RAFAKO GROUP

PBG GROUP

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended June 30th 2020

September 30th 2020

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1. Interim condensed financial statements of RAFAKO S.A. w restrukturyzacji for the six months ended June 30th 2020

(PLN thousand)

Interim condensed consolidated statement of comprehensive income

for the six months ended June 30th 2020

	Note	*Six months ended June 30th 2020*	*Six months ended June 30th 2019*	*3 months ended June 30th 2020*	*3 months ended June 30th 2019*
Continuing operations					
Revenue	11.1	**493,962**	**519,169**	**197,761**	**206,467**
Revenue from sale of goods and services		492,882	518,742	197,386	206,210
Revenue from sale of materials		1,080	427	375	257
Cost of products and services sold	11.2	(693,117)	(655,902)	(409,962)	(365,163)
Cost of materials sold		(718)	(551)	(308)	(253)
Gross profit/(loss)		**(199,873)**	**(137,284)**	**(212,509)**	**(158,949)**
Other income	11.2	11,168	1,986	3,634	(180)
Selling expenses	11.2	(8,391)	(12,351)	(4,196)	(6,817)
Administrative expenses	11.2	(26,638)	(26,428)	(13,338)	(14,129)
Other expenses	11.2	(31,297)	(4,382)	(27,936)	(2,027)
Research and development costs		(3,916)	(5,278)	(2,726)	(2,973)
Operating profit/(loss)		**(258,947)**	**(183,737)**	**(257,071)**	**(185,075)**
Finance income	11.2	2,215	5,159	(709)	3,013
Finance costs	11.2	(6,185)	(4,989)	(3,490)	(3,225)
Profit/(loss) before tax		**(262,917)**	**(183,567)**	**(261,270)**	**(185,287)**
Income tax	11.3	(14,810)	8,812	(14,778)	9,783
Net profit/(loss) from continuing operations		**(277,727)**	**(174,755)**	**(276,048)**	**(175,504)**

(PLN thousand)

Interim condensed consolidated statement of comprehensive income

for the six months ended June 30th 2020

	Note	*Six months ended June 30th 2020*	*Six months ended June 30th 2019*	*3 months ended June 30th 2020*	*3 months ended June 30th 2019*
Other comprehensive income for period		**(578)**	**(450)**	**(299)**	**(211)**
Items to be reclassified to profit/(loss) in subsequent reporting periods					
Exchange differences on translating foreign operations		113	(39)	(63)	(45)
Exchange differences on translating foreign operations attributable to non-controlling interests		52	(1)	(11)	(3)
Other net comprehensive income to be reclassified to profit or loss in subsequent reporting periods		**165**	**(40)**	**(74)**	**(48)**
Items that will not be reclassified to profit or loss in subsequent reporting periods					
Other comprehensive income due to actuarial gains/(losses)		(918)	(506)	(279)	(201)
Tax on other comprehensive income	11.3	175	96	54	38
Other net comprehensive income not subject to reclassification to profit/(loss) in subsequent reporting periods		**(743)**	**(410)**	**(225)**	**(163)**
Total comprehensive income for period		**(278,305)**	**(175,205)**	**(276,347)**	**(175,715)**
Net profit/(loss) attributable to:		**(277,727)**	**(174,755)**	**(276,048)**	**(175,504)**
Owners of the parent	11.23	(271,215)	(174,585)	(270,371)	(175,896)
Non-controlling interests		(6,512)	(170)	(5,677)	392
Comprehensive income attributable to:		**(278,305)**	**(175,205)**	**(276,347)**	**(175,715)**
Owners of the parent		(271,846)	(175,035)	(270,660)	(176,104)
Non-controlling interests		(6,459)	(170)	(5,687)	389
Weighted average number of shares		127,431,998	127,431,998	127,431,998	127,431,998
Basic/diluted earnings/(loss) per share, PLN	11.23	(2.18)	(1.37)	(2.17)	(1.38)

Racibórz, September 30th 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 consolidated statement of financial position
as at June 30th 2020

	Note	June 30th 2020	December 31st 2019	June 30th 2019
ASSETS				
Non-current assets				
Property, plant and equipment	11.6	141,743	147,362	149,688
Goodwill	11.5	3,506	6,704	9,166
Intangible assets	11.5	6,265	6,840	7,392
Right-of-use assets	11.8	13,865	15,793	18,290
Other long-term receivables	11.9	149,525	77,780	39,121
Shares	11.10	1,549	1,496	1,511
Deferred tax assets	11.3	28,182	42,672	51,612
Long-term prepayments and accrued income		3,004	4,866	5,609
		347,639	**303,513**	**282,389**
Current assets				
Inventories	11.11	30,643	33,027	37,022
Trade and other receivables short-term	11.14	377,885	607,964	441,018
Contract assets	10	154,691	269,787	438,967
Income tax asset		1,361	605	295
Other current financial assets	11.12	62	–	23,673
Short-term loans		–	–	10,762
Cash and cash equivalents	11.13	82,765	66,082	69,127
Short-term prepayments and accrued income	11.15	23,270	21,330	19,474
		670,677	**998,795**	**1,040,338**
Non-current assets held for sale		682	123	128
TOTAL ASSETS		**1,018,998**	**1,302,431**	**1,322,855**

Racibórz, September 30th 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 consolidated statement of financial position
as at June 30th 2020

	Note	*June 30th 2020*	*December 31st 2019*	*June 30th 2019*
EQUITY AND LIABILITIES				
Equity				
Share capital	11.19	254,864	254,864	254,864
Share premium	11.22	165,119	165,119	165,119
Statutory reserve funds		206,365	215,219	215,219
Exchange differences on translating foreign operations		(159)	(272)	(112)
Retained earnings/accumulated losses, including:		(787,790)	(524,686)	(220,990)
Profit/(loss) brought forward		(516,576)	(51,565)	(46,405)
Net profit/(loss) for period		(271,214)	(473,121)	(174,585)
		(161,601)	**110,244**	**414,100**
Non-controlling interests		**(2,441)**	**4,019**	**8,350**
Total equity		**(164,042)**	**114,263**	**422,450**
Non-current liabilities				
Bank and other borrowings		985	24	43
Finance lease liabilities	11.8	6,746	7,589	10,578
Employee benefit obligations and provisions	11.25, 11.26	30,424	29,480	23,916
Other non-current liabilities	11.24	16,837	20,595	11,570
Other long-term provisions	11.27	61,048	36,357	32,352
		116,040	**94,045**	**78,459**
Current liabilities				
Current portion of interest-bearing borrowings	15	80,733	113,051	114,664
Finance lease liabilities		5,208	5,490	4,513
Short-term trade and other payables	11.28	494,815	628,655	356,590
Income tax payable		1	156	39
Employee benefit obligations and provisions	11.29, 11.26	36,578	26,324	29,888
Contract liabilities	10	356,077	251,625	259,646
Other short-term provisions	11.30	78,277	47,121	31,615
Short-term accrued expenses and deferred income		14,242	21,471	24,668
Grants		1,069	230	323
		1,067,000	**1,094,123**	**821,946**
Total liabilities		**1,183,040**	**1,188,168**	**900,405**
TOTAL EQUITY AND LIABILITIES		**1,018,998**	**1,302,431**	**1,322,855**

Racibórz, September 30th 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 consolidated statement of cash flows

for the six months ended June 30th 2020

	Note	*Six months ended June 30th 2020*	*12 months ended December 31st 2019*	*Six months ended June 30th 2019*
Cash flows from operating activities				
Profit/(loss) before tax		**(262,917)**	**(475,674)**	**(183,567)**
Adjustments for:		**315,026**	**456,527**	**158,249**
Depreciation and amortisation		7,640	17,599	8,967
Foreign exchange gains/(losses)		–	(65)	(3)
Interest and dividends, net		1,616	4,457	2,388
(Gain)/loss from investing activities		4,794	34,668	(1,865)
(Increase)/decrease in receivables	11.4	158,365	(113,100)	92,497
(Increase)/decrease in inventories		2,384	1,126	(2,868)
Increase/(decrease) in employee benefit obligations, excluding borrowings	11.4	(127,113)	288,916	12,158
Change in provisions, accruals and deferrals	11.4	48,540	37,908	20,693
Change in contract assets and liabilities	11.4	219,548	187,527	28,531
Income tax (paid)/received		(931)	(2,482)	(2,289)
Other		183	(27)	40
Net cash from operating activities		**52,109**	**(19,147)**	**(25,318)**
Cash flows from investing activities				
Sale of property, plant and equipment and intangible assets		1,723	2,998	1,705
Purchase of property, plant and equipment and intangible assets	11.4	(1,633)	(3,235)	(448)
Sale of financial assets		–	–	–
Purchase of financial assets		–	(148)	(158)
Dividends and interest received		1	–	–
Other		–	234	120
Net cash from investing activities		**91**	**(151)**	**1,219**

(PLN thousand)

Interim condensed consolidated statement of cash flows

for the six months ended June 30th 2020

	Note	*Six months ended June 30th 2020*	*12 months ended December 31st 2019*	*Six months ended June 30th 2019*
Cash flows from financing activities				
Payment of finance lease liabilities		(2,595)	(7,501)	(3,662)
Proceeds from borrowings		1,025	12,244	12,880
Repayment of borrowings	11.4	–	–	–
Repayment of borrowings		(33,040)	(2,621)	(1,312)
Interest paid		(1,303)	(3,546)	(1,700)
Bank fees		(406)	(1,052)	(1,011)
Other		795	(807)	(719)
Net cash from financing activities		**(35,524)**	**(3,283)**	**4,476**
Net increase/(decrease) in cash and cash equivalents		16,676	(22,581)	(19,623)
Net foreign exchange gains/(losses)		7	(29)	58
Cash at beginning of period	11.13	66,082	88,692	88,692
Cash at end of period	11.13	82,765	66,082	69,127

