RAFAKO S.A.
w restrukturyzacji

PBG GROUP

INTERIM CONDENSED FINANCIAL STATEMENTS

for the nine months ended September 30th 2020

November 27th 2020

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(PLN thousand)

Interim condensed statement of comprehensive income

for the nine months ended September 30th 2020

	Note	*9 months ended Sep 30 2020*	*9 months ended Sep 30 2019*	*3 months ended Sep 30 2020*	*3 months ended Sep 30 2019*
Continuing operations					
Revenue	10.1	**672,257**	**653,741**	**236,523**	**232,738**
Revenue from sale of goods and services		670,892	652,811	236,240	232,585
Revenue from sale of materials		1,365	930	283	153
Cost of products and services sold	10.2	(770,961)	(715,984)	(223,690)	(220,294)
Cost of materials sold		(936)	(670)	(218)	(119)
Gross profit/(loss)		**(99,640)**	**(62,913)**	**12,615**	**12,325**
Other income	10.2	21,882	6,101	15,477	2,521
Selling expenses		(10,864)	(16,762)	(2,650)	(4,614)
Administrative expenses		(27,956)	(26,771)	(8,473)	(8,114)
Other expenses	10.2	(59,783)	(7,544)	(5,866)	(4,067)
Research costs		(5,145)	(6,928)	(1,229)	(1,650)
Operating profit/(loss)		**(181,506)**	**(114,817)**	**9,874**	**(3,599)**
Finance income	10.2	3,851	4,318	1,561	1,453
Finance costs	10.2	(7,228)	(4,262)	109	(342)
Profit/(loss) before tax		**(184,883)**	**(114,761)**	**11,544**	**(2,488)**
Income tax expense	10.3	(13,258)	(3,894)	35	563
Net profit/(loss) from continuing operations		**(198,141)**	**(118,655)**	**11,579**	**(1,925)**

(PLN thousand)

Interim condensed statement of comprehensive income

for the nine months ended September 30th 2020

	Note	*9 months ended Sep 30 2020*	*9 months ended Sep 30 2019*	*3 months ended Sep 30 2020*	*3 months ended Sep 30 2019*
Other comprehensive income for period		**(491)**	**(213)**	**252**	**197**
Items to be reclassified to profit/(loss) in subsequent reporting periods			–		–
Exchange differences on translating foreign operations		–	–	–	–
Other net comprehensive income to be reclassified to profit/(loss) in subsequent reporting periods		–	–	–	–
Items that will not be reclassified to profit or loss in subsequent reporting periods					
Other comprehensive income due to actuarial gains/(losses)		(606)	(263)	312	243
Tax on other comprehensive income	10.3	115	50	(60)	(46)
Other net comprehensive income not subject to reclassification to profit/(loss) in subsequent reporting periods		**(491)**	**(213)**	**252**	**197**
Comprehensive income for reporting period		**(198,632)**	**(118,868)**	**11,831**	**(1,728)**
Weighted average number of shares		127,431,998	127,431,998	127,431,998	127,431,998
Basic earnings/(loss) per share, PLN		(1.55)	(0.93)	0,09	(0.02)
Diluted earnings/(loss) per share, PLN		(1.55)	(0.93)	0,09	(0.02)

Racibórz, November 27th 2020

Mariusz Zawisza	Radosław Domagalski-Łabędzki	Jarosław Pietrzyk	Ewa Porzucek	Jolanta Markowicz
President of the Management Board	Vice President of the Management Board	Vice President of the Management Board	Vice President of the Management Board	Chief Accountant

(PLN thousand)

Interim condensed statement of financial position

as at Sep 30 2020

	Note	Sep 30 2020	Dec 31 2019	Sep 30 2019
ASSETS				
Non-current assets				
Property, plant and equipment	10.6	115,755	122,381	123,928
Goodwill		1,398	1,774	1,774
Intangible assets		5,322	6,519	6,669
Right-of-use assets	10.8	6,409	8,524	9,429
Other long-term receivables	10.9	70,492	42,716	11,925
Shares	10.10	28,760	31,310	36,626
Other non-current financial assets	10.11	–	28,148	26,651
Deferred tax assets	10.3	24,083	37,226	32,461
Long-term prepayments and accrued income		2,404	4,795	5,575
		254,623	**283,393**	**255,038**
Current assets				
Inventories	10.12	35,475	27,205	29,880
Short-term trade and other receivables	10.15	346,861	363,827	312,020
Contract assets	9	193,572	213,552	321,276
Other current financial assets	10.13	–	–	24,810
Cash and cash equivalents	10.14	25,028	23,917	27,346
Short-term prepayments and accrued income	10.16	6,034	20,591	16,196
		606,970	**649,092**	**731,528**
Non-current assets held for sale		312	103	78
TOTAL ASSETS		**861,905**	**932,588**	**986,644**

(PLN thousand)

Interim condensed statement of financial position

as at Sep 30 2020

	Note	*Sep 30 2020*	*Dec 31 2019*	*Sep 30 2019*
EQUITY AND LIABILITIES				
Equity				
Share capital	10.19	254,864	254,864	254,864
Share premium	10.22	165,119	165,119	165,119
Statutory reserve funds		15,902	15,902	15,902
Retained earnings/accumulated losses, including:		(529,988)	(331,356)	(160,010)
Profit/(loss) brought forward		(331,847)	(46,712)	(41,355)
Net profit/(loss) for period		(198,141)	(284,644)	(118,655)
		(94,103)	**104,529**	**275,875**
Non-current liabilities				
Finance lease liabilities		1,092	1,704	3,481
Employee benefit obligations and provisions	10.25	29,095	29,334	22,679
Other non-current liabilities	10.24	11,755	18,556	12,451
Other long-term provisions	10.27	26,224	18,430	16,737
		68,166	**68,024**	**55,348**
Current liabilities				
Bank and other borrowings	14	36,754	112,021	119,768
Finance lease liabilities		3,877	4,037	2,675
Short-term trade and other payables	10.28	476,659	370,096	269,007
Employee benefit obligations and provisions	10.29	28,776	19,228	19,646
Contract liabilities	9	309,630	208,444	221,248
Other short-term provisions	10.30	31,590	45,840	22,654
Short-term accrued expenses and deferred income		114	139	144
Grants		442	230	279
		887,842	**760,035**	**655,421**
Total liabilities		**956,008**	**828,059**	**710,769**
TOTAL EQUITY AND LIABILITIES		**861,905**	**932,588**	**986,644**

Racibórz, November 27th 2020

Mariusz Zawisza	Radosław Domagalski-Łabędzki	Jarosław Pietrzyk	Ewa Porzucek	Jolanta Markowicz
President of the Management Board	Vice President of the Management Board	Vice President of the Management Board	Vice President of the Management Board	Chief Accountant

(PLN thousand)

Interim condensed statement of cash flows

for the nine months ended September 30th 2020

	Note	*9 months ended Sep 30 2020*	*12 months ended Dec 31 2019*	*9 months ended Sep 30 2019*
Cash flows from operating activities				
Profit/(loss) before tax		**(184,883)**	**(284,260)**	**(114,761)**
Adjustments for:		**265,431**	**301,695**	**125,352**
Depreciation and amortisation		9,242	12,659	9,530
Foreign exchange (gains)/losses		–	–	–
Interest and dividends, net		2,520	4,813	3,346
(Gain)/loss from investing activities		4,259	26,988	(3,223)
(Increase)/decrease in receivables	10.4	17,338	(14,900)	69,196
(Increase)/decrease in inventories		(8,270)	2,186	(489)
Increase/(decrease) in liabilities and provisions, excluding borrowings	10.4	108,627	171,729	64,948
Change in provisions, accruals and deferrals	10.4	10,467	30,583	9,325
Change in contract assets and liabilities	10.4	121,166	67,385	(27,535)
Income tax (paid)/received		–	–	–
Other		82	252	254
Net cash from operating activities		**80,548**	**17,435**	**10,591**
Cash flows from investing activities				
Sale of property, plant and equipment and intangible assets		411	477	456
Purchase of property, plant and equipment and intangible assets	10.4	(639)	(701)	(502)
Sale of financial assets		506	–	–
Purchase of financial assets		(10)	(153)	(153)
Net cash from investing activities		**268**	**(377)**	**(199)**
Cash flows from financing activities				
Payment of finance lease liabilities		(2,229)	(4,386)	(3,507)
Proceeds from borrowings		–	11,197	19,383
Repayment of borrowings	10.4	(75,690)	–	–
Interest paid		(1,598)	(3,533)	(2,552)
Bank fees		(407)	(1,015)	(1,013)
Other		219	(808)	(761)
Net cash from financing activities		**(79,705)**	**1,455**	**11,550**
Net increase/(decrease) in cash and cash equivalents		1,111	18,513	21,942
Net foreign exchange gains/(losses)		–	–	–
Cash at beginning of period	10.4	23,917	5,404	5,404
Cash at end of period	10.14	25,028	23,917	27,346

Racibórz, November 27th 2020

Mariusz Zawisza	Radosław Domagalski-Łabędzki	Jarosław Pietrzyk	Ewa Porzucek	Jolanta Markowicz
President of the Management Board	Vice President of the Management Board	Vice President of the Management Board	Vice President of the Management Board	Chief Accountant

(PLN thousand)

Interim condensed statement of changes in equity
for the nine months ended September 30th 2020

	Share capital	*Share premium*	*Statutory reserve funds*	*Retained earnings/ accumulated losses*	*Total equity*
As at Jan 1 2020	**254,864**	**165,119**	**15,902**	**(331,356)**	**104,529**
Profit/(loss) from continuing operations	–	–	–	(198,141)	(198,141)
Other comprehensive income	–	–	–	(491)	(491)
As at Sep 30 2020	**254,864**	**165,119**	**15,902**	**(529,988)**	**(94,103)**
As at Jan 1 2019	**254,864**	**165,119**	**11,600**	**(37,157)**	**394,426**
Adjustment to opening balance following implementation of new IFRS	–	–	–	318	318
As at Jan 1 2019	**254,864**	**165,119**	**11,600**	**(36,839)**	**394,744**
Profit/(loss) from continuing operations	–	–	–	(118,655)	(118,655)
Other comprehensive income	–	–	–	(214)	(214)
Distribution of retained earnings	–	–	4,302	(4,302)	–
As at Sep 30 2019	**254,864**	**165,119**	**15,902**	**(160,010)**	**275,875**

(PLN thousand)

Interim condensed statement of changes in equity

for the nine months ended September 30th 2020

	Share capital	*Share premium*	*ıtory reserve funds*	*Retained earnings/ accumulated losses*	*Total equity*
As at Jan 1 2019	**254,864**	**165,119**	**11,600**	**(37,157)**	**394,426**
Adjustment to opening balance following implementation of new IFRS	–	–	–	318	318
As at Jan 1 2019	**254,864**	**165,119**	**11,600**	**(36,839)**	**394,744**
Profit/(loss) from continuing operations	–	–	–	(284,644)	(284,644)
Other comprehensive income	–	–	–	(5,571)	(5,571)
Distribution of retained earnings	–	–	4,302	(4,302)	–
As at Dec 31 2019	**254,864**	**165,119**	**15,902**	**(331,356)**	**104,529**

Racibórz, November 27th 2020

Mariusz Zawisza	Radosław Domagalski-Łabędzki	Jarosław Pietrzyk	Ewa Porzucek	Jolanta Markowicz
President of the Management Board	Vice President of the Management Board	Vice President of the Management Board	Vice President of the Management Board	Chief Accountant

NOTES

1. General information

RAFAKO S.A. w restrukturyzacji (the "Company") is a listed joint-stock company with its registered office at ul. Łąkowa 33 in Racibórz, Poland. The Company was established under a notary deed of January 12th 1993. On August 24th 2001, it was entered in the Business Register maintained by the District Court in Gliwice, 10th Commercial Division of the National Court Register, under No. KRS 0000034143. The Company's Industry Identification Number (REGON) is 270217865. The Company's shares are listed on the Warsaw Stock Exchange.

The Company'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 Company was established for an indefinite term.

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

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

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

These interim condensed financial statements for the nine months ended September 30th 2020 were authorised for issue by the Company's Management Board on November 27th 2020.

The Company also prepared interim condensed consolidated financial statements for the nine months ended September 30th 2020, which were authorised for issue by the Company's Management Board on November 27th 2020.

2. Basis of preparation of the interim condensed financial statements

These interim condensed financial statements of the Company for the nine months ended September 30th 2020 have been prepared in accordance with EU-endorsed International Accounting Standard 34 Interim Financial Reporting ("IAS 34").

In order to provide a better understanding of the financial position and assets of the Company, the comparative data additionally includes the statement of financial position as at September 30th 2019 and statement of comprehensive income, statement of changes in equity, and statement of cash flows for 2019, despite the absence of such requirements in IAS 34.

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

The reporting currency of the financial statements is the Polish złoty, and all amounts are expressed in thousands of Polish złoty (PLN '000), unless indicated otherwise.

These interim condensed financial statements have been prepared on a going concern basis despite the fact that the Management Board is aware of a number of uncertainties that pose a material threat to the Company's ability to continue trading.

