

Review report on interim condensed financial statements

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To the Shareholders of RAFAKO Spółka Akcyjna

Introduction

We have reviewed the accompanying interim condensed financial statements of RAFAKO Spółka Akcyjna (the "Company") with its registered office at ul. Łąkowa 33, Racibórz, Poland, comprising the interim condensed statement of financial position as at June 30th 2019, interim condensed statement of comprehensive income, interim condensed statement of changes in equity and interim condensed statement of cash flows for the period from January 1st 2019 to June 30th 2019, as well as certain explanatory information (notes).

The preparation and presentation of the accompanying interim condensed financial statements in compliance with International Accounting Standard 34 *Interim Financial Reporting*, as promulgated by the European Commission in the form of relevant regulations, was the responsibility of the Company's Management Board.

Our responsibility was to express a conclusion on the accompanying interim condensed financial statements based on our review.

Scope of review

We conducted our review in accordance with Polish Financial Auditing Standard 2410 compliant with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, adopted by the National Council of Statutory Auditors by Resolution No. 3436/52e/2019 of April 8th 2019. A review of interim financial statements consists in making inquiries, primarily of persons responsible for the entity's financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit performed in accordance with the Polish Financial Auditing Standards compliant with the International Standards on Auditing, adopted by the National Council of Statutory Auditors by Resolution No. 3430/52a/2019 of March 21st 2019, and thus does not provide us with assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for qualified conclusion

In the interim condensed statement of financial position as at June 30th 2019, the Company disclosed PLN 23,673 thousand of receivables under bonds from PBG S.A., its ultimate parent, PLN 3,531 thousand of trade

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receivables and PLN 38,841 thousand of receivables under advance payments made by the RAFAKO S.A. in respect of construction contracts. The redemption of the bonds and receipt of the advance payments will depend on the implementation of the debt arrangement scheme by PBG S.A. With respect to the trade receivables and bonds, the Company's Management Board applied the impairment model based on expected credit losses. However, we are unable to examine the validity of the assumptions underlying these models and to assess the impact of this issue on the interim condensed financial statements as at June 30th 2019.

In our opinion, an analysis of indications of possible impairment of assets, including the Group's operating performance and declining margins on construction contracts, revealed the need to perform the tests required under IAS 36 *Impairment of Assets*. In Note 6 to the interim condensed financial statements, the Company's Management Board stated that it had identified indications of asset impairment. The Management Board monitors forecasts on an ongoing basis and, in line with the Company's practice, will test assets for impairment at the end of the year. As the Company did not carry out such tests as at June 30th 2019, we have been unable to determine whether impairment losses on non-current assets should be recognised.

Qualified conclusion

Except for adjustments to the interim condensed financial statements which we might have determined if not for the situation described above, based on our review, nothing has come to our attention that would cause us to believe that the accompanying interim condensed financial statements have not been prepared, in all material respects, in accordance with International Accounting Standard 34 *Interim Financial Reporting* issued in the form of the European Commission's regulations.

Emphasis of matter

We draw attention to Note 9.1.1 of the interim condensed financial statements, in which the Company's Management Board described revisions to estimated costs of major contracts and, in particular, the risks associated with the completion of construction of the 910MW unit for the Jaworzno III Power Plant, a project executed by the Company jointly with its subsidiary E003B7 Sp. z o.o. A project's milestone, consisting in the unit start-up, is due in November 2019. Given the Company's significant engagement in that project, namely the working capital employed, the guarantees provided and the potential liquidated damages for any delays in its delivery, the timely start-up of the unit will have a material effect on the Company and its Group's future financial condition. In the opinion of the Company's Management Board, there is no risk that the contract completion deadline will not be met. The Company's Management Board also announced that it had commenced discussions with the employer on extending the scope of work and changing the completion deadline in respect of such extended scope of work. In the opinion of the Company's Management Board, as stated in Note 2 to the interim financial statements, neither the revisions of estimates related to running contracts, nor the potential effects of changes in the terms of the contract with the Jaworzno III Power Plant, will affect the going concern assumption. Our conclusion is not modified with respect to this matter.

Jan Letkiewicz

Qualified Auditor Reg. No. 9530
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Grant Thornton Polska Spółka z ograniczoną odpowiedzialnością sp. k.,
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Poznań, September 30th 2019