Racibórz, September 30th 2020

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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 consolidated statement of changes in equity

for the six months ended June 30th 2020

	Share capital	*Share premium*	*Statutory reserve funds*	*Translation reserve*	*Retained earnings/ accumulated losses*	*Total*	*Non-controlling interests*	*Equity total*
As at January 1st 2020	**254,864**	**165,119**	**215,219**	**(272)**	**(524,686)**	**110,244**	**4,019**	**114,263**
Profit/(loss) from continuing operations	–	–	–	–	(271,215)	(271,215)	(6,512)	(277,727)
Other comprehensive income	–	–	–	113	(743)	(630)	52	(578)
Distribution of retained earnings	–	–	(8,854)	–	8,854	–	–	–
As at June 30th 2020	**254,864**	**165,119**	**206,365**	**(159)**	**(787,790)**	**(161,601)**	**(2,441)**	**(164,042)**
As at January 1st 2019	**254,864**	**165,119**	**191,580**	**(73)**	**(22,675)**	**588,815**	**8,520**	**597,335**
Adjustment to opening balance following implementation of new IFRS	–	–	–	–	318	318	–	318
As at January 1st 2019	**254,864**	**165,119**	**191,580**	**(73)**	**(22,357)**	**589,133**	**8,520**	**597,653**
Profit/(loss) from continuing operations	–	–	–	–	(174,585)	(174,585)	(170)	(174,755)
Other comprehensive income	–	–	–	(39)	(410)	(449)	–	(449)
Distribution of retained earnings	–	–	23,639	–	(23,639)	–	–	–
As at June 30th 2019	**254,864**	**165,119**	**215,219**	**(112)**	**(220,990)**	**414,100**	**8,350**	**422,450**

(PLN thousand)

Interim condensed consolidated statement of changes in equity

for the six months ended June 30th 2020

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

Racibórz, September 30th 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

The RAFAKO Group (the "Group") comprises RAFAKO S.A. (the "parent", the "Company") and its subsidiaries presented in Note 7.

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

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

The Group companies have been established for an indefinite term.

These interim condensed consolidated financial statements of the Group cover the six months ended June 30th 2020 and contain consolidated comparative data for the six months ended June 30th 2019 and as at December 31st 2019. The interim condensed consolidated statement of comprehensive income contains data for the six months ended June 30th 2020 and the comparative data for the six months ended June 30th 2019, which has not been audited, but has been reviewed by the auditor.

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

These interim condensed consolidated financial statements for the six months ended June 30th 2020 were authorised for issue by the parent's Management Board on September 30th 2020.

The Group's interim consolidated financial performance may not be indicative of its potential full-year financial performance.

2. Basis of preparation

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

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

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

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

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

These interim condensed consolidated financial statements have been prepared on a going concern basis, although the Management Board of the parent is aware of a number of uncertainties that pose a material threat to the Group'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 the procedure to approve arrangement with 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 entrepreneurs affected by the COVID-19 situation and on simplified procedure to approve arrangements.

As part of the procedure, the parent is required to prepare a list of claims and a restructuring plan, to present arrangement proposals, to organise and carry out voting on such proposals by the Meeting of Creditors, and to file a motion for approval of the arrangement within four months from the date of the announcement in the *Monitor Sądowy i Gospodarczy* official gazette, i.e. until January 7th 2021.

As at the date of preparation of these interim condensed consolidated financial statements, the parent was in the process of compiling the list of creditors, including a list of disputed claims, and drafting arrangement proposals.

The Management Board of the parent has thoroughly analysed 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 RAFAKO S.A. w restrukturyzacji 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 impossible to ignore the fact that the parent's financial condition is deteriorating, which was the main reason for the decision of the Management Board of September 2nd 2020. The adverse changes included a significant increase in the amount of RAFAKO S.A. w restrukturyzacji's liabilities, including short-term liabilities, decisions by many suppliers to suspend trade credit and demand cash payments instead, deterioration of the key financial indicators, large operating losses and lack of debt capacity.

The purpose of the restructuring procedure is to take remedial actions to eliminate the risk of the parent ceasing to trade, and the decision to file for bankruptcy protection was a significant part of the restructuring plan which offers the parent a chance to recover, continue its running contracts and resume normal operations in the foreseeable future.

However, despite the financial considerations, there were no direct operating circumstances that may have a material and direct adverse effect on the parent'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 an entity to liquidation. RAFAKO S.A. w restrukturyzacji 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 parent has not lost its core markets, licenses or key suppliers, although the parent’s ability to win new contracts has been seriously and adversely affected by the lack of debt capacity.

The Management Board of the parent has taken a number of steps and has carried out a number of economic and financial analyses to determine whether the Company is able to continue as a going concern.

It was determined that the parent 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 in the Steam Generator Plant and in the Power and Environmental Protection Division. The order book will be reviewed on an ongoing basis, while in its efforts to win new contracts the parent will focus on its key competencies and competitive advantages in selected markets. Please note that the market in which the Group operates has changed significantly. Changes in the commercial and industrial energy market and the shrinking volume of capital spending on energy sources based on solid fuels have significantly affected the Company's position and determine its future revenue-generating potential. This aspect has also been taken into account in the assessment of the Group’s ability to continue trading and to generate revenue in the future.

In the Management Board's opinion, unprofitable long-term contracts and excessive operating costs have been the cause of the current financial problems. The restructuring measures intended to be implemented by the Management Board will therefore involve extensive efforts to, reduce operating expenses, and implement comprehensive organisational improvements at RAFAKO S.A. w restrukturyzacji. These areas have already been identified and cost savings potential allocated to them. A number of these measures have already been implemented. Prompt efforts were taken to withdraw from bidding in unprofitable segments, the current contract portfolio was reviewed, and on that basis risks associated with contract continuation were identified and provisions for those risks were recognised in line with the prudence principle.

On September 21st 2020, the parent approved the collective redundancy rules, setting the maximum number of employees affected by the redundancies at 400, with the redundancies scheme due to run until March 31st 2021. These measures are necessary and are designed to optimise workforce and adapt it to the new scale of the organisation and new organisational schemes and structures.

Measures were also taken to liquidate selected companies and plants, including the sale of E-Bus Sp. z o.o. with an organised part of business for a price of PLN 31m on September 28th 2020, and planned property sales. For the remaining properties, further optimisation of the space used is planned.

In its efforts to build a new business and financial model, the Management Board of the parent is supported by a professional firm. In-depth analyses and financial simulations demonstrated that the restructuring measures are sound.

Approval of arrangement proposals by the parent's creditors will be an important step towards successful restructuring of the Group. Execution of an arrangement with the creditors will be a prerequisite for further remedial efforts.

Another important element of the process will be the completion of the Jaworzno project. Discussions with the employer are pending although as at the date of this report no final agreement was signed by the parties.

The ability to secure debt financing will be crucial for the Group to be able to bid for and win new contracts. In the opinion of the Management Board, successful completion of the arrangement process will be the key factor in this respect.

The Management Board believes that the actions taken will be successful, however it emphasises the uncertainty and risk of their failure.

3. Changes in accounting policies (significant accounting policies)

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

- Amendments to IFRS 3 *Business Combinations*

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

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

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

- Amendments to IFRS 9, IAS 39 and IFRS 7

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

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

- 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 it is permitted to apply it earlier. The Group 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 consolidated financial statements, the Group has not opted for early application of any standard or interpretation.

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

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

- New IFRS 17 *Insurance Contracts*

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

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

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

- Amendment to IAS 1 *Presentation of Financial Statements*

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

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

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

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

5. Significant judgements and assumptions

5.1. Professional judgement

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

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

Classification of leases where the Group is the lessee

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

Embedded derivatives

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

Consortium agreements

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

5.2. Uncertainty and changes in estimates

The Group made the assumptions and estimates concerning the future based on its knowledge as at the time of preparation of these interim consolidated financial statements. The assumptions and estimates may change in the future due to market developments or factors beyond the Group's control. In the six months ended June 30th 2020 and as at June 30th 2020, there were changes in estimates in significant areas of the Group's business.

In addition, the Group is currently preparing a new business and financial model. The model's assumptions are based on a selective and conservative approach to bidding for contracts. The cost side of the model takes into account the planned restructuring measures in many areas of the Group's business.

A reputable adviser will assist the Management Board of the parent in its work on the financial model and the restructuring plan.

Impairment of assets

The Group 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 Group's ability to implement the Group's plans described in Note 2 to these interim condensed consolidated financial statements, which may be key to future forecasts, the recoverable amount may change.

Deferred tax asset

The Group prepared financial projections based on which it assessed the recoverable amount of deferred tax assets. The amount of deferred tax assets was determined at PLN 28,182 thousand. For details, see Note 11.3 these interim condensed consolidated financial statements.

(PLN thousand)

Provision for expected contract losses

The Group 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.

For details, see Note 10 to these interim condensed consolidated financial statements.

Provision for costs due to late contract completion

The Group recognises a provision for liquidated damages arising from late completion if the probability of being charged for late contract completion is significant and the delay is due to the fault of the Group companies as contractors. The amount of the provision reflects the amount of liquidated damages that may be charged for the delay. For information on provisions, see Note 17 to these interim condensed consolidated financial statements.

In these interim condensed consolidated financial statements, the Group also presented the effect of the Management Board's assumptions on the estimates of impairment losses (see Note 11.17), revenue from contracts with customers (see 10) and provisions (see Note 17).