The Management Board of RAFAKO S.A decided to submit, on September 2nd 2020, an application to the *Monitor Sądowy i Gospodarczy* official gazette to announce the opening of a procedure to approve arrangement with its creditors under the Restructuring Law of May 15th 2015 as amended by the Act of June 19th 2020 on subsidies for interest payments on bank loans granted to businesses affected by the COVID-19 situation and on simplified procedure to approve arrangements due to COVID-19.

The purpose of the restructuring procedure is to take remedial actions to eliminate the risk of the Company ceasing to trade, and the decision to file for bankruptcy protection was a significant part of the restructuring plan, which offers RAFAKO S.A. a chance to recover.

On November 10th 2020, the RAFAKO S.A. Management Board adopted a restructuring plan for the Company (the "Restructuring Plan") and arrangement proposals for its creditors. As at the date of these interim condensed financial statements, the arrangement proposals had been sent by the Company to its creditors. A notice was published in the

Monitor Sądowy i Gospodarczy official journal to announce the date of the meeting of creditors, scheduled for December 10th 2020.

Approval of arrangement proposals by the Company's creditors will be a key step towards its successful restructuring. Such decision will be a prerequisite for a further turnaround process in accordance with plans and for protecting the Company against a bankruptcy scenario. The Restructuring Plan is based on three revenue scenarios (base case, best case and worst case). A private creditor's test also presented the Company's bankruptcy scenario.

The Management Board of the Company is thoroughly analysing the indications of the threat to the Group's ability to continue trading and the validity of this assumption. Opening of the restructuring proceedings does not preclude an assumption that an entity will continue to trade as a going concern. The intention of the Management Board is for the Company to continue trading, while the purpose of the restructuring proceedings is to avoid bankruptcy by allowing the debtor to restructure its debt through arrangement with creditors.

However, it is not possible to disregard the Company's distressed financial condition. It involves a high level of debt carried by the Company, refusal by its suppliers to extend trade credit and their opting for cash or prepaid transactions, adverse development of the Company's key financial ratios and, last but not least, its lack of debt capacity, which significantly hinders the acquisition of new orders and continuation of existing contracts.

However, despite the financial considerations, there were no direct operating circumstances that may have a material and direct adverse effect on the Company's ability to continue as a going concern. An important criterion for adopting the going concern assumption is the absence of the management's intention to cease trading or to put the entity to liquidation. The Company does not experience personnel shortages, has not lost any key management staff or specialist engineering personnel or workforce. There are no shortages of important raw materials or threat from a serious competitor. The Company has not lost its core markets, licences or key suppliers, although the Company's ability to win new contracts has been seriously and adversely affected by the lack of debt capacity.

It was determined that the Company has the potential to win new contracts in its core business where it has both technical, technological and specialist personnel and know-how. The revenue-generating potential is concentrated primarily at the Steam Generator Plant and in the Power and Environmental Protection Division, which was recently been combined into the single Power Services Division. The order book will be reviewed on an ongoing basis, while in its efforts to win new contracts the Company will focus on its key competences and competitive advantages in selected markets. Please note that the market in which the Company operates has changed significantly. Changes in the commercial and industrial power generation market and the shrinking volume of capital spending on energy sources based on solid fuels have significantly affected the Company's position and will determine its future revenue-generating potential. This aspect has also been taken into account in the assessment of the Company's ability to continue trading and to generate revenue in the future. The Company is now in the process of intensive restructuring efforts, the main objective of which is to meaningfully reduce its cost base.

During the three months to September 30th 2020, the Company's Management Board was implementing its planned restructuring measures, which involved extensive efforts to bring down operating expenses and put in place comprehensive organisational improvements at the Company. Both one-off and staged procedures were undertaken, including cost reductions in areas where potential for savings and optimisation had been identified. The organisational chart was modified and streamlined towards a much leaner management structure at the Company. A collective redundancy process was launched in line with the relevant rules adopted on September 21st 2020, setting the maximum number of employees affected by the redundancies at 400, with the redundancy scheme due to run until March 31st 2021. The efforts to optimise workforce are consistent with the revised organisational chart and are necessary to adapt the staffing levels to the new scale of the organisation. An agreement was reached with employee representatives to reduce contributions to the Social Fund for 2021–2023 by 80% and to cut length-of-service awards by 50% in the same period by amending the Collective Bargaining Agreement. A process was launched to optimise the use of production space and to rent out unnecessary production and office areas to third parties, and negotiations were commenced to dispose of the Company's redundant assets held for sale.

On September 28th 2020, RAFAKO EBUS Sp. z o.o. and an organised part of its business were sold for a total price of PLN 31m. For more details, see Note 7 to these interim condensed financial statements.

Another important element of the process is the significant progress made in delivering the project to construct a 910 MW supercritical power generating unit at the Jaworzno Power Plant. On November 13th 2020, a trial run was completed, confirming that the unit met the requirements set out in the contract, whereupon the parties performed acceptance of the unit, which entered commercial operation. The unit operates within the Polish power system. For more details, see Note 9.1.1 to these interim condensed financial statements.

On November 10th 2020, RAFAKO S.A. w restrukturyzacji and Bank PKO BP S.A. executed Annex 33 to the multi-purpose credit facility agreement of February 7th 2012, as amended. The main provisions of the annex extend the availability and maturity date of the facility until January 10th 2021, and cap the aggregate amount that can be drawn under all sub-facilities at PLN 119,916,154.85.

3. Significant accounting policies

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

- 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 will not affect the data disclosed in the Company's existing financial statements.

- Amendments to IFRS 9, IFRS 16, 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 Company does not apply hedge accounting, the uncertainty related to interest rate derivatives does not affect the Company's financial statements.

- Amendment to IFRS 16 *Leases*

In connection with the COVID-19 pandemic, the IASB has introduced a practical expedient whereby a lessee may elect not to assess whether a rent concession that meets the conditions set out in the standard is a 'lease modification' within the meaning of IFRS 16. The practical expedient is available for financial statements for annual periods beginning on or after June 1st 2020, but its earlier application has been permitted. The Company did not apply any the practical expedient to any of its leases as it did not receive any concessions from lessors.

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 financial statements, the Company 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 Company's financial statements

As at the date of these interim condensed 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*

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

The Company estimates that the new standard will not affect its financial statements because it 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 Company already applies principles consistent with the amended standard, the changes will not affect its financial statements. The Company 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

When preparing interim condensed financial statements, the Management Board of the Company has to make certain judgements, assumptions and estimates which affect the disclosed income, expenses, assets, liabilities, as well as related notes and disclosures concerning contingent liabilities. 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.

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

Classification of leases where the Company is the lessee

The Company recognises a contract as a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. When measuring the value of assets in use and lease liabilities, the Company assesses the probability of exercising the option to extend or terminate the lease contract, the probability of exercising the option to purchase the leased asset, and the estimates of other costs to terminate the lease contract.

Embedded derivatives

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

Consortium agreements

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

(PLN thousand)

5.2. Uncertainty and changes in estimates

The Company made the assumptions and estimates concerning the future based on its knowledge as at the time of preparation of these interim financial statements. The assumptions and estimates presented in these financial statements may change in the future due to market developments or factors beyond the Company's control. In the nine months ended September 30th 2020 and as at that date, there were changes in estimates in significant areas of the Company's business. In the third quarter of 2020, following termination of the contract for 'Construction of a biomass-fired co-generation unit comprising fluidised bed boilers, biomass storage and feeding systems, and a flue gas treatment system', as part of construction of a new CHP plant in Vilnius, estimates for the contract were revised, as described in more detail in Note 9.2.

Impairment of assets

The Company estimated the recoverable amount of non-financial non-current assets on the basis of cash flow projections. However, given the significant uncertainty as to the Company's ability to implement the plans described in Note 2 to these interim condensed financial statements, which may be key to future forecasts, the recoverable amount may change.

Deferred tax asset

The Company prepared financial projections and used them to assess the recoverable amount of deferred tax assets. The amount of deferred tax assets was determined at PLN 24,083 thousand. For details, see Note 10.3 to these interim condensed financial statements.

Provision for expected contract losses

The Company reviewed the order book and identified its key competencies and competitive advantages on selected markets. As a result of the review, immediate steps were taken to suspend bidding for new contracts in unprofitable segments, and possible risks associated with the continued presence in those segments have been identified. The Group estimated the amount of provisions for the identified risks.

Details of accounting for contract revenue and expenses in the reporting period are presented in Notes 9 and 10.1 to these interim condensed financial statements.

Provision for costs due to late contract completion

The Company recognises a provision for liquidated damages due to late contract completion if the probability of being charged for late completion is significant and the delay is due to the fault of the Company as a contractor. The amount of the provision reflects the amount of liquidated damages that may be charged for the delay. The Company estimated the amount of provisions, presented in Note 9 to these interim condensed financial statements.

In these interim condensed consolidated financial statements, the Company also disclosed the effect of the Management Board's assumptions on the estimates of impairment losses (see Note 10.17), revenue from contracts with customers (see 9) and provisions (see Note 16).

6. Functional currency and presentation currency

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

Exchange rates used to determine carrying amounts:

	Sep 30 2020	*Dec 31 2019*	*Sep 30 2019*
USD	3.8658	3.7977	4.0000
EUR	4.5268	4.2585	4.3736
GBP	4.9560	4.9971	4.9313
CHF	4.1878	3.9213	4.0278
SEK	0.4296	0.4073	0.4077
TRY	0.4983	0.6380	0.7081

7. Changes in the structure of the Company

No material changes occurred in the Company structure during the nine months ended September 30th 2020.

(PLN thousand)

On August 27th 2020, the Company's Management Board adopted a resolution to start the employment restructuring at RAFAKO S.A.; for details, see Note 2.

As at the date of these financial statements, there were changes in the Company's organisational chart. Key changes consisted in the consolidation of service units (the Power Facilities Division, Environmental Protection Division), centralised sales and procurement functions, and elimination of the level of managing directors, which resulted in a leaner management structure. The changes adapted the Company's organisation to a lower number of employees, including through a significant reduction of managerial positions, which brought down operating expenses.

On September 28th 2020, RAFAKO S.A. w restrukturyzacji executed agreements to sell:

- an organised part of business operating as the Company's branch under the name of RAFAKO S.A. Oddział w Solcu Kujawskim for an amount of PLN 30,985,000.00 thousand; the agreement was executed by and between RAFAKO EBUS Sp. z o.o. of Racibórz and RAFAKO S.A. w restrukturyzacji, with the participation of Agencja Rozwoju Przemysłu S.A. of Warsaw, and
- 100% of shares in the share capital of RAFAKO EBUS for PLN 15,000.00, between ARP and w restrukturyzacji.

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

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

9. Contract assets and liabilities

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

	Sep 30 2020	*Dec 31 2019*
Gross contract assets	194,720	214,763
Impairment of contract assets (-)	(1,148)	(1,211)
Contract assets	193,572	213,552
Contract liabilities, including prepayments	309,630	208,444

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 IFRS 15 as at September 30th 2020 and as at December 31st 2019, as well as gross amount due to customers for contract work and gross amount due from customers for contract work.

	Sep 30 2020	*Dec 31 2019*
Revenue initially agreed in contract	3,723,384	3,912,289
Change in contract revenue	(106,172)	(40,485)
Aggregate contract revenue	**3,617,212**	**3,871,804**
Contract costs incurred as at reporting date	2,461,856	2,052,801
Costs expected to be incurred by contract completion date	1,135,517	1,736,097
Estimated aggregate contract costs	**3,597,373**	**3,788,898**
Estimated aggregate profit/(loss) on contracts, including:	**19,839**	**82,906**
profit	281,525	292,742
loss (-)	(261,686)	(209,836)

(PLN thousand)

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

	Sep 30 2020	*Dec 31 2019*
Advance payments received as at reporting date	89,426	127,665
Advance payments that can be set off against amounts due from customers for construction contract work	21,344	22,305
Contract costs incurred as at reporting date	2,490,817	2,091,798
Cumulative profit as at reporting date (+)	208,419	188,866
Cumulative loss as at reporting date (+)	(261,686)	(209,836)
Cumulative contract revenue as at reporting date	2,437,550	2,070,828
Amounts invoiced as at reporting date (progress billings)	2,463,034	1,936,844
Settlement of contracts (balance) as at reporting date, including:	**(25,484)**	**133,984**
Contract assets less advance payments that can be offset	194,720	214,763
Contract liabilities	241,548	103,084

The Company analysed changes in contract assets and liabilities and their main causes in the nine months ended September 30th 2020 and in the entire 2019.

