

# Review report on interim condensed consolidated financial statements

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To the Shareholders of RAFAKO Spółka Akcyjna

## *Introduction*

We have reviewed the accompanying interim condensed consolidated financial statements of the Group whose parent is RAFAKO Spółka Akcyjna (the "Parent") with its registered office at ul. Łąkowa 33, Racibórz, Poland, comprising the interim condensed consolidated statement of financial position as at June 30th 2019, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated 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 consolidated 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 parent's Management Board.

Our responsibility was to express a conclusion on the accompanying interim condensed consolidated 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 consolidated statement of financial position as at June 30th 2019, the Group disclosed PLN 23,673 thousand of receivables under bonds from PBG S.A., its ultimate parent, PLN 10,762 thousand of

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receivables under a loan advanced, PLN 5,485 thousand of trade receivables and PLN 38,841 thousand of receivables under advance payments made by the Group 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 bonds, trade receivables and loans, the parent'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 consolidated 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 consolidated financial statements, the parent's Management Board stated that it had identified indications of asset impairment. The parent's Management Board monitors forecasts on an ongoing basis and, in line with the Group's practice, will test assets for impairment at the end of the year. As the Group 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 consolidated 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 consolidated 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 10.1.1 of the interim condensed consolidated financial statements, in which the parent'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's milestone, consisting in the unit start-up, is due in November 2019. Given the Group's significant engagement in that project, namely the working capital committed, 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 Group's future financial condition. In the opinion of the parent's Management Board, there is no risk that the contract completion deadline will not be met. The parent'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 parent's Management Board, as stated in Note 2 to the interim consolidated 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

Lead auditor performing the review on behalf of

Grant Thornton Polska Spółka z ograniczoną odpowiedzialnością sp. k.,  
Poznań, ul. Abpa Antoniego Baraniaka 88 E, audit firm Reg. No. 4055

Poznań, September 30th 2019