6. Functional currency and presentation currency

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

Exchange rates used to determine carrying amounts:

	June 30th 2020	*December 31st 2019*	*June 30th 2019*
USD	3.9806	3.7977	3.7336
EUR	4.4660	4.2585	4.2520
GBP	4.8851	4.9971	4.7331
CHF	4.1818	3.9213	3.8322
SEK	0.4249	0.4073	0.4030
TRY	0.5807	0.6380	0.6481

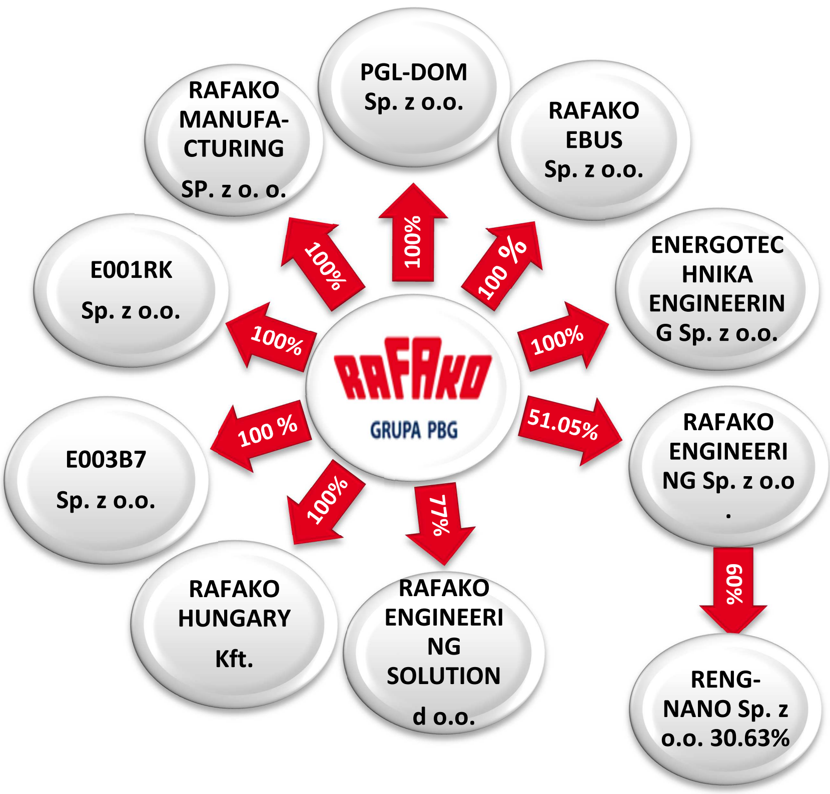
7. Scope of consolidated financial statements

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

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

As at June 30th 2020, the RAFAKO Group comprised the parent and ten subsidiaries operating in the power construction, services and trade sectors.

As at June 30th 2020, the following subsidiaries ("Companies", "Group Companies") were included in the Group's consolidated financial statements:



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

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

(PLN thousand)

Name and principal place of business	*Principal business activity (according to the Polish Classification of Business Activities)*	*Registry court and number in the National Court Register (KRS)*	*Consolidation method*
E003B7 Sp. z o.o. Racibórz	Development of building projects, business consultancy and construction design , engineering and technology	District Court of Gliwice KRS 486911	full
RENG-NANO Sp. z o.o.* Racibórz	Manufacture of metal structures and components, repair and maintenance of finished metal goods	District Court of Gliwice KRS 663393	full
RAFAKO MANUFACTURING Sp. z o.o. Racibórz	Production of steam generators, excluding hot water central heating boilers	District Court of Gliwice KRS 739782	full
RAFAKO EBUS Sp. z o.o. Racibórz	Manufacture of buses, electrical and electronic equipment for motor vehicles and manufacture of other motor vehicle parts and accessories	District Court of Gliwice KRS 798943	full

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

As at June 30th 2020 and December 31st 2019, the Group's share in total voting rights in the subsidiaries was equal to the parent's holdings in the share capital of those entities.

8. **Changes in** the Group's structure

In the six months ended June 30th 2020, there were no changes in the Group's structure.

On August 27th 2020, the Management Board of the parent adopted a resolution to start the employment restructuring at RAFAKO S.A.; for details, see Note 2. Furthermore, on September 28th 2020 RAFAKO S.A. w restrukturyzacji executed agreements for the sale of an organised part of business, operating as a branch of the Company, and for the sale of 100% of shares in EBUS Sp. z o.o., as described in Note 32 to these interim condensed consolidated financial statements.

9. Seasonality and cyclical nature of the Group's operations

The operations of Group companies are not affected by seasonality or periodic fluctuations that could materially impact the Group's financial performance.

10. Contract assets and liabilities

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

	June 30th 2020	*December 31st 2019*
Gross contract assets	155,627	271,202
Impairment of contract assets (-)	(936)	(1,415)
Contract assets	154,691	269,787
Contract liabilities, including prepayments	356,077	251,625

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

The table below presents the effects of accounting for contracts, including revenue and costs of running contracts recognised in accordance with IFSR 15 as at June 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.

(PLN thousand)

	June 30th 2020	*December 31st 2019*
Revenue initially agreed in contract	8,126,885	7,971,771
Change in contract revenue	148,393	42,339
Aggregate contract revenue	**8,275,278**	**8,014,110**
Contract costs incurred as at reporting date	6,267,510	5,673,184
Costs expected to be incurred by contract completion date	1,992,724	2,125,054
Estimated aggregate contract costs	**8,260,234**	**7,798,238**
Estimated aggregate profit/(loss) on contracts, including:	**15,044**	**215,872**
profit	353,181	431,683
loss (-)	(338,137)	(215,810)

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

	June 30th 2020	*December 31st 2019*
Advance payments received as at reporting date	147,472	177,222
Advance payments that can be set off against amounts due from customers for contract work	20,540	29,987
Contract costs incurred as at reporting date	6,339,264	5,712,182
Cumulative profit as at reporting date (+)	249,705	303,598
Cumulative loss as at reporting date (+)	(338,137)	(215,810)
Cumulative contract revenue as at reporting date	6,250,832	5,799,970
Amounts invoiced as at reporting date (progress billings)	6,303,809	5,605,335
Settlement of contracts (balance) as at the reporting date, including:	**(52,977)**	**194,635**
Contract assets less advance payments that can be offset	155,627	271,202
Contract liabilities	229,144	106,554

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

Contract assets:

	June 30th 2020	*December 31st 2019*
Contract assets at beginning of period	269,787	381,352
Revenue charged in the reporting period to contract assets	41,620	121,219
Total revenue restatements charged to contract assets	35,718	50,298
Changes in impairment losses on contract assets	479	325
Reclassification to trade receivables (-)	(192,913)	(283,407)
Contract assets at end of period	**154,691**	**269,787**

Contract liabilities:

(PLN thousand)

	June 30th 2020	*December 31st 2019*
Contract liabilities at beginning of period	251,625	173,499
Performance obligations recognised in the reporting period as contract liabilities	111,748	59,286
Change in advance payments	(18,138)	42,656
Total revenue restatements charged to contract liabilities	25,186	1,917
Recognition of revenue recognised in contract liabilities at beginning of period (-)	(14,344)	(25,733)
Contract liabilities at end of period	**356,077**	**251,625**

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

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 and for the Jaworzno 910 MW contract; for details, see Notes 10.1.1 and 10.1.2 to these interim condensed consolidated 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. 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.

10.1. Key contracts executed by the Group

10.1.1. Jaworzno Project

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

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

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

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

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

During the final testing of the Unit, a number of objective events occurred which affected the date of delivery of the Unit to the Employer. Following the Unit's being taken offline due to extreme weather conditions, it was found that an unforeseeable event had occurred, involving damage to a component of the 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; it sets out the terms and conditions for the performance of additional works by the Contractor and addresses the following key issues: a PLN 9.9m (VAT exclusive) increase in the contract price to account for additional work; change of the Unit's commissioning deadline; update of the Time and Payment Schedule reflecting changes in the delivery dates for individual milestones; and transfer of ownership rights to the turbine island.

The new payment schedule improved the Company's liquidity, and enabled the Company to pay its subcontractors for the additional work under the contract.

E003B7 Sp. z o.o. is gradually completing further milestones to put the unit into service by November 15th 2020, thus effectively mitigating the technical risks of the project. The technical work is running smoothly and ahead of schedule. On August 19th 2020, the unit started to generate electricity and was successfully synchronised with the power grid, and at the beginning of September the unit reached its nameplate output of 910 MW for the first time in the project's history. This confirmed the correct delivery of the key objectives of the project, so vital for Poland's energy security.

The Management Board of the parent is taking steps to raise additional funds necessary to secure financial liquidity of E003B7 Sp. z o.o. by the end of 2021, i.e. the planned date of completion of warranty measurements when the guarantee amounts are to be reduced (12 months from the date of the Provisional Acceptance Certificate (PAC)).

To this end, RAFAKO S.A. w restrukturyzacji/E003B7 Sp. z o.o. holds negotiations with the TAURON Group as part of the mediation proceedings before the Court of Arbitration at the General Prosecutor's Office in order to settle mutual claims resulting from the costs of construction of the 910 MW unit.

At the same time, in line with its declaration to cooperate with the employer, the subsidiary, as part of the indemnification and complaint procedure, is taking steps to recover the compensation from the insurer for the costs incurred as a result of the failure on the steam generator components in February 2020.

The subsidiary also holds discussions with the Consortium of Financial Institutions which provide guarantee security for the Jaworzno Project. The institutions have declared their readiness to continue further work in this respect. If reached, the agreement will allow the parties to sign the Provisional Acceptance Certificate by November 15th 2020.

Accounting for the Jaworzno Project:

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

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

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

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

Change in estimates for the Jaworzno Project

The change in the overall result on the part of the contract performed by the Group was caused by changes in the estimates of total revenue and costs for the six months ended June 30th 2020, which was negative at PLN -89m.

Due to the ongoing mediation between the Company/E003B7 Sp. z o.o. and the TAURON Group, as described above, the financial result of the contract may change and as at the date of issue of these interim condensed consolidated financial statements the Group is not able to determine its final amount.

10.1.2. Vilnius Project

The parent performs the contract of September 29th 2016 with JSC VILNIAUS KOGENERACINÇ JÇGAIN 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 parent estimated the amount of its claims for extraordinary price increases during the Vilnius Project, works performed which, in the opinion of RAFAKO S.A. w restrukturyzacji, were beyond the original scope of the project, and the delay in project completion not attributable to the parent.