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

Contract assets:

	Sep 30 2020	*Dec 31 2019*
Contract assets at beginning of period	213,552	205,149
Revenue charged in reporting period to contract assets	170,962	122,695
Total revenue restatements charged to contract assets	(32,016)	50,298
Changes in impairment losses on contract assets	64	637
Reclassification to trade receivables (-)	(158,990)	(165,227)
Contract assets at end of period	**193,572**	**213,552**

Contract liabilities:

	Sep 30 2020	*Dec 31 2019*
Contract liabilities at beginning of period	208,444	132,656
Performance obligations recognised in reporting period as contract liabilities	158,575	57,675
Change in advance payments	(37,278)	40,271
Total revenue restatements charged to contract liabilities	(931)	1,917
Recognition of revenue recognised in contract liabilities at beginning of period (-)	(19,180)	(24,075)
Contract liabilities at end of period	**309,630**	**208,444**

Significant changes in the amount of contract assets and liabilities resulted mainly from changes in estimates of contract revenue and costs, driven chiefly by changes in cost estimates for the CHP contract in Vilnius; for details, see Note 9.1.2 to these interim condensed financial statements. The decrease in the amount of contract assets was also attributable to invoiced contract sales, mainly under the contract for delivery and installation of a catalytic flue gas denitrification unit at APs–1650 steam generators No. 9 and No. 10 and upgrade of electrostatic precipitators at ENEA Wytwarzanie Sp. z o.o. in Kozienice, and the Jaworzno contract for construction of a 910 MW supercritical power generation unit. The increase in the amount of contract liabilities was attributable to invoiced sales under the contract for the construction of two steam generators on the Lombok Island in Indonesia.

Disclosures concerning capitalised costs of obtaining and performing contracts are presented under 'Short-term prepayments and accrued income'.

9.1. Key contracts executed by the Company

9.1.1. 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. Following completion of the trial run, which confirmed that the unit met the requirements set out in the contract, on November 13th 2020 the unit entered commercial operation. The unit operates within the Polish power system. As a result, the warranty period commenced, during which final measurements of the 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.

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 desulfurisation 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 steam generator. 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, setting out the rules for the performance of additional works by the Contractor and addressing other key issues, i.e. a PLN 9.9m (VAT exclusive) increase in the contract price, taking into account additional work, a change in the commissioning deadline for the unit, an 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.

On November 13th 2020, a trial run was completed, confirming that the unit met the requirements set out in the contract, whereupon the parties performed acceptance of the unit, which entered commercial operation. The unit operates within the Polish power system.

On the same day, Nowe Jaworzno Grupa TAURON Sp. z o.o., E003B7 sp. z o.o. (a wholly-owned subsidiary of RAFAKO S.A. w restrukturyzacji) and RAFAKO S.A. w restrukturyzacji, acting with approval from the supervisor of the Company's arrangement made under the simplified restructuring procedure, signed a settlement agreement resulting from mediation conducted before the Arbitration Court at the General Counsel to the Republic of Poland, with the following key provisions:

1. The Parties, that is RAFAKO S.A. w restrukturyzacji and Nowe Jaworzno Grupa TAURON Sp. z o.o. waived equivalent mutual claims which arose before the settlement agreement date in connection with performance of the contract, except for the Company's claims for the work performed in accordance with the contract, NJGT's warranty or guarantee claims, and recourse claims against RAFAKO S.A. w restrukturyzacji for the payment of claims of lower-tier subcontractors.
2. RAFAKO S.A. w restrukturyzacji will extend the technical guarantee for the high-pressure section of the boiler by six (6) months (to 36 months) and will grant licences to use computer software not covered by the contract. The Company will perform certain additional work, including work to optimise the unit's operation so that its minimum technical capacity is reduced from 40% to 37%.

The settlement agreement will take effect upon fulfilment of certain conditions precedent, including the following key conditions:

1. execution by the Company and Nowe Jaworzno Grupa TAURON Sp. z o.o. of a handover-for-operation certificate for the unit at the Jaworzno Power Plant by November 15th 2020 (the condition has been met),
2. RAFAKO S.A. w restrukturyzacji providing an agreement in the form of a commitment letter with financial institutions, i.e. Powszechny Zakład Ubezpieczeń S.A., mBank S.A., Powszechna Kasa Oszczędności Bank Polski S.A. and Bank Gospodarstwa Krajowego, concerning the method of raising funds necessary for the completion of proper performance of the contract (the condition has been met).

The settlement agreement was filed with a competent common court for approval. Once approved by a final court decision, the settlement agreement will have the legal effect of a court settlement.

Furthermore, on November 13th 2020 Nowe Jaworzno TAURON Sp. z o.o. and RAFAKO S.A. w restrukturyzacji, acting with approval from the supervisor of the Company's arrangement made under the simplified restructuring procedure, entered into Annex 9 to the contract, which sanctions the arrangements made by the parties in the settlement agreement regarding RAFAKO S.A. w restrukturyzacji's additional non-monetary obligations, including obligation performance dates and related payment due dates.

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. w restrukturyzacji 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 current value of the bonds and guarantees is PLN 587.5m. 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. w restrukturyzacji 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. w restrukturyzacji sets off project-related income, expenses and settlements between RAFAKO and the special purpose vehicle. In its separate financial statements, RAFAKO S.A. recognises only revenue and expenses related to its own scope of work, i.e. 11.3% of the total scope of work to be performed on the Jaworzno Project. In its separate financial statements, the Company does not recognise revenue and expenses related to the portion of work performed by E003B7 Sp. z o.o. − they are reported in the separate financial statements of E003B7 Sp. z o.o. and the consolidated financial statements of the RAFAKO Group.

RAFAKO S.A. w restrukturyzacji, 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. w restrukturyzacji are made by the special purpose vehicle.

Change in estimates for the Jaworzno Project

The effect of the Jaworzno contract on the Company's profit or loss for the nine months ended September 30th 2020 (corresponding to the portion of work performed by the Company) was negative at PLN 5.3m.

9.1.2. Vilnius Project

On September 29th 2016, the Company entered into a contract with JSC VILNIAUS KOGENERACINË JËGAINË for the construction of a biomass-fired co-generation unit comprising fluidised bed boilers, biomass storage and feeding systems, and a flue gas treatment system. The price of the contract and annexes thereto is EUR 149m (exclusive of VAT). The Company estimated the amount of its claims for extraordinary price increases during the Vilnius Project, works performed which, in the Company's opinion, were beyond the original scope of the project, and the delay in project completion not attributable to the Company.

On July 10th 2020, the Company filed a request for arbitration with the Stockholm Chamber of Commerce concerning recognition by the employer of the Company's claims for additional time and reimbursement of additional costs. The employer submitted a preliminary response to the request. The parties expect to continue to process the matter.

For details, see note 21 to these interim condensed financial statements.

On September 24th 2020, following the identification of contract risks and the possible need to incur additional costs under the Vilnius project, the Management Board decided to recognise a PLN 95.8m provision.

The potential additional contract costs estimated by the Company result primarily from the project's time and cost overruns caused by the contracting of additional works as well as claims of subcontractors which were all beyond the Company's control.

The risk of a potential decrease in contract revenue was estimated taking into account exclusion from the scope of deliveries of the unit for unloading biomass from rail cars.

On October 5th 2020, acting pursuant to the contract, RAFAKO S.A. w restrukturyzacji (in restructuring) submitted a notice of impossibility/termination notifying the employer of:

1) inability to perform the contract due to the fact that the task the Company had committed itself to perform became different from that provided for in the contract or, alternatively
2) withdrawal from the contract due to lack of cooperation on the part of the employer and the employer's failure to perform its contractual obligations, in particular lack of coordination between projects LOT1 and LOT2,
3) withdrawal from the contract due to the employer's failure to issue on time interim payment certificates for completed milestones.

This decision was necessary given the substantial risk and costs of completing the contract in light of the circumstances described above. The decision did not require any additional provisions or impairment losses, as – to the best of the Company's knowledge based on prudent estimates – those recognised as at June 30th 2020 already reflected the risks associated with the decision.

The effect of the Vilnius contract on the Company's profit or loss for the nine months ended September 30th 2020 was negative at PLN 105.3m

(PLN thousand)

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

10.1. Revenue and operating segments

In the nine months ended September 30th 2020, there were no changes in the Company'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 Company's most recent full-year financial statements.

10.1.1. Revenue from sale of goods and services

	9 months ended Sep 30 2020	*12 months ended Dec 31 2019*	*9 months ended Sep 30 2019*
Net revenue from sale of products	83,765	74,061	55,486
including: from related entities	227	350	350
Net revenue from sale of services	574,852	869,174	594,316
including: from related entities	5,592	3,376	2,685
Revenue from sale of other goods	3,086	3,822	2,659
Other income	–	–	–
Exchange differences on trade receivables	9,189	(1,084)	350
Net revenue from sale of goods and services, total	**670,892**	**945,973**	**652,811**
including: from related entities	5,819	3,726	3,035

*For a detailed description of the provision for liquidated damages, affecting the Company's revenue, see Note 16.

In the nine months ended September 30th 2020, the Company generated revenue of PLN 670,892 thousand, i.e. PLN 18,081 thousand more year on year, due mainly to increased involvement in the ongoing projects, mainly the contract to construct the Kędzierzyn Compressor Station for Operator Gazociągów Przemysłowych GAZ-SYSTEM S.A. and the steam-generator project on the Lombok Island in Indonesia.

10.1.2. Revenue from sale of materials

	9 months ended Sep 30 2020	*12 months ended Dec 31 2019*	*9 months ended Sep 30 2019*
Revenue from sale of materials	1,365	1,088	930
including: from related entities	–	–	–
Net revenue from sale of merchandise and materials, total	**1,365**	**1,088**	**930**
including: from related entities	–	–	–

10.1.3. Revenue by geography

	9 months ended Sep 30 2020	*12 months ended Dec 31 2019*	*9 months ended Sep 30 2019*
Revenue from sales to domestic customers	407,009	493,858	326,947
including: from related entities	5,592	3,726	3,036
Revenue from sales to foreign customers	265,248	453,203	326,794
including: from related entities	227	–	–
Net sales revenue, total	**672,257**	**947,061**	**653,741**
including: from related entities	5,819	3,726	3,036

(PLN thousand)

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

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

Trading partner	*% of total sales*	*9 months ended Sep 30 2020*
GÓRNICTWO I ENERGETYKA KONWENCJONALNA S.A.	22.2%	149,429
PT PLN (PERSERO)	18.5%	124,402
Operator Gazociągów Przesyłowych GAZ-SYSTEM S.A.	15.0%	100,492
Other	44.3%	297,934
Total	**100%**	**672,257**

10.1.4. Operating segments

As at September 30th 2020 and September 30th 2019, the Company identified two operating segments, i.e. 'Power and environmental protection facilities' and 'Products for the oil and gas sector'. The Management Board assesses the Company's performance based on its financial statements.

For the nine months ended September 30th 2020 or as at September 30th 2020	*Products for oil and gas sector*	*Power and environmental protection facilities*	*Segments – total*
Revenue			
Sales to external customers	104,638	567,619	672,257
Inter-segment sales	–	–	–
Total segment revenue	104,638	567,619	672,257
Cost of products and materials sold	(116,685)	(655,212)	(771,897)
Total			
Gross profit/(loss)	(12,047)	(87,593)	(99,640)
Other income/(expenses)	(707)	(81,159)	(81,866)
Operating profit/(loss)	(12,754)	(168,752)	(181,506)
Finance income/(costs)	14	(3,391)	(3,377)
Profit/(loss) before tax	(12,740)	(172,143)	(184,883)
Income tax expense	–	(13,258)	(13,258)
Segment's net profit/(loss)	(12,740)	(185,401)	(198,141)
Results			
Depreciation and amortisation	(295)	(8,947)	(9,242)
Share of profit of associates and joint ventures	–	–	–
Assets and liabilities as at Sep 30 2020			
Segment assets	118,004	743,901	861,905
Segment liabilities	64,177	891,831	956,008
Other information			
Investments in associates and joint ventures	–	–	–
Capital expenditure	230	1,229	1,459

For the nine months ended September 30th 2019 or as at September 30th 2019	*Products for oil and gas sector*	*Power and environmental protection facilities*	*Segments – total*

Revenue			
Sales to external customers	83,618	570,123	653,741
Inter-segment sales	–	–	–
Total segment revenue	83,618	570,123	653,741
Cost of products and materials sold	(79,895)	(636,759)	(716,654)
Total			
Gross profit/(loss)	3,723	(66,636)	(62,913)
Other income/(expenses)	(5,692)	(46,212)	(51,904)
Operating profit/(loss)	(1,969)	(112,800)	(114,817)
Finance income/(costs)	8	48	56
Profit/(loss) before tax	(1,961)	(112,800)	(114,761)
Income tax expense	–	(3,894)	(3,894)
Segment's net profit/(loss)	(1,961)	(116,694)	(118,655)
Results			
Depreciation and amortisation	(163)	(9,367)	(9,530)
Share of profit of associates and joint ventures	–	–	–
Assets and liabilities as at Sep 30 2019			
Segment assets	91,605	895,039	986,644
Segment liabilities	43,357	667,412	710,769
Other information			
Investments in associates and joint ventures	–	–	–
Capital expenditure	344	2,096	2,440

The Company analyses revenue by category that reflects how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

The table below presents the Company's revenue by category and its allocation to reportable operating segments:

For the nine months ended September 30th 2020	*Products for oil and gas sector*	*Power and environmental protection facilities*	*Segments – total*
Region			
Poland	104,407	302,602	407,009
European Union	231	108,740	108,971
Other countries	–	156,277	156,277
Total segment revenue	104,638	567,619	672,257
Term of the contract			
Short-term contracts	104,638	323,366	428,004
Long-term contracts	–	244,253	244,253
Total segment revenue	104,638	567,619	672,257

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

Product group name	*9 months ended Sep 30 2020*	*9 months ended Sep 30 2019*
Power generation units and steam generators	206,880	247,067

(PLN thousand)

Revenue under the Jaworzno 910 MW project	2,932	7,832
Air pollution control systems	220,308	149,341
Power equipment, machinery and components, and related services	108,154	150,079
Services and products for oil and gas sector	104,638	83,618
Construction	24,870	–
Other revenue	4,475	15,804
Total	**672,257**	**653,741**

10.2. Selling expenses, operating income and expenses and finance income and costs

In the nine months ended September 30th 2020, cost of sales was PLN 771,897 thousand. As a combined effect of the Company's revenue and cost of sales, gross loss was PLN 99,640 thousand.

