th 2021. RAFAKO S.A. and ENEA Wytwarzanie Sp. z o.o. waived their mutual claims arising from late performance of the contract and payment for additional works and exceptional changes in circumstances.

After the reporting date, there were changes in the composition of the Management Board and the Supervisory Board of the parent, as described in detail in Note 24 to these interim condensed consolidated financial statements.

36 Authorisation for issue

These financial statements were authorised for issue on July 28th 2020 by resolution of the Management Board of July 28th 2020.

Signatures:

Agnieszka Wasilewska-Semail – acting President of the Management Board ....

Jacek Drozd – Vice President of the Management Board ....

Radosław Domagalski-Łabędzki -Vice President of the Management Board ....

Michał Sikorski -Member of the Supervisory Board delegated to serve on the Management Board ....

Jolanta Markowicz -Chief Accountant ....