On July 10th 2020, the parent filed a request for arbitration with the Stockholm Chamber of Commerce concerning recognition by the employer of RAFAKO S.A. w restrukturyzacji'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 details22 to these interim condensed consolidated 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 of the parent decided to recognise a PLN 95.8m provision.

The potential additional contract costs estimated by the parent 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 control of RAFAKO S.A. w restrukturyzacji.

The risk of 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.

(PLN thousand)

The effect of the Vilnius Project on the Group's profit or loss for the six months ended June 30th 2020 was negative at PLN -105m. In the six months ended June 30th 2020, total comprehensive income increased by approximately PLN 13.0m mainly due to exchange differences, and total costs and provision for warranty repairs increased by approximately PLN 118m.

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

11.1. Revenue and operating segments

In the six months ended June 30th 2020, there were no changes in the Group's accounting policies with respect to the identification of operating segments and the rules of measuring revenue, profit or loss, and assets of the segments which were presented in the Group's most recent full-year consolidated financial statements.

11.1.1 Revenue from sale of goods and services

	Six months ended June 30th 2020	*12 months ended December 31st 2019*	*Six months ended June 30th 2019*
Net revenue from sale of products	53,835	73,788	41,505
Net revenue from sale of services	429,680	1,167,379	475,683
including: from related entities	478	2,328	1,270
Net revenue from sale of other goods	2,193	3,822	1,833
Exchange differences on trade receivables	7,174	(1,084)	(279)
Net revenue from sale of goods and services, total	**492,882**	**1,243,905**	**518,742**
including: from related entities	478	2,328	1,270

In the six months ended June 30th 2020, the Group reported revenue of PLN 492,882 thousand, PLN 25,860 thousand less year on year. The decrease was due mainly to lower revenue from the Jaworzno 910 MW and the Vilnius CHP projects.

The Group's increased involvement in the steam-generator project on the Lombok Island in Indonesia had a positive effect on the amount of revenue in the six months ended June 30th 2020.

11.1.2 Revenue from sale of materials

	Six months ended June 30th 2020	*12 months ended December 31st 2019*	*Six months ended June 30th 2019*
Revenue from sale of merchandise and materials	1,080	999	427
including: from related entities	–	–	–
Net revenue from sale of merchandise and materials, total	**1,080**	**999**	**427**
including: from related entities	–	–	–

(PLN thousand)

11.1.3 Revenue by geography

	Six months ended June 30th 2020	*12 months ended December 31st 2019*	*Six months ended June 30th 2019*
Revenue from sales to domestic customers	274,088	784,006	300,329
including: from related entities	478	2,328	1,270
Revenue from sales to foreign customers	219,784	460,898	218,840
including: from related entities	–	–	–
Net sales revenue, total	**493,962**	**1,244,904**	**519,169**
including: from related entities	478	2,328	1,270

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

Revenue from sales to related entities is presented in detail in Note 25 to these interim condensed consolidated financial statements.

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

Trading partner	*% of total sales*	*Six months ended June 30th 2020*
PT PLN (Persero)	21.2%	104,613
GÓRNICTWO I ENERGETYKA KONWENCJONALNA S.A.	11.6%	57,181
UAB VILNIAUS KOGENERACINE JEGAINE	10.6%	52,234
Operator Gazociągów Przesyłowych GAZ-SYSTEM S.A.	15.1%	74,611
Other	41.4%	204,243
Total	**100%**	**492,882**

11.1.4 Operating segments

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

The Group identifies the following operating segments:

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

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

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

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

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

(PLN thousand)

For the six months ended June 30th 2020 or as at June 30th 2020	*Power and environmental protection facilities*	*Products for oil and gas sector*	*Other segments*	*Segments – total*	*Eliminations and unallocated items*	*Total*
Revenue						
Sales to external customers	403,448	83,816	11,065	498,329	(4,367)	493,962
Inter-segment sales	1,867	–	12,467	14,334	(14,334)	–
Total segment revenue	405,315	83,816	23,532	512,663	(18,701)	493,962
Cost of products and materials sold	(591,581)	(97,430)	(21,167)	(710,178)	16,343	(693,835)
Total						
Gross profit/(loss)	(186,266)	(13,614)	2,365	(197,515)	(2,358)	(199,873)
Other income/(expenses)	(75,996)	(2,121)	(9,181)	(87,298)	28,224	(59,074)
Operating profit/(loss)	(262,262)	(15,735)	(6,816)	(284,813)	25,866	(258,947)
Finance income/(costs)	(6,113)	9	(229)	(6,333)	2,363	(3,970)
Profit/(loss) before tax	(268,375)	(15,726)	(7,045)	(291,146)	28,229	(262,917)
Income tax	(13,310)	–	(2,583)	(15,893)	1,083	(14,810)
Segment's net profit/(loss)	(281,685)	(15,726)	(9,628)	(307,039)	29,312	(277,727)
Results						
Depreciation and amortisation	6,003	199	1,369	7,571	69	7,640
Share of profit of associates and joint ventures	–	–	–	–	–	–
Assets and liabilities as at June 30th 2020						
Segment assets	892,258	103,923	73,878	1,070,059	(51,061)	1,018,998
Segment liabilities	1,111,850	70,835	47,473	1,230,158	(47,118)	1,183,040
Other information						
Investments in associates and joint ventures	–	–	–	–	–	–
Capital expenditure	1,010	230	1,552	2,792	–	2,792

(PLN thousand)

For the six months ended June 30th 2019 or as at June 30th 2019	*Power and environmental protection facilities*	*Products for oil and gas sector*	*Other segments*	*Segments – total*	*Eliminations and unallocated items*	*Total*
Revenue						
Sales to external customers	436,886	74,782	11,883	523,551	(4,382)	519,169
Inter-segment sales	519	–	20,505	21,024	(21,024)	–
Total segment revenue	437,405	74,782	32,388	544,575	(25,406)	519,169
Cost of products and materials sold	(584,702)	(70,605)	(26,717)	(682,024)	25,571	(656,453)
Total						
Gross profit/(loss)	(147,297)	4,177	5,671	(137,449)	165	(137,284)
Other income/(expenses)	(37,445)	(1,685)	(4,758)	(43,888)	(2,565)	(46,453)
Operating profit/(loss)	(184,742)	2,492	913	(181,337)	(2,400)	(183,737)
Finance income/(costs)	(549)	3	(681)	(1,227)	1,397	170
Profit/(loss) before tax	(185,291)	2,495	232	(182,564)	(1,003)	(183,567)
Income tax	8,770	–	(149)	8,621	191	8,812
Segment's net profit/(loss)	(176,521)	2,495	83	(173,943)	(812)	(174,755)
Results						
Depreciation and amortisation	7,360	102	1,457	8,919	48	8,967
Share of profit of associates and joint ventures	–	–	–	–	–	–
Assets and liabilities as at June 30th 2019						
Segment assets	1,243,015	97,282	100,930	1,441,227	(118,372)	1,322,855
Segment liabilities	911,542	25,408	43,614	980,564	(80,159)	900,405
Other information						
Investments in associates and joint ventures	–	–	–	–	–	–
Capital expenditure	107	–	166	273	–	273

(PLN thousand)

For the six months ended June 30th 2020	*Power and environmental protection facilities*	*Products for oil and gas sector*	*Other segments*	*Segments – total*	*Eliminations and unallocated items*	*Total*
Region						
Poland	188,950	83,637	20,608	293,195	(18,521)	274,674
European Union	93,025	179	2,744	95,948		95,948
Other countries	123,340	–	180	123,520	(180)	123,340
Total segment revenue	405,315	83,816	23,532	512,663	(18,701)	493,962
Term of the contract						
Short-term contracts	243,419	83,816	21,366	348,601	(18,701)	329,900
Long-term contracts	161,896	–	2,166	164,062	–	164,062
Total segment revenue	405,315	83,816	23,532	512,663	(18,701)	493,962

(PLN thousand)

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

Product group name	*Six months ended June 30th 2020*	*12 months ended December 31st 2019*	*Six months ended June 30th 2019*
Power generation units and steam generators	164,690	348,137	159,452
Revenue under the Jaworzno 910 MW project	40,644	285,272	82,246
Air pollution control systems	101,815	252,639	87,737
Power equipment, machinery and components, and related services	83,866	207,301	111,300
Services and products for oil and gas sector	78,200	117,825	70,466
Other revenue	24,747	33,730	7,968
Total	**493,962**	**1,244,904**	**519,169**

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

Cost of sales in the reporting period was PLN 693,835 thousand, As a combined effect of the Group’s revenue and cost of sales, gross loss reached PLN 199,873 thousand. The reason for the loss reported in the six months ended June 30th 2020 is the revaluation of cost and revenue estimates related to two significant contracts:

- Construction of a biomass-fired co-generation unit consisting of fluidised bed boilers, biomass storage and feeding systems, and a flue gas treatment system in Vilnius, Lithuania (effect on the Group’s consolidated result for the six months ended June 30th 2020: PLN -105m);
- Construction of the Jaworzno 910 MW power generation unit (effect on the Group's consolidated result for the six months ended June 30th 2020: PLN(-) 89m).

In the reporting period, selling expenses of PLN 8,391 thousand disclosed in the statement of profit or loss comprised costs of bid preparation as well as costs of PR and marketing activities.

The largest component of other income was PLN 7,172 thousand income from liquidated damages received and PLN 1,754 thousand income from compensation received.

Other expenses chiefly included impairment losses on assets of PLN 22,684 thousand, including:

- an impairment loss on other receivables, including advance payments of PLN 14,479 thousand;
- an impairment loss on trade receivables of PLN 3,814 thousand;
- impairment losses on property, plant and equipment and intangible assets, including goodwill, of PLN 4,391 thousand.

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

In the six months ended June 30th 2020, the Company's finance income included mainly foreign exchange gains of PLN 1,730 thousand and interest earned on financial instruments of PLN 376 thousand (June 30th 2019: PLN 973 thousand).