In the current reporting period, selling expenses of PLN 10,864 thousand disclosed in the statement of comprehensive income comprised costs of bid preparation and costs of PR and marketing activities.

The largest component of other income for the nine months ended September 30th 2020 was the PLN 13,409 thousand gain on the sale of an organised part of business, the PLN 4,362 thousand income from liquidated damages received and PLN 1,565 thousand income from compensation received.

Other expenses in the nine months ended September 30th 2020 chiefly included impairment losses on assets of PLN 53,181 thousand, including:

- an impairment loss on receivables under a surety granted to a subsidiary of PLN 32,829 thousand (for details see Note 10.11);
- an impairment loss on other receivables, including advance payments of PLN 15,373 thousand;
- impairment losses on property, plant and equipment and intangible assets of PLN 1,569 thousand.

Other expenses also included a PLN 3,343 thousand provision for joint and several liability.

In the nine months ended September 30th 2020, the Company's finance income included mainly foreign exchange gains of PLN 3,055 thousand (nine months ended September 30th 2019: PLN 138 thousand) and interest earned on financial instruments of PLN 166 thousand (nine months ended September 30th 2019: PLN 492 thousand).

Finance costs in the period chiefly included interest on financial instruments of PLN 3,475 thousand (nine months to September 30th 2019: PLN 3,607 thousand), an impairment loss on shares in a subsidiary of PLN 2,425 thousand (for details, see Note 10.10), and a discount on long-term receivables of PLN 471 thousand.

(PLN thousand)

10.3. Income tax

Income tax expense

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

	9 months ended Sep 30 2020	*9 months ended Sep 30 2019*
Statement of profit or loss		
Current tax	–	–
Current income tax expense	–	–
Adjustments to current income tax from previous years	–	–
Deferred tax	(13,258)	(3,894)
Related to recognition and reversal of temporary differences	25,865	(3,894)
Adjustments to deferred tax from previous years	–	–
Impairment loss on deferred tax assets	(39,123)	–
Income tax expense in the statement of profit or loss	**(13,258)**	**(3,894)**

	9 months ended Sep 30 2020	*9 months ended Sep 30 2019*
Deferred tax on other comprehensive income	115	50
Related to recognition and reversal of temporary differences	115	50
Income tax expense disclosed in other comprehensive income	**115**	**50**

Deferred income tax calculated as at Sep 30 2020

As at September 30th 2020, the Company analysed the recoverable amount of the deferred tax asset based on forecasts and budgets prepared for subsequent years and recognised a PLN 24,083 thousand impairment loss on deferred tax assets.

(PLN thousand)

Deferred income tax calculated as at September 30th 2020 relates to:

	Statement of financial position		*Statement of comprehensive income for nine months ended*	
	Sep 30 2020	*Dec 31 2019*	*September 30th 2020*	*September 30th 2019*
- investment reliefs	(1)	(1)	–	1
- difference between tax base and carrying amount of property, plant and equipment and intangible assets	(12,629)	(14,156)	1,526	(391)
- difference between tax base and carrying amount of assets measured at fair value through profit or loss	1,342	953	389	(587)
- difference between tax base and carrying amount of loans and receivables	6,062	4,831	1,231	528
- difference between tax base and carrying amount of gross amount due from customers for contract work and related accruals and deferrals	5,060	(25,228)	30,288	(19,775)
- difference between tax base and carrying amount of inventories	2,417	2,275	142	(43)
- provisions	17,624	18,978	(1,354)	2,372
- difference between tax base and carrying amount of financial liabilities measured at amortised cost	15	27	(12)	10
– difference between tax base and carrying amount of liabilities, provisions, and accruals and deferrals relating to accounting for contracts	52,302	58,353	(6,051)	29,222
- tax loss	–	–	–	(16,178)
- adjustment to costs of unpaid invoices	3,468	3,536	(68)	(263)
- other	545	657	(112)	1,260
Deferred tax expense/benefit disclosed in the statement of profit or loss			25,865	(3,894)
Deferred tax expense/benefit disclosed in other comprehensive income			115	50
Impairment loss on deferred tax	(52,122)	(13,000)	(39,123)	–
			(13,143)	(3,844)
Net deferred tax asset/(liability) including:	**24,083**	**37,226**		
Deferred tax assets	24,083	37,226		
Deferred tax liability	–	–		

10.4. Significant items disclosed in the statement of cash flows

The PLN 17,338 thousand increase in receivables disclosed in the statement of cash flows for the nine months ended September 30th 2020 resulted mainly from:

- PLN (2,713) thousand increase in trade receivables,
- PLN (1,274) thousand increase in receivables from the state budget (including VAT),
- PLN (897) thousand increase in advance payments made,
- PLN 4,800 thousand decrease in security deposits receivable,
- PLN 28,148 thousand decrease in sureties receivable,
- PLN (10,726) thousand increase in other receivables.

For a detailed description of changes in security deposits and disputed receivables in the nine months ended September 30th 2020, see Note 10.15.

The PLN 108,627 thousand increase in liabilities disclosed in the statement of cash flows resulted mainly from:

- PLN 115,806 thousand increase in trade payables,
- PLN (2,559) thousand decrease in taxes and other duties payable,
- PLN 9,309 thousand increase in employee benefit obligations and provisions (net of actuarial gains/(losses)),
- PLN (13,929) thousand increase in other liabilities.

The PLN 121,166 thousand change in gross amounts due to and from customers for contract work disclosed in the statement of cash flows resulted primarily from:

- PLN 19,980 thousand increase in amounts due from customers for contract work,
- PLN 101,186 thousand increase in gross amounts due for contract work,

The PLN (10,467) thousand change in provisions, accruals and deferrals disclosed in the statement of cash flows resulted mainly from:

- PLN 3,858 thousand increase in the provision for warranty repairs,
- PLN (10,036) thousand decrease in the provision for expected contract losses,
- PLN 16,923 thousand change in accruals and deferrals,
- PLN (278) thousand change in other provisions.

The cash flows of PLN 639 thousand relating to purchase of property, plant and equipment and intangible assets included PLN 334 thousand incurred to purchase property, plant and equipment, and PLN 305 thousand incurred to purchase intangible assets.

Cash flows from financing activities were mainly affected by a PLN 75,690 thousand decrease in debt outstanding under the overdraft facility and working capital facility advanced by PKO BP S.A.

(PLN thousand)

10.5. Goodwill and intangible assets

Sep 30 2020	*Goodwill*	*Patents and licences*	*Intangible assets under development*	*Total*
Net carrying amount as at January 1st 2020	**1,774**	**6,323**	**196**	**8,293**
Acquisitions	–	–	87	87
Transfers from intangible assets under development	–	87	(87)	–
Liquidation/sale	–	(181)	(196)	(377)
Amortisation for the year	–	(907)	–	(907)
Recognition/reversal of impairment loss	(376)	–	–	(376)
As at Sep 30 2020	**1,398**	**5,322**	–	**6,720**

*Intangible assets pledged as security for the Company's liabilities as at the reporting date are presented in Note 10.18.2.

Dec 31 2019	*Goodwill*	*Patents and licences*	*Intangible assets under development*	*Total*
Net carrying amount as at January 1st 2019	**1,774**	**7,565**	**29**	**9,368**
Acquisitions	–	–	304	304
Transfers from intangible assets under development	–	137	(137)	–
Amortisation for the year	–	(1,379)	–	(1,379)
As at December 31st 2019	**1,774**	**6,323**	**196**	**8,293**

Sep 30 2019	*Goodwill*	*Patents and licences*	*Intangible assets under development*	*Total*
Net carrying amount as at January 1st 2019	**1,774**	**7,565**	**29**	**9,368**
Acquisitions	–	–	108	108
Transfers from intangible assets under development	–	137	(137)	–
Amortisation for the year	–	(1,033)	–	(1,033)
As at September 30th 2019	**1,774**	**6,669**	–	**8,443**

(PLN thousand)

10.6. Property, plant and equipment

For the nine months ended September 30th 2020	*Land*	*Buildings and structures*	*Plant and equipment*	*Vehicles*	*Property, plant and equipment under construction*	*Total*
Net carrying amount as at January 1st 2020	**9,184**	**74,160**	**36,682**	**2,355**	**–**	**122,381**
Acquisitions	–	–	–	–	52	52
Liquidation/sale	(9)	(118)	(163)	(112)	–	(402)
Transfers from property, plant and equipment under construction	–	–	46	–	(46)	–
Depreciation for period	–	(2,008)	(3,130)	(210)	–	(5,348)
Impairment of property, plant and equipment in period	(187)	(918)	(5)	–	–	(1,110)
Other, including reclassification to/from other asset category	–	–	1	181	–	182
Net carrying amount as at September 30th 2020	**8,988**	**71,116**	**33,431**	**2,214**	**6**	**115,755**

* Property, plant and equipment pledged as security for the Company's liabilities as at the reporting date are presented in Note 10.18.1.

For the 12 months ended December 31st 2019	*Land*	*Buildings and structures*	*Plant and equipment*	*Vehicles*	*Property, plant and equipment under construction*	*Total*
Net carrying amount as at January 1st 2019	**9,184**	**76,752**	**41,703**	**5,175**	**–**	**132,814**
Adjustment to opening balance following implementation of IFRS 16	–	–	(476)	(4,156)	–	(4,632)
Net carrying amount as at January 1st 2019	**9,184**	**76,752**	**41,227**	**1,019**	**–**	**128,182**
Acquisitions	–	–	–	–	342	342
Lease agreements	–	–	–	–	–	–
Liquidation/sale	–	–	(129)	(95)	–	(224)
Transfers from property, plant and equipment under construction	–	98	244	–	(342)	–
Exchange differences on translating foreign operations	–	–	–	–	–	–
Depreciation for period	–	(2,690)	(4,747)	(290)	–	(7,727)
Impairment of property, plant and equipment in period	–	–	33	96	–	129
Other, including reclassification to/from other asset category	–	–	54	1,625	–	1,679

Net carrying amount as at December 31st 2019	**9,184**	**74,160**	**36,682**	**2,355**	**–**	**122,381**

(PLN thousand)

For the nine months ended September 30th 2020	*Land*	*Buildings*	*Plant and equipment*	*Vehicles*	*Property, plant and equipment under construction*	*Total*
Net carrying amount as at January 1st 2019	**9,184**	**76,752**	**41,703**	**5,175**	**–**	**132,814**
Adjustment to opening balance following implementation of IFRS 16	–	–	(476)	(4,156)	–	(4,632)
Net carrying amount as at January 1st 2019	**9,184**	**76,752**	**41,227**	**1,019**	**–**	**128,182**
Acquisitions	–	–	–	–	303	303
Liquidation/sale	–	–	(125)	(84)	–	(209)
Transfers from property, plant and equipment under construction	–	96	203	–	(299)	–
Depreciation for period	–	(2,017)	(3,606)	(257)	–	(5,880)
Impairment loss for period	–	–	66	96	–	162
Other, including reclassification to/from other asset category	–	–	78	1,292	–	1,370
Net carrying amount as at September 30th 2019	**9,184**	**74,831**	**37,843**	**2,066**	**4**	**123,928**

(PLN thousand)

10.7. Purchase and sale of property, plant and equipment and intangible assets

	9 months ended Sep 30 2020	*9 months ended Sep 30 2019*
Purchase of property, plant and equipment and intangible assets*	1,501	2,248
Proceeds from sale of property, plant and equipment	215	204

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

The Company's capital expenditure on property, plant and equipment involved chiefly expenditure on purchases and upgrades of production plant and equipment and computer hardware as well as purchases of vehicles. The expenditure was financed with internally generated funds and finance leases.

10.8. Right-of-use assets

The carrying amount of leased assets is recognised in the statement of financial position under 'Right-of-use assets' and is presented as follows:

Class of underlying assets	*Carrying amount of right-of-use assets Sep 30 2020*	*Depreciation of right-of-use assets (cumulative) Sep 30 2020*	*Depreciation in the reporting period Jan 1–Sep 30 2020*
Land	50	204	89
Buildings and structures	338	1,550	816
Plant and equipment	3,632	3,727	1,597
Vehicles	2,292	1,009	452
Intangible assets	97	17	11
Total	**6,409**	**6,507**	**2,965**

Class of underlying assets	*Carrying amount of right-of-use assets Dec 31 2019*	*Depreciation of right-of-use assets (cumulative) Dec 31 2019*	*Depreciation in the reporting period Jan 1–Dec 31 2019*
Land	134	115	115
Buildings and structures	713	800	828
Plant and equipment	4,343	2,131	1,870
Vehicles	3,226	1,087	737
Intangible assets	108	6	6
Total	**8,524**	**4,139**	**3,556**

In 2020, the most significant lease contract was the 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 Company will have the right to purchase the leased asset. The Company is required to insure the lease asset and maintain it in the working condition described in the contract.

