



GRUPA PBG

CURRENT REPORT FILED WITH THE POLISH FINANCIAL SUPERVISION AUTHORITY

DATE: December 30th 2019

Subject: [Revision of Company's and Jaworzno Project SPV's financial results \[Current Report No. 41/2019\].](#)

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Current Report No. 41/2019

Further to Current Report No. 21/2014 of April 17th 2014 announcing the execution of a contract to build a 910 MW supercritical power generating unit at the Jaworzno III Power Plant – Power Plant II: steam boiler, turbine generator set, main building, electrical and I&C systems (“**Contract**”), and further to Current Report No. 38/2019 of December 19th 2019 announcing the execution of Annex 7 to the Contract on the terms and conditions set out in the Company's Current Report No. 32/2019 of October 17th 2019, the Management Board of RAFAKO S.A. of Racibórz (“**Company**”) announces that the Company's subsidiary E003B7 spółka z ograniczoną odpowiedzialnością of Racibórz (“**SPV**”) revised the budget of the project implemented under the Contract in connection with the signing of Annex 7 to the Contract. The revision showed that the SPV's estimated financial loss for the full financial year 2019 would be approximately PLN 155.8m. The loss is a result of the completion deadline for the project implemented under the Contract having been extended. Therefore, the Company announces it intends to estimate the effect of the loss on its financial performance disclosed in the consolidated financial statements for 2019.

The Company would also like to note that the deterioration in estimated results is directly attributable to the extension of the contract completion deadline, as formalised in Annex 7 to the Contract. In the course of negotiations, the Company obtained over 30% of the amount it requested to cover the costs of extending the completion date of the Contract.

The Company further announces that work and analyses are under way to reduce the estimated adverse impact. These efforts will mainly involve the enforcement of claims for extraordinary price increases against Nowe Jaworzno Grupa TAURON spółka z ograniczoną odpowiedzialnością of Jaworzno (“**Employer**”), as announced by the Company in Current Report No. 25/2019 of August 23rd 2019, of no less than PLN 67,800,000, estimation and enforcement of claims against subcontractors, and a number of optimisation processes designed to reduce contract completion costs, including measures aiming to significantly reduce the SPV's fixed costs.

As the current market consensus estimates put the margin on the Contract at approximately 8%, the Company announces that the above budget estimate reduces the margin planned to be earned on the Contract to about 5%.

Legal basis: Article 17 of MAR – Inside information

Paweł Jarczewski – President of the Management Board

Agnieszka Wasilewska-Semail – Vice President of the Management Board