Finance costs in the period included mainly interest expense on financial instruments of PLN 2,648 thousand (June 30th 2019: PLN 2,416 thousand) and discount on long-term settlements of PLN 2,422 thousand.

(PLN thousand)

11.3. Income tax

Income tax expense

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

Continuing operations	*Six months ended June 30th 2020*	*Six months ended June 30th 2019*
Consolidated statement of profit or loss		
Current tax	(146)	(816)
Current income tax expense	(146)	(816)
Deferred tax	(14,664)	9,628
Related to recognition and reversal of temporary differences	39,785	9,662
Adjustments to deferred tax from previous years	–	(34)
Impairment loss on deferred tax	(54,449)	–
Income tax expense in the consolidated statement of profit or loss	**(14,810)**	**8,812**

Continuing operations	*Six months ended June 30th 2020*	*Six months ended June 30th 2019*
Deferred tax on other comprehensive income	175	96
Related to recognition and reversal of temporary differences	175	96
Adjustments to current income tax from previous years	–	–
Income tax expense recognised in other comprehensive income	**175**	**96**

Deferred income tax calculated as at June 30th 2020

As at June 30th 2020, the Group analysed the recoverable amount of the deferred tax asset based on forecasts and budgets prepared for subsequent years and recognised a PLN 28,182 thousand impairment loss on deferred tax assets.

(PLN thousand)

Deferred income tax calculated as at June 30th 2020 relates to the following:

	Statement of financial position		*Statement of comprehensive income*	
	June 30th 2020	*December 31st 2019*	*June 30th 2020*	*June 30th 2019*
- investment reliefs	(1)	(1)	–	1
- difference between tax base and carrying amount of property, plant and equipment and intangible assets	(11,288)	(14,183)	2,895	(655)
- difference between tax base and carrying amount of assets measured at fair value through profit or loss	1,482	1,031	451	(373)
- difference between tax base and carrying amount of loans and receivables	4,957	6,610	(1,652)	320
- difference between tax base and carrying amount of gross amount due from customers for contract work and related accruals and deferrals	8,181	(41,302)	49,483	(9,050)
- difference between tax base and carrying amount of inventories	2,242	2,275	(33)	(9)
- provisions	27,830	22,752	5,078	3,364
- difference between tax base and carrying amount of payables, provisions, and accruals and deferrals relating to accounting for construction contracts	58,586	74,208	(15,622)	30,515
- tax asset related to tax loss	223	223		(16,180)
- adjustment to costs of unpaid invoices	3,217	3,535	(319)	(204)
- other	8,635	8,957	(322)	2,029
Deferred tax expense/benefit disclosed in the statement of profit or loss			39,785	9,662
Deferred tax expense/benefit disclosed in other comprehensive income			174	96
Impairment loss on deferred tax	(75,882)	(21,433)	(54,449)	–
Net deferred tax asset/(liability) including:			**(14,490)**	**9,758**
Net deferred tax asset/(liability), including:	**28,182**	**42,672**		
Deferred tax assets	28,182	42,672		
Deferred tax liability	–	–		

11.4.Significant items disclosed in the statement of cash flows

The PLN 158,365 thousand decrease in receivables disclosed in the statement of cash flows for the six months ended June 30th 2020 resulted mainly from:

- PLN (149,112) thousand decrease in trade receivables,
- PLN (5,614) thousand increase in receivables from the state budget (including VAT),
- PLN 2,097 thousand decrease in advance payments made,
- PLN 10,503 thousand decrease in security deposits receivable,
- PLN 2,267 thousand decrease in other receivables.

For a detailed description of changes in security deposits and disputed receivables in the six months ended June 30th 2020, see Note 11.14.

The PLN 127,113 thousand increase in liabilities disclosed in the statement of cash flows resulted mainly from:

- PLN (115,388) thousand decrease in trade payables,
- PLN (13,325) thousand decrease in taxes and other duties payable,

(PLN thousand)

- PLN (918) thousand change in actuarial gains/(losses),
- PLN 2,518 thousand increase in other liabilities.

The PLN 219,548 thousand change in gross amounts due to and from customers for contract work disclosed in the statement of cash flows resulted primarily from:

- PLN 115,096 thousand decrease in gross amounts due from customers for contract work and accruals and deferrals,
- PLN 104,452 thousand increase in gross amounts due for contract work,

The PLN 48,540 thousand change in provisions, accruals and deferrals disclosed in the statement of cash flows resulted mainly from:

- PLN 22438 thousand increase in the provision for warranty repairs,
- PLN 32,183 thousand increase in the provision for expected contract losses,
- PLN (7,307) thousand change in accruals and deferrals,
- PLN (1,226) thousand change in other provisions.

The cash flows of PLN 1,633 thousand relating to purchase of property, plant and equipment and intangible assets included PLN 1,133 thousand incurred to purchase property, plant and equipment, and PLN 500 thousand incurred to purchase intangible assets.

Cash flows from financing activities were mainly affected by a PLN 33,040 thousand decrease in debt outstanding under the overdraft facility and working capital facility advanced by PKO BP S.A. to the parent.

11.5. Goodwill and intangible assets

June 30th 2020	*Goodwill*	*Patents and licences*	*Other intangible assets*	*Intangible assets under development*	*Total*
Net carrying amount as at January 1st 2020	**6,704**	**6,592**	**52**	**196**	**13,544**
Acquisitions	–		–	88	88
Transfers from intangible assets under development	–	81		(81)	–
Amortisation for the year	–	(637)	(26)	–	(663)
Impairment loss for period	(3,198)	–	–	–	(3,198)
As at June 30th 2020	**3,506**	**6,036**	**26**	**203**	**9,771**

* pledged as security for the Group's liabilities as at the reporting date; see Note 11.18.2.

(PLN thousand)

December 31st 2019	*Goodwill*	*Patents and licences*	*Other intangible assets*	*Intangible assets under development*	*Total*
Net carrying amount as at January 1st 2019	**9,165**	**7,871**	**109**	**28**	**17,173**
Transfers from intangible assets under development	–	136	–	(136)	–
Acquisitions	–	76	–	304	380
Amortisation for the year	–	(1,491)	(57)	–	(1,548)
Impairment loss for period	(2,461)	–	–	–	(2,461)
As at December 31st 2019	**6,704**	**6,592**	**52**	**196**	**13,544**

June 30th 2019	*Goodwill*	*Patents and licences*	*Other intangible assets*	*Intangible assets under development*	*Total*
Net carrying amount as at January 1st 2019	**9,165**	**7,870**	**109**	**28**	**17,173**
Acquisitions	–	37	–	108	145
Transfers from intangible assets under development	–	136	–	(136)	–
Amortisation for the year	–	(731)	(29)	–	(760)
As at June 30th 2019	**9,165**	**7,312**	**80**	–	**16,558**

In the six months ended June 30th 2020, the parent recognised an impairment loss on goodwill of PLN 376 thousand. A further impairment loss on goodwill, of PLN 2,822 thousand, was recognised by a subsidiary. As at June 30th 2020 the amount of goodwill was PLN 3,506 thousand.

(PLN thousand)

11.6.Property, plant and equipment

For the six months ended June 30th 2020	*Land*	*Buildings*	*Plant and equipment*	*Vehicles*	*Other*	*Property, plant and equipment under construction*	*Total*
Net carrying amount as at January 1st 2020	**23,636**	**81,096**	**37,274**	**2,732**	**647**	**1,977**	**147,362**
Transfers from property, plant and equipment under construction	–	2,268	57	–	–	(2,325)	–
Acquisitions	–	–	7	7	35	776	825
Liquidation/sale	(180)	(213)	(43)	(62)	–	(244)	(742)
Translation reserve	–	–	1	2	(8)	–	(5)
Depreciation for period	–	(1,432)	(2,237)	(478)	(121)	–	(4,268)
Impairment loss for period	(197)	(987)	(9)	–	–	–	(1,193)
Other, including reclassification to/from other asset category	–	–	(104)	3	(135)	–	(236)
Net carrying amount as at June 30th 2020*	**23,259**	**80,732**	**34,946**	**2,204**	**418**	**184**	**141,743**

*Tangible assets pledged as security for the Group's liabilities as at the reporting date are presented in Note 11.18.1.

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

(PLN thousand)

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

For the six months ended June 30th 2019	*Land*	*Buildings*	*Plant and equipment*	*Vehicles*	*Other*	*Property, plant and equipment under construction*	*Total*
Net carrying amount as at January 1st 2019	**23,703**	**84,743**	**44,595**	**7,220**	**793**	**196**	**161,250**
Adjustment to opening balance following implementation of IFRS 16	–	–	(1,340)	(5,134)	(324)	–	(6,798)
Net carrying amount as at January 1st 2019	**23,703**	**84,743**	**43,255**	**2,086**	**469**	**196**	**154,452**
Transfers from property, plant and equipment under construction	–	96	145	–	35	(35)	241
Acquisitions	–	–	43	29	34	24	130
Liquidation/sale	(60)	(673)	(132)	(23)	(66)	–	(954)
Translation reserve	–	–	–	–	(1)	–	(1)
Depreciation for period	–	(1,504)	(3,231)	(607)	(114)	–	(5,456)
Impairment loss for period	–	–	63	1	–	–	64
Other, including reclassification of property, plant and equipment to/from assets held for sale	(1)	(40)	68	1,185	–	–	1,212
Net carrying amount as at June 30th 2019*	**23,642**	**82,622**	**40,211**	**2,671**	**357**	**185**	**149,688**

(PLN thousand)

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

	Six months ended June 30th 2020	*Six months ended June 30th 2019*
Purchase of property, plant and equipment and intangible assets*	2,792	273
Proceeds from sale of property, plant and equipment and intangible assets	1,527	1,705

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

11.8. 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* June 30th 2020	*Depreciation of right-of-use assets (cumulative)* June 30th 2020	*Depreciation in the reporting period* January 1st–June 30th 2020
Land	79	174	59
Buildings and structures	6,494	2,801	1,081
Plant and equipment	3,969	3,172	1,129
Vehicles	3,206	1,793	367
Other	20	51	61
Intangible assets	97	17	11
Total	**13,865**	**8,008**	**2,708**

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

In 2020, the most significant lease contracts were:

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

(PLN thousand)

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

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

Class of underlying assets	*Number of rights of use*	*Remaining lease term (years) from*	*to*	*Average remaining lease term (years)*	*Number of contracts with extension option*	*Number of contracts with purchase option*	*Number of contracts with variable rate-indexed payments*	*Number of contracts with early termination option*
Land	1	0.8	0.8	0.8	1	–	–	1
Buildings and structures	18	0.2	8.0	1.1	17	–	–	17
Plant and equipment	21	0.1	4.3	1.4	2	17	4	5
Vehicles	74	0.1	3.5	1.9	3	71	–	48
Other	4	0.08	1.1	0.6	–	4	–	–
Intangible assets	1	4.3	4.3	4.3	1	–	–	1

In 2020, the Group changed its estimates of the duration of active lease contracts for the lease of residential units. The Group estimated that it would exercise the extension options, which it had not previously foreseen. As a result of the change, the amount of lease liabilities and right-of-use assets increased by PLN 643 thousand. The economic useful lives of those assets are consistent with the lease terms, ranging from 12 months to 10 years. The Group depreciates leased assets with the straight-line method.