(PLN thousand)

The Company's leasing activities are summarised 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	0.5	0.5	0.5	1	–	–	1
Buildings and structures	15	0.1	1.2	0.4	14	–	–	13
Plant and equipment	7	0.1	4.1	1.2	2	3	–	5
Vehicles	37	0.1	2.8	1.9	–	37	–	37
Intangible assets	1	4.1	4.1	4.1	1	–	–	1

In 2020, the Company changed its estimates of the duration of active lease contracts for the lease of residential units. The Company 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 905 thousand.

The economic useful lives of those assets are consistent with the lease terms, ranging from 12 months to 60 years. The Company depreciates leased assets with the straight-line method.

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

	Sep 30 2020		*Dec 31 2019*	
	Minimum payments	*Present value*	*Minimum payments*	*Present value*
up to 1 year	3,904	3,877	4,167	4,037
from 1 to 5 years	1,216	1,092	1,893	1,704
Total minimum lease payments	**5,120**	**4,969**	**6,060**	**5,741**
Less finance costs	(151)	–	(319)	–
Present value of minimum lease payments, including:	**4,969**	**4,969**	**5,741**	**5,741**
short-term	3,877	3,877	4,037	4,037
long-term	1,092	1,092	1,704	1,704

The Company 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 nine months ended September 30th 2020, the related costs were as follows:

	Sep 30 2020
Short-term leases	3,344
Leases of low-value assets	–
Total	3,344

(PLN thousand)

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

10.9. Other long-term receivables

	Sep 30 2020	*Dec 31 2019*
Financial receivables		
Security deposits/retentions	185	380
Other long-term receivables	70,307	42,336
Other long-term financial receivables (net)	**70,492**	**42,716**
Total other long-term receivables (net)	**70,492**	**42,716**

10.10. Shares in subsidiaries and other entities

	Sep 30 2020	*Dec 31 2019*
Shares in listed subsidiaries	–	–
Shares in non-listed subsidiaries	27,384	29,814
Shares in other listed companies	–	120
Shares in other non-listed companies	1,376	1,376
	28,760	**31,310**

* Shares pledged as security for the Company's liabilities as at the reporting date are presented in Note 10.18.3.

In the nine months ended September 30th 2020, the Company recognised an impairment loss of PLN 2,425 thousand on shares in ENERGOTECHNIKA Engineering Sp. z o.o. The the impairment loss was recognised following a decrease in the fair value of the subsidiary's net assets.

10.11. Other non-current financial assets

	Sep 30 2020	*Dec 31 2019*
Receivables under sureties provided to related entities	–	28,148
	–	**28,148**

In the nine months ended September 30th 2020, the Company recognised an impairment loss of PLN 32,829 thousand on receivables under a surety provided to E003B7 Sp. z o.o.

10.12. Inventories

	Sep 30 2020	*Dec 31 2019*
Materials (at net realisable value)	35,475	27,205
At cost	48,196	39,179
At net realisable value	35,475	27,205
Total inventories, at the lower of cost and net realisable value	**35,475**	**27,205**

*Inventories pledged as security for the Company's liabilities as at the reporting date are presented in Note 10.18.4.

(PLN thousand)

10.13. Other current financial assets

	Sep 30 2020	*Dec 31 2019*
Other current financial assets, including:	–	–
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 the bonds, see Note 10.13.1.

10.13.1 Bonds

As at September 30th 2020, RAFAKO S.A. w restrukturyzacji recognised impairment losses on all bonds held by the Company.

For a detailed description of the bonds, see Note 27.2. to the Company's full-year financial statements for 2019.

10.14. Cash and cash equivalents

	Sep 30 2020	*Dec 31 2019*	*Sep 30 2019*
Cash at bank and in hand	24,947	21,089	27,309
Short-term deposits for up to 3 months, including:	81	2,828	37
- deposits pledged as security for contingent liabilities	–	–	–
	25,028	**23,917**	**27,346**

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 Company's immediate cash requirement, and earn interest at rates agreed with the bank.

The Company holds restricted cash, including cash from grants (held in separate bank accounts), which may be used to pay amounts due under running projects. As at September 30th 2020, the amount was PLN 7,698 thousand. Furthermore, as at September 30th 2020, the Company had restricted cash of PLN 3.5m in an assigned account.

In addition, a hold may be put on cash in bank accounts secured by assignment of receivables under the contract if the Company’s financial condition deteriorates.

(PLN thousand)

10.15. Short-term trade and other receivables

	Sep 30 2020	Dec 31 2019
Financial receivables		
Trade receivables	190,034	207,730
Impairment loss on trade receivables (-)	(13,241)	(5,679)
Net trade receivables	**176,793**	**202,051**
Receivables on sale of property, plant and equipment and intangible assets	–	–
Security deposits	62,131	66,736
Receivables under court proceedings*	50,350	31,896
Other financial receivables	7,639	10,489
Impairment loss on financial receivables (-)	(30,889)	(33,648)
Total financial receivables, net	**266,024**	**277,524**
Non-financial receivables		
Receivables under prepayments and advance payments	104,292	103,395
Receivables from the state budget	12,332	11,058
Other non-financial receivables	27,794	11,280
Impairment loss on non-financial receivables (-)	(63,581)	(39,430)
Total non-financial receivables, net	**80,837**	**86,303**
Total short-term receivables, net	**346,861**	**363,827**

*The Company recognised an impairment loss on the receivables in an amount corresponding to the estimated risk of their non-recoverability. For a detailed description of disputed receivables, see Note 21 to these interim condensed 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 Company's policy is to sell its products exclusively to customers who have successfully passed a credit verification procedure. As a result, the Management believes there is no additional material credit risk that would exceed the uncollectible debt allowance made for trade receivables.

Short-term trade receivables of PLN 176,793 thousand recognised in the statement of financial position as at September 30th 2020 relate to trading contracts with domestic and foreign contractors.

Security deposits of PLN 62,131 thousand disclosed in the statement of financial position relate mainly to projects implemented in the following areas:

- construction of a coal-fired steam unit – PLN 18,329 thousand;
- construction of a coke gas-fired power generation unit − PLN 7,128 thousand;
- manufacture of an evaporator – PLN 6,128 thousand;
- manufacture of high-pressure sections of a boiler for an incineration plant – PLN 6,079 thousand;
- construction of a compressor station – PLN 3,122 thousand.

The change in the amount of security deposits in the nine months ended September 30th 2020 was primarily attributable to the refund of a PLN 3,509 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.

(PLN thousand)

A significant item of other receivables were advance payments, which as at September 30th 2020 amounted to PLN 104,292 thousand and included:

- advance payment of PLN 44,740 thousand towards a contract to construct fuel storage tanks;
- advance payment of PLN 14,173 thousand under a contract to construct a biomass boiler island;
- advance payment of PLN 12,014 thousand under a contract to construct a power generation unit;
- advance payment of PLN 11,159 thousand under a contract to construct a gas pipeline;
- advance payment of PLN 6,493 thousand under a contract to construct an LNG storage tank.

10.16. Short-term accrued expenses and deferred income

	Sep 30 2020	*Dec 31 2019*
Accrued expenses and deferred income		
Costs of bank and insurance guarantees	4,125	4,778
Costs of obtaining contracts with customers	–	–
Expenditure on development work – eBus	–	13,436
Other costs	1,909	2,377
Accrued expenses and deferred income	**6,034**	**20,591**

In 2017, RAFAKO S.A. commenced the construction of a prototype of the first Polish zero-emission electric bus with a battery under the chassis.

On September 28th 2020, RAFAKO S.A. w restrukturyzacji signed an agreement to sell an organised part of business operating as the Company's branch under the name of RAFAKO S.A. Oddział w Solcu Kujawskim, for an amount of PLN 30,985,000.00; the agreement was executed by and between RAFAKO EBUS Sp. z o.o. of Racibórz and RAFAKO S.A. w restrukturyzacji, with the participation of Agencja Rozwoju Przemysłu S.A. of Warsaw. As part of the transaction, development expense on the eBus prototype was sold.

(PLN thousand)

10.17. Impairment of assets

	Property, plant, equipment and intangible assets	*Shares**	*Other financial assets****	*Other non-financial assets****	*Inventories***	*Contract assets*	*Receivables****
Jan 1 2020	**(104)**	**(10,336)**	**(10,400)**	**(5,676)**	**(11,974)**	**(1,211)**	**(78,757)**
Recognised	(1,569)	(2,465)	(32,829)	–	(2,412)	(231)	(33,880)
Used	3	410	–	–	1,187	–	4,217
Reversed	80	–	–	–	477	294	709
Sep 30 2020	**(1,590)**	**(12,391)**	**(43,229)**	**(5,676)**	**(12,722)**	**(1,148)**	**(107,711)**
Jan 1 2019	**(233)**	**(4,973)**	**(10,400)**	**(5,676)**	**(10,287)**	**(1,848)**	**(46,020)**
Recognised	(2)	(49)	–	–	–	(998)	(3,551)
Used	–	–	–	–	295	–	13,290
Reversed	163	–	–	–	115	–	1,722
Sep 30 2019	**(72)**	**(5,022)**	**(10,400)**	**(5,676)**	**(9,877)**	**(2,846)**	**(34,559)**

* Impairment losses on shares are allowances recognised for shares in companies declared bankrupt as well as allowances arising from remeasurement of shares.
** Inventory write-downs and write-down reversals are charged to cost of products and services sold.
*** Impairment losses on long- and short-term trade and other receivables, including liquidated damages, disputed receivables and security deposits.
**** The Management Board of the Company 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.

In the nine months ended September 30th 2020, the Company recognised a PLN 32,829 thousand impairment loss on receivables under the surety granted to E003B7 Sp. z o.o., as described in more detail in Note 10.11.

With respect to trade receivables for which lifetime expected losses are estimated, the Company is not exposed to credit risk in relation to a single major trade partner. 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 data on days past due and an analysis of days past due and actual payments over the last five years.

(PLN thousand)

As at September 30th 2020 and the comparative date, the gross amounts of individual groups and impairment losses were as follows:

	Contract assets	Trade receivables: Current	0–30 days	31–90 days	91–180 days	181–365 days	365 days or more	Total
Sep 30 2020								
Location: Poland								
Impairment loss rate	0.54%	0.54%	0.54%	22.23%	44.03%	64.48%	93.30%	–
Gross carrying amount	194,719	78,749	39,086	16,017	4,056	35	4,003	336,665
Impairment loss	(1,148)	(428)	(212)	(3,561)	(1,786)	(23)	(3,836)	(10,994)
Location: outside Poland								
Impairment loss rate	–	0.54%	0.54%	22.23%	44.03%	64.48%	93.30%	–
Gross carrying amount	–	93,724	825	1,471	–	13	1,097	97,130
Impairment loss	–	(891)	(4)	(1,468)	–	(9)	(1,023)	(3,395)
Total impairment losses	**(1,148)**	**(1,319)**	**(216)**	**(5,029)**	**(1,786)**	**(32)**	**(4,859)**	**(14,389)**

	Contract assets	Trade receivables: Current	0–30 days	31–90 days	91–180 days	181–365 days	365 days or more	Total
Dec 31 2019								
Location: Poland								
Impairment loss rate	0.54%	0.54%	0.54%	22.23%	44.03%	64.48%	93.30%	–
Gross carrying amount	214,763	122,381	2,813	26	3,487	62	1,972	345,504
Impairment loss	(1,211)	(671)	(15)	(6)	(1,536)	(40)	(1,913)	(5,392)
Location: outside Poland								
Impairment loss 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	**(1,211)**	**(1,280)**	**(45)**	**(107)**	**(1,744)**	**(357)**	**(2,146)**	**(6,890)**

As at September 30th 2020, an impairment loss of PLN 30,889 thousand was recognised on other short-term financial receivables with a gross carrying amount of PLN 117,644 thousand (December 31st 2019: PLN 109,121 thousand; impairment loss on other receivables: PLN 33,648 thousand).

(PLN thousand)

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

10.18.1. Property, plant and equipment pledged as security

As at September 30th 2020, property, plant and equipment pledged as security for liabilities amounted to PLN 117,146 thousand. The assets were pledged as security for liabilities under the multi-purpose credit facility agreement with PKO BP S.A. (mortgage of up to PLN 300m over 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).

	Sep 30 2020	*Dec 31 2019*
Mortgaged property, plant and equipment, including:	80,665	83,094
land	9,162	9,162
buildings and structures	71,503	73,932
Property, plant and equipment encumbered with registered pledge, including:	36,481	39,282
plant and equipment	34,008	36,880
vehicles	2,473	2,402
	117,146*	**122,376***

*The disclosed amounts include PLN 382 thousand of property, plant and equipment classified as held for sale (December 31st 2019: PLN 103 thousand).

10.18.2. Intangible items pledged as security

As at September 30th 2020, intangible assets worth PLN 6,720 thousand were pledged as security for the Company's liabilities (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).

10.18.3. Shares pledged as security

As at September 30th 2020, PLN 28,760 thousand (December 31st 2019: PLN 31,310 thousand) worth of equity interests in subsidiaries and other entities 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 Project (a second-ranking registered pledge over a set of movables and rights, a registered and financial pledge over the shares held in E003B7 Sp. z o.o.).

10.18.4. Inventories pledged as security

As at September 30th 2020, inventories worth PLN 35,475 thousand were pledged as security for the Company's liabilities (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, a financial pledge and a registered pledge over shares in E003B7 Sp. z o.o).

10.18.5. Trade receivables pledged as security

As at September 30th 2020, trade receivables of PLN 65,582 thousand were pledged as security for guarantees and borrowings received by the Group (December 31st 2019: PLN 21,499 thousand).

10.19. Share capital

In the nine months ended September 30th 2020, RAFAKO S.A.'s share capital remained unchanged and as at September 30th 2020 amounted to PLN 254,864 thousand.

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

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

10.20. Par value per share

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

10.21. Shareholders' rights

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

10.22. Share premium

In the nine months ended September 30th 2020, there were no changes in the share premium, and as at September 30th 2020 the share premium was PLN 165,119 thousand.

10.23. Earnings /(loss) per share

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

(PLN thousand)

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

	9 months ended Sep 30 2020	*9 months ended Sep 30 2019*
Net profit/(loss) from continuing operations	(198,141)	(118,655)
Profit/(loss) from discontinued operations	–	–
Net profit/(loss)	(198,141)	(118,655)
Net profit/(loss) attributable to holders of ordinary shares, applied to calculate earnings/(loss) per share	**(198,141)**	**(118,655)**
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		
– basic/diluted earnings/(loss) for period	(1.55)	(0.93)

10.24. Other non-current liabilities

	Sep 30 2020	*Dec 31 2019*
Financial liabilities		
Other non-current liabilities	11,755	18,556
	11,755	**18,556**

10.25. Long-term employee benefit obligations and provisions

	Sep 30 2020	*Dec 31 2019*
Unpaid bonus accrual	–	5
Provision for retirement gratuity	9,199	8,570
Provision for long-service benefits	12,912	13,944
Provision for other employee benefits	6,984	6,815
	29,095	**29,334**

(PLN thousand)

10.26. Post-employment and other benefits

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

	Sep 30 2020	*Dec 31 2019*
As at January 1st	31,794	26,097
Interest expense	452	730
Current service costs	493	654
Actuarial (gains)/losses	606	6,877
Benefits paid	(2,086)	(2,564)
Closing balance	**31,259**	**31,794**
Long-term provisions	29,095	29,329
Short-term provisions	2,164	2,465

The main assumptions adopted by the actuary as at September 30th 2020 and for the nine months ended September 30th 2019, as well as for the 12 months ended December 31st 2019 to determine the amount of the obligation were as follows:

	Sep 30 2020	*Dec 31 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

10.27. Other long-term provisions

	Sep 30 2020	*Dec 31 2019*
Provision for warranty repairs	26,224	18,430
	26,224	**18,430**

10.28. Short-term trade and other payables

	Sep 30 2020	*Dec 31 2019*
Financial liabilities		
Trade payables	455,247	332,640
Amounts payable for tangible and intangible assets	–	163
Retentions (security deposits)	108	87
Total financial liabilities	**455,355**	**332,890**

(PLN thousand)

	Sep 30 2020	*Dec 31 2019*
Non-financial liabilities		
Taxes and other duties payable	2,966	5,525
Amounts payable under sureties/joint and several liability	7,966	15,386
Liabilities due to delayed payment of costs	7,532	13,582
Other non-financial liabilities	2,840	2,713
Total non-financial liabilities	**21,304**	**37,206**
	476,659	**370,096**

10.29. Short-term employee benefit obligations and provisions

	Sep 30 2020	*Dec 31 2019*
Social security	16,462	6,682
Salaries and wages payable	6,896	6,555
Obligations under Employee Capital Plans	190	225
Accrued holiday entitlements	2,764	2,769
Unpaid bonus accrual	301	532
Provision for retirement gratuity	201	432
Provision for long-service benefits	1,694	1,772
Provision for other employee benefits	268	261
	28,776	**19,228**

10.30. Other short-term provisions

	Sep 30 2020	*Dec 31 2019*
Provision for warranty repairs	2,619	6,555
Provision for expected contract losses	28,961	38,997
Other provisions	10	288
	31,590	**45,840**

11. 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 financial statements for 2019.

12. Financial instruments

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

The value of financial assets presented in the statement of financial position as at September 30th 2020 and December 31st 2019 relates to the following categories of financial instruments defined in IFRS 9:

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

(PLN thousand)

Classes and categories of financial assets	*Carrying amount Sep 30 2020*	*Carrying amount Dec 31 2019*
Assets at fair value through profit or loss	–	**120**
Long-term shareholdings	–	120
Assets at fair value through other comprehensive income	**1,376**	**1,376**
Long-term shareholdings	1,376	1,376
Assets at amortised cost	**361,544**	**372,306**
Bonds	–	–
Trade receivables	247,100	244,387
Other financial receivables*	89,416	75,853
Other financial assets	–	28,149
Cash and cash equivalents	25,028	23,917
	362,920	**373,802**

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

The value of financial liabilities presented in the statement of financial position as at September 30th 2020 and December 31st 2019 relates to the following categories of financial instruments defined in IFRS 9:

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

Classes and categories of financial liabilities	*Carrying amount Sep 30 2020*	*Carrying amount Dec 31 2019*
Financial liabilities at fair value through profit or loss	–	–
Derivative instruments	–	–
Financial liabilities at amortised cost	**503,864**	**463,467**
Borrowings	36,754	112,021
Trade payables (including capital commitments)	467,002	351,359
Other financial liabilities	108	87
Liabilities under guarantees, factoring and excluded from the scope of IFRS 9	**4,969**	**5,741**
Liabilities under leases and rental contracts with purchase option	4,969	5,741
	508,833	**469,208**

(PLN thousand)

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

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities,
- 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.

Sep 30 2020	*Level 1*	*Level 2*	*Level 3*
Assets at fair value through profit or loss	–	–	–
Long-term shareholdings	–	–	–
Assets at fair value through other comprehensive income	**1,376**	–	–
Long-term shareholdings	1,376	–	–

Dec 31 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 material transfers between Level 1 and Level 2 of the fair value hierarchy.

13. Derivative instruments

As at September 30th 2020 and December 31st 2019, the Company did not carry any open currency forward contracts or other derivative instruments.

The Company does not apply hedge accounting, but the transactions it concludes are not speculative and their purpose is to effectively hedge purchase/sale contracts denominated in foreign currencies.

(PLN thousand)

14. Borrowings

Short-term borrowings	*Security*	*Other*	*Currency*	*Effective interest rate*	*Maturity*	*Liabilities under borrowings*	
						Sep 30 2020	*Dec 31 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 50m***	PLN	1M WIBOR + margin	Jan 10 2021****	18,948	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 7m***	PLN/ EUR	1M WIBOR or 1M EURIBOR + margin	Jan 10 2021****	3,587	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	Jan 10 2021****	8,308	8,303
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	Jan 10 2021****	5,911	–
						36,754	**112,021**

*The facility is secured by receivables under contracts executed by the Company.
**As at the date of these interim condensed financial statements, the Company had established mortgages on its properties (other than flats and residential buildings) for a total amount of up to PLN 300m, serving as additional security for the PKO BP credit facility.
***As at the date of issue of these interim condensed financial statements, in accordance with the annex of November 10th 2020 to the multi-purpose credit facility agreement, the facility limit was set at PLN 119.9m, including an overdraft facility of up to 50 million.
***As at the date of issue of these interim condensed financial statements, in accordance with the annex of November 10th 2020 to the multi-purpose credit facility agreement, the term of the facility and its repayment date were extended until January 10th 2021.

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

(PLN thousand)

15. Capital management

The Company's standing should be analysed taking into account the information presented in Note 2.

	Sep 30 2020	*Dec 31 2019*
Debt to equity		
Equity	(94,103)	104,529
Borrowed funds (bank and non-bank borrowings)	36,754	112,021
Total equity and liabilities	861,905	932,588
Capitalisation ratio (equity / total assets)	**(0.11)**	**0.11**
Total financing sources		
Equity	(94,103)	104,529
Borrowed funds (bank and non-bank borrowings)	36,754	112,021
Finance leases	4,969	5,741
Capital-to-total financing sources ratio	**(2.26)**	**0.89**
EBITDA		
Operating profit/(loss)	(181,506)	(250,395)
Depreciation and amortisation	9,242	12,659
EBITDA	**(172,264)**	**(237,736)**
Debt		
Borrowings and other debt instruments	36,754	112,021
Finance leases	4,969	5,741
Debt to EBITDA	**(0.24)**	**(0.50)**

(PLN thousand)

16. Change in provisions, liabilities and accruals and deferrals disclosed in the statement of financial position

	*Provision for expected losses on contracts**	*Provision for long-service benefits, retirement gratuity payments 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*
Jan 1 2020	**38,997**	**31,794**	**2,769**	**24,985**	**537**	**7,347**	**–**	**8,040**	**139**
Recognised	47,381	1,550	–	11,222	35	–	–	306	196
Reversed	(57,417)	–	(5)	(905)	(271)	–	–	(7,727)	–
Used	–	(2,086)	–	(6,459)	–	–	–	–	(221)
Sep 30 2020	**28,961**	**31,258**	**2,764**	**28,843**	**301**	**7,347**	**–**	**619**	**114**
Jan 1 2019	**4,077**	**26,096**	**2,928**	**22,951**	**747**	**1,549**	**145**	**1,531**	**139**
adjustment to opening balance	–	–	–	–	–	–	–	–	–
Jan 1 2019	**4,077**	**26,096**	**2,928**	**22,951**	**747**	**1,549**	**145**	**1,531**	**139**
Recognised	22,931	1,210	285	9,174	33	1,418	–	–	177
Reversed	–	–	–	(1,955)	(116)	(71)	(4)	(48)	–
Used	(12,699)	(1,784)	–	(5,449)	(130)	–	(141)	–	(172)
Sep 30 2019	**14,309**	**25,522**	**3,213**	**24,721**	**534**	**2,896**	**–**	**1,483**	**144**

*Amounts resulting from accounting for the service contracts described in Note 9.

(PLN thousand)

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

In the nine months ended September 30th 2020, the Company did not issue, redeem or repay any debt or equity securities.

18. Dividends paid or declared

In the nine months ended September 30th 2020, the Company did not pay any dividends.

19. Capital commitments

As at September 30th 2020, the Company did not recognise any commitments related to purchase of property, plant and equipment.

As at September 30th 2020, the Company was not a party to any contracts or agreements which would commit the Company to incur capital expenditure but were not disclosed in the accounting records as at the reporting date.

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

	Sep 30 2020	*Dec 31 2019*
Receivables under bank guarantees obtained mainly as security for performance of contracts, including:	235,858	228,666
- from related entities	–	–
Receivables under sureties received, including:	–	–
- from related entities	–	–
Promissory notes received as security, including:	33,451	62,630
- from related entities	12,880	51,925
Letters of credit	–	5,643
	269,309	**296,939**

	Sep 30 2020	*Dec 31 2019*
Liabilities under bank guarantees issued mainly as security for contract performance, including:	466,062	510,939
- to related entities	–	–
Liabilities under sureties, including:	1,183,441	1,175,587
- to related entities	1,183,441	1,175,587
Promissory notes issued as security, including:	109,886	107,900
- to related entities	–	–
	1,759,389	**1,794,426**

In the nine months ended September 30th 2020, there was a PLN 35,037 thousand decrease in the amount of the Company's contingent liabilities, which resulted from a decrease in the level of guarantees granted. In the reporting period, at the request of RAFAKO S.A. w restrukturyzacji, 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 8,153 thousand. The largest item of contingent liabilities was an advance payment guarantee of EUR 1,354 thousand issued in June 2020. As at the end of September 2020, liabilities under sureties in issue were PLN 1,183,441 thousand. In this category of liabilities, the largest item was the sureties covering E003B7 Sp. z o.o.'s liabilities, issued by RAFAKO S.A. w restrukturyzacji 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 nine months ended September 30th 2020 was a EUR 8,139 thousand performance bond.

In the nine months ended September 30th 2020, the Company's contingent receivables (mainly under performance bonds and advance payment guarantees) fell by PLN 27,630 thousand, which included an increase of PLN 7,192 thousand in receivables under bank and insurance guarantees, a decrease of PLN 29,179 thousand in receivables under promissory notes and a decrease of PLN 5,643 thousand in letters of credit. The largest item of guarantees received in the nine months ended September 30th 2020 was a PLN 1,397 thousand performance bond. The largest guarantee which expired in the nine months ended September 30th 2020 was a EUR 974 thousand performance bond.