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

	June 30th 2020		*December 31st 2019*	
	Minimum payments	*Present value*	*Minimum payments*	*Present value*
up to 1 year	5,456	5,208	5,945	5,490
from 1 to 5 years	5,682	4,689	6,146	5,187
Over 5 years	2,203	2,057	2,604	2,402
Total minimum lease payments	**13,341**	**11,954**	**14,695**	**13,079**
Less finance costs	(1,387)	–	(1,616)	–
Present value of minimum lease payments, including:	**11,954**	**11,954**	**13,079**	**13,079**
short-term	5,208	5,208	5,490	5,490
long-term	6,746	6,746	7,589	7,589

In the 6 months ended June 30th 2020, interest expense on the lease contracts was PLN 213 thousand.

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

(PLN thousand)

In the 6 months ended June 30th 2020, the related costs were as follows:

	June 30th 2020
Short-term leases	5,236
Leases of low-value assets	–
Total	**5,236**

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

11.9. Other long-term receivables

	June 30th 2020	*December 31st 2019*
Financial receivables		
Security deposits/retentions	636	503
Other financial receivables	148,840	77,246
Impairment loss on financial receivables (-)	(98)	(107)
Other long-term financial receivables (net)	**149,378**	**77,642**
Non-financial receivables		
Other non-financial receivables	147	138
Other non-financial receivables (net)	**147**	**138**
Total other long-term receivables (net)	**149,525**	**77,780**

11.10. Shares in other entities

	June 30th 2020	*December 31st 2019*
Shares in other listed companies	173	120
Shares in other non-listed companies	1,376	1,376
	1,549	**1,496**

* Shares pledged as security for the Group's liabilities as at the reporting date are disclosed in Note 11.18.3.

(PLN thousand)

11.11. Inventories

	June 30th 2020	December 31st 2019
Materials (at net realisable value):	30,020	31,872
At cost	41,819	43,847
At net realisable value	30,020	31,872
Merchandise:	623	–
At cost	623	–
At net realisable value	623	–
Finished goods	–	1,155
At cost	–	1,155
At net realisable value	–	1,155
Total inventories, at the lower of cost and net realisable value	**30,643**	**33,027**

* Inventories pledged as security for the Group's liabilities as at the reporting date are disclosed in Note 11.18.4.

11.12. Other current financial assets

	June 30th 2020	December 31st 2019
Advance payment to acquire the right to a loan	10,400	10,400
Impairment loss on advance payment to acquire the right to a loan	(10,400)	(10,400)
Short-term bonds*	27,822	27,822
Impairment of short-term bonds	(27,822)	(27,822)
Short-term deposits	62	–
	62	–

* For a detailed description of bonds, see Note 11.12.1.

11.12.1 Bonds

As at June 30th 2020, RAFAKO S.A. recognised impairment losses on all bonds held by the parent.

For a detailed description of the bonds, see Note 26.1 to the Group's full-year consolidated financial statements for 2019.

11.13. Cash and cash equivalents

	June 30th 2020	December 31st 2019	June 30th 2019
Cash at bank and in hand	82,705	62,625	69,101
Short-term deposits for up to 3 months	60	3,457	26
	82,765	**66,082**	**69,127**

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

The Group 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 June 30th 2020, the amount was PLN 3,499 thousand.

(PLN thousand)

As at June 30th 2020, cash included restricted cash of PLN 52.1m (December 31st 2019: PLN 40.1m), which comprised cash held by E003B7 Sp. z o.o. earmarked for the Jaworzno contract, which from the RAFAKO Group's perspective is restricted due to formal arrangements with the institutions which provide financing for the Jaworzno Project.

Dividend may be paid by E003B7 Sp. z o.o. to its sole shareholder, RAFAKO S.A., without triggering an adverse response from the financial institutions only after the expiry of the guarantee provided by those institutions (for details, see Note 10.1.1).

11.14. Short-term trade and other receivables

	June 30th 2020	*December 31st 2019*
Financial receivables		
Trade receivables	235,392	452,764
Impairment loss on trade receivables (-)	(17,017)	(13,674)
Net trade receivables	**218,375**	**439,090**
Receivables on sale of property, plant and equipment and intangible assets	39	8
Security deposits	57,074	67,710
Receivables under court proceedings*	41,676	31,896
Other financial receivables	11,124	11,072
Impairment loss on financial receivables (-)	(33,786)	(33,648)
Total financial receivables, net	**294,502**	**516,128**
Non-financial receivables		
Receivables under prepayments and advance payments	103,822	105,919
Receivables from the state budget	19,112	13,498
Other non-financial receivables	21,722	11,849
Impairment loss on non-financial receivables (-)	(61,273)	(39,430)
Total non-financial receivables, net	**83,383**	**91,836**
Total short-term receivables, net	**377,885**	**607,964**

*The parent recognised an impairment loss on the receivables in an amount corresponding to the risk of their non-recoverability. For a detailed description of disputed receivables, see Note 22 to these interim condensed consolidated financial statements.

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

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

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

Short-term trade receivables of PLN 218,375 thousand recognised in the interim condensed consolidated statement of financial position as at June 30th 2020 relate to trading contracts with domestic and foreign trading partners.

Security deposits of PLN 57,074 thousand disclosed in the statement of financial position as at June 30th 2020 relate mainly to the following projects:

- Construction of a coal-fired steam unit – PLN 18,083 thousand;
- construction of a coke gas-fired power generation unit – PLN 7,113 thousand;
- Manufacture of high-pressure parts of a boiler for an incineration plant – PLN 5,998 thousand.

(PLN thousand)

- construction of a compressor station of PLN 3,120 thousand.

The change in the amount of security deposits in the six months ended June 30th 2020 was primarily attributable to the refund of a PLN 3,500 thousand cash security deposit provided in connection with the performance of contracts for the upgrade of FGD units and the refund of a PLN 8,788 thousand cash security deposit provided in connection with the performance of a contract for delivery of a catalytic flue gas NOx reduction unit.

Advance payments represented a significant portion of other receivables, and as at June 30th 2020 amounted to PLN 103,822 thousand, including:

- Advance payment of PLN 44,740 thousand towards a contract to construct fuel storage tanks;
- advance payment of PLN 14,650 thousand under a contract to construct a biomass boiler island;
- advance payment of PLN 11,119 thousand under a contract to construct a gas pipeline;
- Advance payment of PLN 6,450 thousand under a contract to construct an LNG storage tank.

11.15. Short-term accrued expenses and deferred income

	June 30th 2020	*December 31st 2019*
Costs of bank and insurance guarantees	5,442	6,333
Costs of obtaining contracts with customers	–	–
Expenditure on development work – eBus	15,611	13,436
Other costs	2,217	1,561
Accrued expenses and deferred income	**23,270**	**21,330**

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, the subsidiary entered into an agreement to sell its development expenditure on eBus as part of the sale of an organised part of business.

For detailed information on the eBus project, see Section IV.3. of the Directors' Report on the Group's operations in H1 2020 and Note 32 to these interim condensed consolidated financial statements.

11.16. Loans

As at June 30th 2020, loans granted by the Group companies to PBG S.A. w restrukturyzacji (formerly PBG oil and gas Sp. z o.o.), for a total amount of PLN 12,241 thousand, plus accrued interest, were impaired. The loan repayment date was December 31st 2019. The loans are secured with blank promissory notes.

(PLN thousand)

11.17. Impairment losses on consolidated assets

	Property, plant, equipment and intangible assets	*Shares**	*Other financial assets*** **	*Other non-financial assets*** **	*Inventories***	*Contract assets*	*Receivables****
January 1st 2020	(2,566)	(5,426)	(10,400)	(5,676)	(11,974)	(1,415)	(86,859)
Recognised	(4,391)	(38)	–	–	(1,489)	–	(26,547)
Reversed	–	–	–	–	527	479	906
Utilised	–	–	–	–	1,137	–	326
June 30th 2020	**(6,957)**	**(5,464)**	**(10,400)**	**(5,676)**	**(11,799)**	**(936)**	**(112,174)**
January 1st 2019	(233)	(4,975)	(10,400)	(5,676)	(10,287)	(1,848)	(51,502)
Recognised	–	(35)	–	–	–	(1,787)	(2,148)
Reversed	–	–	–	–	–	–	1,774
Utilised	63	–	–	–	231	–	13,285
June 30th 2019	**(170)**	**(5,010)**	**(10,400)**	**(5,676)**	**(10,056)**	**(3,635)**	**(38,591)**

* Impairment losses on shares in companies are recognised for shares in companies declared bankrupt and in connection with remeasurement of shares in companies which are in a company voluntary arrangement process.
** Inventory write-downs and write-down reversals are charged to cost of products and services sold.
*** Impairment losses on trade and other receivables, including on contractual penalties, deposits and advance payments
**** The Parent's Management Board estimates that financial assets covered by an agreement concluded in 2012 are exposed to a significant risk of non-recoverability and has upheld its decision to recognise an impairment loss for the full amount of the project.