21. Litigation and disputes

As at the date of these interim condensed financial statements, the Company was involved in litigation both as a defendant and a plaintiff.

For a detailed description of key court cases, see the Company's 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 42.1 and 42.4 to the full-year financial statements are considered closed.

In the arbitration dispute against Wärtsilä Finland Oy described in Note 42.3, a settlement was reached whereby the parties waived their mutual claims and agreed to cover their own costs connected with the proceedings. The settlement agreement has a neutral effect on the Company’s financial performance.

The dispute with Stal-Systems S.A., described in Note 42.6 to the full-year financial statements for 2019, is pending and is expected to be resolved within the next few months; the Company anticipates a favourable judgment.

With respect to the case described in Note 42.7, on October 28th 2020 the Company received a court order for payment of PLN 1,917,750. The order is not final.

On July 10th 2020, RAFAKO S.A. w restrukturyzacji submitted a request to initiate arbitration proceedings against UAB VILNIAUS KOGENERACINĖ JĖGAINĖ (VKJ) as the employer under the Vilnius project, which will be held at the Arbitration Institute of the Stockholm Chamber of Commerce in Stockholm. The main claims submitted by the Company in these proceedings are: i) extension of the project execution period until April 1st 2021, and ii) payment of additional remuneration for additional project costs. VKJ submitted a preliminary response to RAFAKO's request. In addition, both parties sent each other notices of withdrawal from the contract, which will extend the scope of the dispute and the schedule of the arbitration procedure.

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

22. Management Board and Supervisory Board

In the nine months ended September 30th 2020 and as at the date of these interim condensed financial statements, there were changes in the composition of the Company’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,
- delegated Michał Sikorski to temporarily serve as Member of the Management Board for a period of three months, and
- appointed Mr Radosław Domagalski-Łabędzki to the Management Board as its Vice President.

(PLN thousand)

On August 12th 2020, following the expiry of the term of office and mandates of the existing Management Board members as of August 12th 2020, the Supervisory Board of the Company:

- set the number of members of the RAFAKO Management Board at two;
- appointed the following persons to the Management Board for the joint three-year term of office starting on August 12th 2020:
  - Mariusz Zawisza, President of the Management Board,
  - Radosław Domagalski-Łabędzki, Vice President of the Management Board.

On September 8th 2020, the Supervisory Board passed the following resolutions to fill vacant positions on the Management Board, with effect from September 10th 2020:

- The Supervisory Board set the number of Management Board Members at four.
- The Supervisory Board appointed Mr Jarosław Pietrzyk to the Management Board as its Vice President, Chief Operating Officer.
- The Supervisory Board appointed Ms Ewa Porzucek to the Management Board as its Vice President, Chief Financial Officer.

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

Mariusz Zawisza	– President of the Management Board
Radosław Domagalski-Łabędzki	– Vice President of the Management Board
Jarosław Pietrzyk	– Vice President of the Management Board, Operations
Ewa Porzucek	– Vice President of the Management Board, Finance.

In the nine months ended September 30th 2020 and by the date of these interim condensed financial statements, there were no changes in the composition of the Company'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 financial statements, the composition of the Supervisory Board was as follows:

Piotr Zimmerman	– Chairman of the Supervisory Board,
Michał Sikorski	– Deputy Chairman of the Supervisory Board,
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.

(PLN thousand)

23. Transactions with members of the Management Board and the Supervisory Board

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

In the reporting and comparative periods, the Company did not enter into any transactions with members of its Management or Supervisory Boards, other than the transactions described in Note 24.24

24. 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 Board. Other main related parties are PBG S.A., PBG oil and gas Sp. z o.o., RAFAKO Engineering Sp. z o.o., Energotechnika Engineering Sp. z o.o., and E003B7 Sp. z o.o.

Outstanding balances of receivables and liabilities are usually settled in cash. For information on contingent liabilities associated with related parties, see Note 20.

In the nine months ended September 30th 2020 and September 30th 2019, the Company did not enter into any material transactions with related parties on non-arm’s length terms. All transactions with related parties are executed on terms applied by the Company in its business relations with non-related parties. Consideration is generally determined by way of a tender and standard payment terms are applied. A related party must ensure that a contract is performed in accordance with the relevant documentation, give a warranty for a specified period, and provide security in the form of a performance bond. 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 financial statements:

	Operating income	
	Jan 1– Sep 30 2020	*Jan 1– Sep 30 2019*
Sales to:		
Entities related through equity links:	5,838	3,062
Entities related through personal links:	17	37
TOTAL	**5,855**	**3,099**

	Receivables	
	Sep 30 2020	*Dec 31 2019*
Sales to:		
Entities related through equity links:	48,676	65,792
Entities related through personal links:	–	5
TOTAL	**48,676**	**65,797**

** Including bonds from PBG S.A. described in Note* 10.11 and receivables under advance payments.

(PLN thousand)

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

	Purchases (costs, assets)	
	Jan 1– Sep 30 2020	*Jan 1– Sep 30 2019*
Purchases from:		
Entities related through equity links:	11,400	73,494
Entities related through personal links:	2,613	1,085
TOTAL	**14,013**	**74,579**

	Liabilities	
	Sep 30 2020	*Dec 31 2019*
Purchases from:		
Entities related through equity links:	7,576	15,802
Entities related through personal links:	514	718
TOTAL	**8,090**	**16,520**

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

The Company has not published any forecasts for 2020.

26. Brief description of the Company's material achievements and failures in the three months ended September 30th 2020

On September 28th 2020, RAFAKO S.A. w restrukturyzacji executed agreements to sell:

- an organised part of business operating as the Company's branch under the name of RAFAKO S.A. Oddział w Solcu Kujawskim, for an amount of PLN 30,985,000.00; the agreement was executed by and between RAFAKO EBUS Sp. z o.o. of Racibórz and RAFAKO S.A. w restrukturyzacji, with the participation of Agencja Rozwoju Przemysłu S.A. of Warsaw.
- 100% of shares in the share capital of RAFAKO EBUS for PLN 15,000.00, between ARP and w restrukturyzacji.

The share purchase agreement was executed after the agreement to sell the organised part of business ("OPB") was concluded. The share purchase agreement included a condition precedent, which was payment of the price for the OPB (as provided for in the OPB sale agreement). The payment was made out of the funds obtained by RAFAKO EBUS Sp. z o.o. from ARP following adoption of a resolution to increase the share capital of RAFAKO EBUS Sp. z o.o. as part of the closing process. Ownership of the OPB was acquired upon payment of the entire price for the OPB, while ownership of the shares – upon payment of the entire price for the RAFAKO EBUS Sp. z o.o. shares. At the time when ownership of 100% of the RAFAKO EBUS Sp. z o.o. shares was being transferred to ARP, the owner of the OPB was RAFAKO EBUS Sp. z o.o.

On November 10th 2020, the Management Board of w restrukturyzacji adopted a restructuring plan for the Company (the "Restructuring Plan") and arrangement proposals for its creditors. As at the date of these interim condensed financial statements, the arrangement proposals had been sent by the Company to its creditors. A notice was published in the *Monitor Sądowy i Gospodarczy* official journal to announce the date of the meeting of creditors, scheduled for December 10th 2020.

On November 13th 2020, a trial run was completed, confirming that the unit met the requirements set out in the contract for the construction of a supercritical 910 MW power generation unit at Jaworzno III Power Plant, whereupon the parties performed acceptance of the unit, which entered commercial operation. The unit operates within the Polish power system.

(PLN thousand)

On November 10th 2020, RAFAKO S.A. w restrukturyzacji and Bank PKO BP S.A. executed Annex 33 to the multi-purpose credit facility agreement of February 7th 2012, as amended. The main provisions of the annex extend the availability and maturity date of the facility until January 10th 2021, and cap the aggregate amount that can be drawn under all sub-facilities at PLN 119,916,154.85.

27. Shareholders holding 5% or more of total voting rights at the General Meeting of RAFAKO S.A.

Shareholders holding 5% or more of total voting rights at the General Meeting of RAFAKO S.A. are presented in Note 28 to the interim condensed consolidated financial statements for the nine months ended September 30th 2020.

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

	Company	*As at Sep 30 2020*	*Increase*	*Decrease*	*As at Nov 27 2020*
Member of the Management Board					
Agnieszka Wasilewska- Semail – Acting President of the Management Board	RAFAKO S.A.	60,245	–	–	–
Member of the Supervisory Board		–	–	–	–

* On August 12th 2020, following the expiry of the term of office and mandate, Ms Agnieszka Wasilewska-Semail ceased to serve as acting President of the Management Board.

29. Factors with material bearing on the Company's performance in the fourth quarter of 2020

- Possible changes in cost estimates for ongoing contracts (including as a result of contracts executed for the delivery of products and services by subcontractors), which may have a positive or negative effect on the result for the period after September 30th 2020;
- 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;
- Reaction by trading partners to the Company's arrangement proceedings,
- Adverse economic impact of the COVID-19 epidemic.

30. Key items of the financial statements translated into the euro

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

- the exchange rate effective for the last day of the reporting period, September 30th 2020: 4.5268 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–September 30th 2020: 4.4241; PLN/EUR, January 1st–December 31st 2019: 4.2988 PLN/EUR.

The highest and lowest exchange rates for each period were as follows: January 1st–September 30th 2020: 4.6044/4.2279 PLN/EUR, January 1st–December 31st 2019: 4.3891/4.2406 PLN/EUR.

	Sep 30 2020	*Dec 31 2019*	*Sep 30 2020*	*Dec 31 2019*
	PLN '000		*EUR '000*	
Statement of financial position				
Assets	861,905	932,588	190,401	218,994
Non-current liabilities	68,166	68,024	15,058	15,974
Current liabilities	887,842	760,035	196,130	178,475
Equity	(94,103)	104,529	(20,788)	24,546
PLN/EUR exchange rate at end of period			4.5268	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.

	Jan 1– Sep 30 2020	*Jan 1– Sep 30 2019*	*Jan 1– Sep 30 2020*	*Jan 1– Sep 30 2019*
	PLN '000		*EUR '000*	
Statement of comprehensive income				
Revenue	672,257	653,741	151,954	151,955
Operating profit/(loss)	(181,506)	(114,817)	(41,027)	(26,688)
Profit/(loss) before tax	(184,883)	(114,761)	(41,790)	(26,675)
Net profit/(loss)	(198,141)	(118,655)	(44,787)	(27,580)
Earnings per share (PLN)	(1.55)	(0.93)	(0.35)	(0.22)
Average PLN/EUR exchange rate in the period			4.4241	4.3022

	Jan 1– Sep 30 2020	*Jan 1– Sep 30 2019*	*Jan 1– Sep 30 2020*	*Jan 1– Sep 30 2019*
	PLN '000		*EUR '000*	
Statement of cash flows				
Net cash from operating activities	80,548	10,591	18,207	2,462
Net cash from investing activities	268	(199)	61	(46)
Net cash from financing activities	(79,705)	11,550	(18,016)	2,685
Net increase/(decrease) in cash and cash equivalents	1,111	21,942	251	5,100
Average PLN/EUR exchange rate in the period			4.4241	4.3022

31. Events after the reporting period

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

On October 5th 2020, acting pursuant to the provisions of the contract with JSC VILNIAUS KOGENERACINĖ JĖGAINĖ, RAFAKO S.A. submitted a notice of impossibility/termination notifying the employer of:

1) inability to perform the contract due to the fact that the task the Company had committed itself to perform became different from that provided for in the contract or, alternatively
2) withdrawal from the contract due to lack of cooperation on the part of the employer and the employer's failure to perform its contractual obligations, in particular lack of coordination between projects LOT1 and LOT2,
3) withdrawal from the contract due to the employer's failure to issue on time interim payment certificates for completed milestones.

On October 6th 2020, the Company received a letter from JSC VILNIAUS KOGENERACINĖ JĖGAINĖ containing a notice of immediate withdrawal from the contract under subclause 15.2. As the main reason for the withdrawal the employer cites the fact that 'the Contractor conducts its business under the management of a receiver, trustee or administrator acting for the benefit of creditors' and that 'an event has occurred which (in accordance with applicable laws) has a similar effect'. RAFAKO S.A. w restrukturyzacji considers the employer's notice as ineffective since earlier, on October 5th 2020, the Company effectively submitted to the employer a notice of impossibility/termination.

On October 8th 2020, the Company was notified of the submission by JSC VILNIAUS KOGENERACINĖ JĖGAINĖ to KUKE Korporacja Ubezpieczeń Kredytów Eksportowych S.A. and Generali T. U. S.A. of a call on performance bonds totalling EUR 14,965,000. The performance bonds were provided to the employer at the request of RAFAKO S.A. in connection with the provisions of the contract. The time limit for payment under both bonds is five business days from the date of receipt of the call for payment. On October 20th 2020, the Company received a pre-litigation call for payment of the guaranteed amount of EUR 11,972,000.00 under Master Agreement No. IN/GU/1/2015 in connection with KUKE S.A. having paid out to the employer as the performance bond beneficiary that same guaranteed amount of EUR 11,972,000.00. In the opinion of the Management Board of RAFAKO S.A. w restrukturyzacji, the claim made by KUKE S.A. is – by operation of law – a claim covered by the arrangement as part of the simplified restructuring procedure opened with respect to the Company.