With respect to trade receivables for which lifetime expected losses are estimated, the Group is not exposed to credit risk related 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 June 30th 2020 and the comparative date, the gross amounts of individual groups and impairment losses were as follows:

	Assets assets	Current	Trade receivables 0–30 days	31–90 days	91–180 days	181–365 days	365 days or more	Total
June 30th 2020								
Location: Poland								
Impairment loss rate	0.54%	0.54%	0.54%	22.23%	44.03%	64.48%	93.30%	
Gross carrying amount	155,627	5,594	2,044	12,104	5,983	10,170	8,022	199,544
Impairment loss	(936)	(762)	(1,978)	(1,668)	(321)	(1,186)	(7,623)	(14,474)
Location: outside Poland								
Impairment loss rate	–	0.54%	0.54%	22.23%	44.03%	64.48%	93.30%	
Gross carrying amount	–	184,681	5,163	545	–	497	588	191,474
Impairment loss	–	(2,461)	(28)	(121)	–	(320)	(549)	(3,479)
Total impairment losses	**(936)**	**(3,223)**	**(2,006)**	**(1,789)**	**(321)**	**(1,506)**	**(8,172)**	**(17,953)**

	Assets assets	Current	Trade receivables 0–30 days	31–90 days	91–180 days	181–365 days	365 days or more	Total
December 31st 2019								
Location: Poland								
Impairment loss rate	0.54%	0.54%	0.54%	22.23%	44.03%	64.48%	93.30%	–
Gross carrying amount	271,203	301,429	3,249	11,488	8,675	1,046	7,552	604,642
Impairment loss	(1,415)	(1,097)	(395)	(159)	(2,171)	(861)	(7,493)	(13,591)
Location: 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	**(1,415)**	**(1,706)**	**(425)**	**(260)**	**(2,379)**	**(1,178)**	**(7,726)**	**(15,089)**

As at June 30th 2020, an impairment loss of PLN 33,786 thousand was recognised on other short-term financial receivables with a gross carrying amount of PLN 109,913 thousand (December 31st 2019: PLN 110,786 thousand; impairment loss on other receivables: PLN 33,648 thousand).

(PLN thousand)

11.18. Assets pledged as security for the Group's liabilities

11.18.1 Property, plant and equipment pledged as security

As at June 30th 2020, property, plant and equipment pledged as security for the Group's liabilities amounted to PLN 119,888 thousand. The parent's property, plant and equipment of PLN 118,717 thousand are pledged as security for liabilities under the multi-purpose credit facility agreement with PKO BP S.A. (mortgage of up to PLN 300m on property of which RAFAKO is the owner or perpetual usufructuary, except residential property, and a first-ranking registered pledge over a set of movables and rights) and in respect of the repayment of BGK S.A.'s, PKO BP S.A.'s, mBank S.A.'s and PZU S.A.'s claims towards RAFAKO S.A. w restrukturyzacji under the Surety Agreement signed to secure the liabilities of E003B7 sp. z o.o. arising under 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 subsidiary's buildings and structures worth PLN 1,166 thousand, as well as IT equipment and office containers worth PLN 5 thousand are also pledged as security for liabilities under the credit facility agreements.

	June 30th 2020	*December 31st 2019*
Mortgaged property, plant and equipment, including:	82,560	84,278
land	9,162	9,162
buildings and structures	73,398	75,116
Property, plant and equipment encumbered with registered pledge, including:	37,328	39,287
plant and equipment	35,021	36,885
vehicles	2,307	2,402
	119 888*	**123 565***

* The disclosed amounts include PLN 682 thousand of property, plant and equipment classified as held for sale (December 31st 2019: PLN 123 thousand).

11.18.2 Intangible items pledged as security

As at June 30th 2020, intangible assets worth PLN 7,478 thousand were pledged as security for the parent's liabilities (December 31st 2019: PLN 8,097 thousand). The assets are 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 under 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).

11.18.3 Shares pledged as security

As at June 30th 2020, PLN 28,938 thousand (December 31st 2019: PLN 31,310 thousand) worth of the parent's 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.).

11.18.4 Inventories pledged as security

As at June 30th 2020, inventories worth PLN 27,859 thousand were pledged as security for the parent's liabilities (December 31st 2019: PLN 27,205 thousand). The assets are 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).

11.18.5 Trade receivables pledged as security

As at June 30th 2020, trade receivables of PLN 52,043 thousand were pledged as security for guarantees and borrowings received by the Group (December 31st 2019: PLN 21,499 thousand).

11.19. Share capital

In the six months ended June 30th 2020, RAFAKO S.A.'s share capital remained unchanged and as at June 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. w restrukturyzacji, the parent's main shareholder, a registered pledge was created over RAFAKO S.A. shares held directly by PBG S.A. (7,665,999 shares) and indirectly through Multaros Trading Company Limited, a subsidiary of PBG S.A. w restrukturyzacji (34,800,001 shares) for the benefit of bondholders.

11.20. Par value per share

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

11.21. Shareholders' rights

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

11.22. Share premium

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

11.23. Earnings /(loss) per share

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

(PLN thousand)

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

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

	Six months ended June 30th 2020	*Six months ended June 30th 2019*
Net profit/(loss) from continuing operations	(277,727)	(174,755)
Net profit/(loss) attributable to holders of ordinary shares, applied to calculate earnings/(loss) per share	**(271,215)**	**(174,585)**
Weighted average number of outstanding ordinary shares, applied to calculate basic earnings/(loss) per share	127,431,998	127,431,998
Dilutive effect:	–	–
Stock options	–	–
Cancellable preference shares	–	–
Adjusted weighted average number of ordinary shares used to calculate diluted earnings/(loss) per share	127,431,998	127,431,998
Earnings/(loss) per share, PLN		
– basic earnings from profit attributable to holders of ordinary shares for period	(2.18)	(1.37)
– diluted earnings from profit attributable to holders of ordinary shares for period	(2.18)	(1.37)

In the six months ended June 30th 2020, the parent did not issue new shares.

11.24. Other non-current liabilities

	June 30th 2020	*December 31st 2019*
Financial liabilities		
Retentions (security deposits)	20	43
Other liabilities	16,817	20,552
Total financial liabilities	**16,837**	**20,595**

(PLN thousand)

11.25. Long-term employee benefit obligations

	June 30th 2020	*December 31st 2019*
Unpaid bonus accrual		5
Provision for retirement gratuity	9,005	8,716
Provision for long-service benefits	14,493	13,944
Provision for other employee benefits	6,926	6,815
	30,424	**29,480**

11.26. Post-employment and other benefits

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

	June 30th 2020	*December 31st 2019*
As at January 1st	31,941	26,207
Interest expense	300	729
Current service costs	342	692
Actuarial (gains)/losses	918	6,877
Benefits paid	(828)	(2,564)
Closing balance	**32,673**	**31,941**
Long-term provisions	30,424	29,475
Short-term provisions	2,249	2,466

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

	June 30th 2020	*December 31st 2019*
Discount rate (%)	1.9	1.9
Expected inflation rate (%)*	–	–
Employee turnover rate	7.5	7.5
Expected growth of salaries and wages (%)**	2	2

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

11.27. Other long-term provisions

	June 30th 2020	*December 31st 2019*
Provision for warranty repairs	61,048	36,357
	61,048	**36,357**

(PLN thousand)

11.28. Short-term trade and other payables

	June 30th 2020	*December 31st 2019*
Financial liabilities		
Trade payables	459,712	571,365
Amounts payable for tangible and intangible assets	1,638	169
Retentions (security deposits)	195	261
Other financial liabilities	–	–
Total financial liabilities	**461,545**	**571,795**
Non-financial liabilities		
Taxes and other duties payable	10,599	23,924
Amounts payable under sureties/joint and several liability	10,877	15,386
Liabilities due to delayed payment of costs	6,081	13,582
Other non-financial liabilities	5,713	3,968
Total non-financial liabilities	**33,270**	**56,860**
	494,815	**628,655**

11.29. Short-term employee benefit obligations and provisions

	June 30th 2020	*December 31st 2019*
Social security	19,551	9,494
Salaries and wages payable	9,202	9,118
Obligations under Employee Capital Plans	99	226
Accrued holiday entitlements	5,155	4,129
Unpaid bonus accrual	315	883
Provision for retirement gratuity	278	433
Provision for long-service benefits	1,712	1,771
Provision for other employee benefits	266	270
	36,578	**26,324**

11.30. Other short-term provisions

	June 30th 2020	*December 31st 2019*
Provision for warranty repairs	4,461	6,714
Provision for expected contract losses	71,878	39,695
Provision for liquidated damages	1,581	–
Other provisions	357	713
	78,277	**47,121**

12 Objectives and policies of financial risk management

The objectives and policies of financial risk management have not changed relative to those published in the most recent full-year consolidated financial statements for 2019.

(PLN thousand)

13 Financial instruments

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

The value of financial assets presented in the interim condensed consolidated statement of financial position as at June 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).

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

Classes and categories of financial assets	*Carrying amount June 30th 2020*	*Carrying amount December 31st 2019*
Assets at fair value through profit or loss	**173**	**120**
Long-term shareholdings	173	120
Assets at fair value through other comprehensive income	**1,376**	**1,376**
Long-term shareholdings	1,376	1,376
Assets at amortised cost	**526,707**	**659,854**
Trade receivables	367,117	516,230
Receivables on sale of property, plant and equipment and intangible assets	39	8
Other financial receivables*	76,724	77,534
Short-term deposits	62	–
Cash and cash equivalents	82,765	66,082
	528,256	**661,350**

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

(PLN thousand)

The value of financial liabilities presented in the statement of financial position as at June 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*	
	June 30th 2020	*December 31st 2019*
Financial liabilities at amortised cost	**560,099**	**705,466**
Borrowings	81,718	113,075
Trade payables (including capital commitments)	478,166	592,086
Other financial liabilities	215	305
Liabilities under guarantees, factoring and excluded from the scope of IFRS 9	**11,955**	**13,079**
Liabilities under leases and rental contracts with purchase option	11,955	13,079
	572,054	**718,545**

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

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities,
- Level 2 – inputs for the asset or liability, other than quoted prices included within Level 1, based on observable market variables,
- Level 3 – inputs for the asset or liability that are not based on observable market variables.