On November 17th 2020, the Company received from Generali T.U. S.A. a call for payment of the guaranteed amount of EUR 2,993,000.00 under framework revolving contract bond facility agreement No. GNL-UF/2016/1483/UG in connection with Generali T.U. S.A. having paid out to the employer as the performance bond beneficiary that same guaranteed amount of EUR 2,993,000.00. In the opinion of RAFAKO's Management Board, General T.U. S.A.'s claim constitutes a claim covered by the arrangement as part of the simplified restructuring procedure opened with respect to the Company.

On October 13th 2020, the subsidiary RAFAKO Engineering Sp. z o.o. of Racibórz submitted an application to the *Monitor Sądowy i Gospodarczy* official journal to announce the opening of a procedure to approve the arrangement made under the Restructuring Law of May 15th 2015 as amended by the Act of June 19th 2020 on subsidies for interest payments on bank loans granted to businesses affected by the COVID-19 situation and on simplified procedure to approve arrangements due to COVID-19 (Anti-Crisis Shield 4.0).

On November 10th 2020, the Management Board of RAFAKO S.A. w restrukturyzacji approved arrangement proposals for the creditors whose claims are covered by the arrangement. The adopted arrangement proposals are as follows:

Group 1: creditors holding principal claims of no more than PLN 10,000 (ten thousand złoty), not classified into other groups:

1. repayment of 100% of a principal claim, on a one-off basis, by the last business day of the month following the month in which the decision sanctioning the arrangement was declared final;
2. full cancellation of interest accrued on the principal claim until and after the date preceding the Debtor's arrangement date, as well as full cancellation of any other incidentals, including enforcement costs, incurred until the date preceding the Debtor's arrangement date.

Group 2: creditors holding principal claims of more than PLN 10,000 (ten thousand złoty), not classified into other groups:

1. repayment of 60% of a principal claim, payable in 20 equal instalments at three-monthly intervals, by the last business day of the calendar month falling at the end of each three-month period, with the first repayment instalment due in the first full calendar month following the twelve-month period after the date on which the decision sanctioning the arrangement was declared final;

2. conversion of 20% of the principal claim into newly issued Debtor shares, in accordance with Art. 156.1.4, Art. 169.3 and Art. 169.4 of the Restructuring Law, on the following terms:
   1) the Debtor's share capital will be increased by no less than PLN 2.00 (two złoty) and no more than PLN 100,000,000.00 (one hundred million złoty), i.e. from PLN 254,863,996.00 to no less than PLN 254,863,998.00 and no more than PLN 354,863,996.00, through the issue of no fewer than one (1) and no more than 50,000,000 (fifty million) Series L ordinary bearer shares with a par value of PLN 2.00 per share (the "Series L Shares");
   2) the rights of pre-emption and first refusal with respect to the Series L Shares will be disapplied in full;
   3) the Series L Shares will be ordinary bearer shares;
   4) the issue price per Series L Share will be PLN 2.00 (two złoty);
   5) for each PLN 2.00 of the principal claim, the creditor will acquire one new Series L Share in the Debtor's increased share capital with a par value of PLN 2.00;
   6) if the claim amount needs to be rounded off in order to correlate itwith the corresponding multiple of the par value per share, the amount will be rounded downwards to the nearest multiple of the par value per share, while any resulting difference between the claim amount and the value of shares will be cancelled;
   7) the Series L Shares will carry the right to dividend as from January 1st of the calendar year following the year in which the decision to enter the share capital increase in the Business Register of the National Court Register becomes final;
   8) the Series L Shares and resulting allotment certificates for Series L Shares will exist as dematerialised securities, to be converted into book-entry form within the meaning of the Polish Act on Trading in Financial Instruments of July 29th 2005. The Debtor's Management Board will be authorised to enter into an agreement with Krajowy Depozyt Papierów Wartościowych S.A.of Warsaw as the Central Securities Depository of Poland (the "CSDP") on registration of the Series L Shares and allotment certificates for Series L Shares in the securities depository maintained by the CSDP with a view to their conversion into book-entry form;
   9) the Series L Shares and allotment certificates for Series L Shares will sought to be admittedand introduced to trading on the regulated market operated by the Warsaw Stock Exchange (the "WSE"), upon fulfilment of the relevant criteria and conditions, as set down in the applicable laws and WSE regulations, for admission of the Debtor shares to trading on the regulated market. The Debtor's Management Board will be authorised to submit the relevant applications, as required by the WSE regulations, for admission and introduction of the Series L Shares and allotment certificates for Series L Shares to trading on the regulated market, as referred to above;
3. cancellation of the balance of the principal claim;
4. full cancellation of interest accrued on the principal claim until and after the date preceding the Debtor's arrangement date, as well as full cancellation of any other incidentals, including enforcement costs, incurred until the date preceding the Debtor's arrangement date.

Group 3: creditors holding (monetary) claims on account of damages for improper performance of any non-monetary obligations, creditors holding claimson account of liquidated damages, as well as creditors holding tort claims:

1. repayment of 5% of a principal claim, payable in 20 equal instalments at three-monthly intervals, by the last business day of the calendar month falling at the end of each three-month period, with the first repayment instalment due in the first full calendar month following the twelve-month period after the date on which the decision sanctioning the arrangement was declared final;
2. cancellation of the balance of the principal claim;
3. full cancellation of interest accrued on the principal claim until and after the date preceding the Debtor's arrangement date, as well as full cancellation of any other incidentals, including enforcement costs, incurred until the date preceding the Debtor's arrangement date.

Group 4: Social Insurance Institution (ZUS) in respect of claims under social security contributions to be funded by the Debtor as an employer, contributions to the Labour Fund, the Guaranteed Employee Benefit Fund, and the Bridge Pension Fund, the Debtor's own social security and health insurance contributions and other amounts owed by the

Debtor to the Social Insurance Institution, as well as other public creditors (including foreign entities) in respect of contributions, taxes and other public levies:

1. repayment of 100% of a claim, i.e. both the principal amount and incidentals, including interest (accrued until and after the Debtor's arrangement date) and enforcement costs;
2. repayment divided into 24 equal instalments, payable at two-monthly intervals, by the last business day of the calendar month falling at the end of each two-month period, with the first instalment payable in the first full calendar month following the nine-month period after the date on which the decision sanctioning the arrangement was declared final.

Group 5: Creditors holding claims secured over the Debtor's assets by a mortgage, pledge, registered pledge, treasury pledge, marine mortgage or assignment by way of security of goods, receivables or other rights:

1. repayment of 100% of a claim, i.e. both the principal amount and incidentals,including interest (accrued until and after the Debtor's arrangement date) and enforcement costs, including those provided for under the relevant agreement creating the security interest;
2. repayment divided into eight annual instalments, where:
    a) the first instalment, equal to 3% of the claim, will be payable by the last business day of 2021,
    b) the second instalment, equal to 8% of the claim, will be payable by the last business day of 2022,
    c) the third instalment, equal to 8% of the claim, will be payable by the last business day of 2023,
    d) the fourth instalment, equal to 8% of the claim, will be payable by the last business day of 2024,
    e) the fifth instalment, equal to 8% of the claim, will be payable by the last business day of 2025,
    f) the sixth instalment, equal to 8% of the claim, will be payable by the last business day of 2026,
    g) the seventh instalment, equal to 25% of the claim, will be payable by the last business day of 2027,
    h) the eighth instalment, equal to 32% of the claim, will be payable by the last business day of 2028.

Group 6: creditors holding solely interest claims which, due to the satisfaction and discharge of the principal liability prior to the arrangement date, have been converted into principal claims:

1. repayment of 7% of a principal claim, payable in 20 equal instalments at three-monthly intervals, by the last business day of the calendar month falling at the end of each three-month period, with the first repayment instalment due in the first full calendar month following the twelve-month period after the date on which the decision sanctioning the arrangement was declared final;
2. cancellation of the balance of the principal claim;
3. full cancellation of interest accrued on the principal claim until and after the date preceding the Debtor's arrangement date, as well as full cancellation of any other incidentals, including enforcement costs, incurred until the date preceding the Debtor's arrangement date.

Group 7: creditors having close relations with the Debtor, within the meaning of Art. 116 of the Restructuring Law:

1. repayment of 6% of a principal claim, payable in 20 equal instalments at three-monthly intervals, by the last business day of the calendar month falling at the end of each three-month period, with the first repayment instalment due in the first full calendar month following the twelve-month period after the date on which the decision sanctioning the arrangement was declared final;.
2. cancellation of the balance of the principal claim;
3. full cancellation of interest accrued on the principal claim until and after the date preceding the Debtor's arrangement date, as well as full cancellation of any other incidentals, including enforcement costs, incurred until the date preceding the Debtor's arrangement date.

On November 10th 2020, RAFAKO S.A. w restrukturyzacji executed Annex 33 to the multi-purpose credit facility agreement of February 7th 2012, as amended. The key amendments made under the Annex are set out below.

A. The facility limit was set at PLN 119,916,154.85, under which the Bank would grant the following sub-facilities to the Company:

1) an up to PLN 50,000,000.00 overdraft facility;
2) a revolving working capital facility, in PLN and EUR, up to PLN 7,000,000.00 to finance current liabilities under day-to-day operations;
3) bank guarantee facilities denominated in PLN, CZK, USD, EUR and GBP, together with a revolving working capital facility in PLN to cover the Company's liabilities for payments made under bank guarantees issued by the Bank of up to PLN 119,916,154.85.

The aggregate amount of all sub-facilities drawn under the credit facility may not exceed PLN 119,916,154.85.

B. The availability and maturity date of the facility specified in the Annex is January 10th 2021.

On November 13th 2020, following completion of the trial run of the 910 MW generating unit at the Jaworzno III Power Plant – Power Plant II, which confirmed that the unit met the requirements set out in the contract, the parties performed acceptance of the unit, which entered commercial operation. The unit operates within the Polish power system.

Nowe Jaworzno Grupa TAURON Sp. z o.o., E003B7 Sp. z o.o. (a wholly-owned subsidiary of RAFAKO S.A. w restrukturyzacji) and RAFAKO S.A. w restrukturyzacji, acting with approval from the supervisor of the Company's arrangement made under the simplified restructuring procedure, signed a settlement agreement resulting from mediation conducted before the Arbitration Court at the General Counsel to the Republic of Poland, with the following key provisions:

1. The Parties, that is RAFAKO S.A. w restrukturyzacji and Nowe Jaworzno Grupa TAURON Sp. z o.o. waived equivalent mutual claims which arose before the settlement agreement date in connection with performance of the contract, except for the Company's claims for the work performed in accordance with the contract, NJGT's warranty or guarantee claims, and recourse claims against RAFAKO S.A. w restrukturyzacji for the payment of claims of lower-tier subcontractors.
2. RAFAKO S.A. w restrukturyzacji will extend the technical guarantee for the high-pressure section of the boiler by six (6) months (to 36 months) and will grant licences to use computer software not covered by the contract. The Company will perform certain additional work, including work to optimise the unit's operation so that its minimum technical capacity is reduced from 40% to 37%.

The settlement agreement will take effect upon fulfilment of certain conditions precedent, including the following key conditions:

1. the Company and the employer signing a handover-for-operation certificate for the unit at the Jaworzno Power Plant by November 15th 2020 (the condition has been met);
2. RAFAKO S.A. w restrukturyzacji providing an agreement in the form of a commitment letter with financial institutions, i.e. Powszechny Zakład Ubezpieczeń S.A., mBank S.A., Powszechna Kasa Oszczędności Bank Polski S.A. and Bank Gospodarstwa Krajowego, concerning the method of raising funds necessary for the completion of proper performance of the contract (the condition has been met).

The settlement agreement will be filed with a competent common court for approval. Once approved by a final court decision, the settlement agreement will have the legal effect of a court settlement.

Furthermore, on November 13th 2020 Nowe Jaworzno TAURON Sp. z o.o. and RAFAKO S.A. w restrukturyzacji, acting with approval from the supervisor of the Company's arrangement made under the simplified restructuring procedure, entered into Annex 9 to the contract, which sanctions the arrangements made by the parties in the settlement agreement regarding RAFAKO S.A. w restrukturyzacji's additional non-monetary obligations, including obligation performance dates and related payment due dates.

The amount payable to RAFAKO S.A. w restrukturyzacji under the contract and annexes thereto will total PLN 4.6bn and will provide financial means ensuring proper performance of the contract. Authorisation for issue

These interim condensed financial statements of the Company were authorised for issue on November 27th 2020 by way of a resolution of the RAFAKO S.A. Management Board dated November 27th 2020.

Signatures:

Mariusz Zawisza	President of the Management Board	………………………………………..
Radosław Domagalski-Łabędzki	Vice President of the Management Board	………………………………………..
Jarosław Pietrzyk	Vice President of the Management Board, Operations	………………………………………..
Ewa Porzucek	Vice President of the Management Board, Finance	………………………………………..
Jolanta Markowicz	Chief Accountant	………………………………………..