June 30th 2020	*Level 1*	*Level 2*	*Level 3*
Assets at fair value through profit or loss	**173**	–	–
Long-term shareholdings	173	–	–
Assets at fair value through other comprehensive income	**1,376**	–	–
Long-term shareholdings	1,376	–	–

(PLN thousand)

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

In the reporting period, there were no material transfers between Level 1 and Level 2 of the fair value hierarchy.

14 Derivative instruments

As at June 30th 2020 and December 31st 2019, the Group did not carry any open currency forward contracts.

As at June 30th 2020 and December 31st 2019, the Group did not carry any other types of open derivative instruments.

The Group companies do not apply hedge accounting, but the transactions are not speculative and their purpose is to effectively hedge foreign currency purchase/sale contracts.

(PLN thousand)

15 Borrowings

Short-term borrowings	*Security*	*Other*	*Currency*	*Effective interest rate*	*Maturity*	*June 30th 2020*	*December 31st 2019*
PKO BP S.A.	blank promissory note with a promissory note declaration, assignment of receivables under contracts*, clause providing for debt set-off against RAFAKO S.A.'s cash held in bank accounts, mortgage**, statement of submission to enforcement, registered pledge over a set of movables and rights comprising an entire business	current account overdraft facility of up to PLN 50m***	PLN	1M WIBOR + margin	November 10th 2020****	49,984	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 31m	PLN	1M WIBOR or 1M EURIBOR + margin	November 10th 2020****	21,548	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 for up to PLN 142m	PLN	1M WIBOR + margin	November 10th 2020****	8,300	8,303

*The facility is secured by receivables under contracts executed by RAFAKO S.A.;

**As at the date of these interim condensed consolidated financial statements, RAFAKO S.A. had established mortgages on its properties (other than flats and residential buildings) for a total amount of up to PLN 300m, to provide additional security for the PKO BP credit facility.

***As at the date of issue of these interim condensed consolidated financial statements, in accordance with the annex of June 30th 2020 to the multi-purpose credit facility agreement, the facility limit was set at PLN 142m, including an overdraft facility of up to 50 million;

***As at the date of issue of these interim condensed consolidated financial statements, in accordance with the annex of June 30th 2020 to the multi-purpose credit facility agreement, the term of the facility and its repayment date were extended until November 10th 2020.

(PLN thousand)

Short-term borrowings	*Security*	*Other*	*Currency*	*Effective interest rate*	*Maturity*	*June 30th 2020*	*December 31st 2019*
Podkarpacki Bank Spółdzielczy	blank promissory note, power of attorney over bank account, mortgages, assignment of claims under insurance policy	PLN 1m overdraft facility	PLN	1M WIBOR + margin	04.09.2020	820	936
Podkarpacki Bank Spółdzielczy	blank promissory note, power of attorney over bank account, statements on submission to enforcement, mortgages, assignment of claims under insurance policy	PLN 2m working capital facility agreement	PLN	1M WIBOR + margin	November 10th 2020	–	56
Siemens Finance Sp. z o.o.	blank promissory note	Loan agreement	PLN	1M WIBOR + margin	15.07.2021	39	38
Polski Fundusz Rozwoju S.A.		Subsidy	PLN		30.06.2024	42	–
						80,733	**113,051**

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

(PLN thousand)

16 Capital management

The Group's standing should be analysed in conjunction with Note 2 on going concern.

	June 30th 2020	*December 31st 2019*
Debt to equity		
Equity	(164,042)	114,263
Borrowed funds (bank and non-bank borrowings)	81,718	113,075
Total equity and liabilities	1,018,998	1,302,431
Capitalisation ratio (equity / total assets)	**(0.16)**	**0.09**
Total financing sources		
Equity	(164,042)	114,263
Borrowed funds (bank and non-bank borrowings)	81,718	113,075
Finance leases	11,954	13,079
Capital-to-total financing sources ratio	**(1.75)**	**0.91**
EBITDA		
Operating profit/(loss)	(258,947)	(437,561)
Depreciation and amortisation	7,640	17,599
EBITDA	**(251,307)**	**(419,962)**
Debt		
Borrowings and other debt instruments	81,718	113,075
Finance leases	11,954	13,079
Debt to EBITDA	**(0.37)**	**(0.30)**

(PLN thousand)

17 Change in provisions, liabilities and accruals and deferred income disclosed in the Group's consolidated statement of financial position

	Provision for expected contract losses	*Provision for long-service benefits, retirement gratuity payments and Company Social Benefits Fund*	*Provision for unused holiday entitlement*	*Provision for warranty repairs*	*Employee benefit obligations*	*Provision for credit losses on sureties*	*Provision for voluntary redundancy programme*	*Provision for other costs*	*Other provisions*
January 1st 2020	**39,694**	**31,942**	**4,129**	**43,071**	**888**	**7,347**	**–**	**1,775**	**234**
Recognised	47,319	1,559	1,830	27,082	50	–	–	401	155
Reversed	–	–	–	(585)	(571)	–	–	–	–
Utilised	(15,135)	(828)	(804)	(4,060)	(52)	–	–	(300)	(184)
June 30th 2020	**71,878**	**32,673**	**5,155**	**65,508**	**315**	**7,347**	**–**	**1,876**	**205**
January 1st 2019	**3,677**	**26,207**	**4,202**	**40,553**	**5,725**	**1,549**	**145**	**571**	**233**
Recognised	22,590	1,158	2,072	5,906	2,394	–	–	–	227
Reversed	–	(17)	–	(1,576)	(131)	(71)	(4)	(80)	–
Utilised	(4,369)	(728)	(769)	(3,795)	(4,871)	–	(141)	–	(233)
June 30th 2019	**21,898**	**26,620**	**5,505**	**41,088**	**3,117**	**1,478**	**–**	**491**	**227**

(PLN thousand)

18 Issue, redemption and repayment of debt and equity securities

In the six months ended June 30th 2020, the parent did not issue, redeem or repay any debt or equity securities.

19 Dividends paid or declared

In the six months ended June 30th 2020, Group companies did not pay any dividends. In accordance with the applicable laws, dividends may only be distributed from the profit of individual Group companies, and not based on the Group's consolidated net result.

20 Capital commitments

As at June 30th 2020, the Group had commitments related to purchase of property, plant and equipment and intangible assets of PLN 1,638 thousand.

The Group companies were not a party to any contracts or agreements which would commit them to incur capital expenditure in 2020 but were not disclosed in the accounting records as at the reporting date.

21 Movements in off-balance sheet items; loan sureties and guarantees granted

	June 30th 2020	*December 31st 2019*
Receivables under financial guarantees received mainly as security for performance of contracts, including:	721,528	701,105
- from related entities	–	–
Receivables under sureties received, including:	–	–
- from related entities	–	–
Promissory notes received as security, including:	31,782	65,997
- from related entities	5,696	48,625
Letters of credit	390	5,643
Holds on subcontractors' bank accounts	982	–
	754,682	**772,745**

	June 30th 2020	*December 31st 2019*
Commitments under financial guarantees issued mainly as security for performance of contracts, including:	503,897	515,074
- to related entities	–	–
Liabilities under sureties, including:	1,175,587	1,175,587
- to related entities	–	–
Promissory notes issued as security, including:	120,404	117,868
- to related entities	–	576
Letters of credit	–	–
	1,799,888	**1,808,529**

In the six months ended June 30th 2020, the RAFAKO Group recorded a PLN 8,641 thousand decrease in the amount of its contingent liabilities , mainly due to the lower amount of the guarantees granted. In the reporting period, at the request of the parent, the banks and insurance companies issued guarantees (performance bonds and bid bonds) for the benefit of the Group's trading partners for a total amount of PLN 8,046 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 June 2020, liabilities under sureties in issue were PLN 1,175,587 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. on April 16th 2014 and February 24th 2016 and valid until April 17th 2028, in connection with the project to develop new coal-fired generation capacities at TAURON Wytwarzanie S.A. - construction of supercritical 910 MW generating unit at the Jaworzno III Power Plant – Power Plant II.

The largest item of guarantees expired in the 3 months ended March 31st 2020 was a EUR 8,139 thousand performance bond.

In the six months ended June 30th 2020, the RAFAKO Group's contingent receivables (mainly under performance bonds and advance payment guarantees) decreased by PLN 18,063 thousand, including a decrease of PLN 20,423 thousand in receivables under bank and insurance guarantees and a decrease of PLN 34,215 thousand in receivables under promissory notes. The largest item of guarantees received in the six months ended June 30th 2020 was a PLN 1,397 thousand performance bond. The largest guarantee which expired in 2020 was a EUR 974 thousand performance bond.

22 Litigation and disputes

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

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

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

The disputes described in Notes 38.1 and 38.4 to the full-year financial statements are considered closed. In the arbitration dispute described in Note 38.3. against Wärtsilä Finland Oy, the panel of arbitrators was appointed and the expected timetable for the proceedings was agreed. RAFAKO S.A. w restrukturyzacji is currently preparing to file an action, which is expected to be filed by October 2nd 2020.

The dispute with Stal-Systems S.A., described in Note 38.6 to the full-year consolidated financial statements for 2019, is pending and is expected to be resolved within the next few months; the parent calculates a favourable judgment.

With respect to the case described in Note 38.7 to the full-year consolidated financial statements for 2019, the court dismissed the motion for injunctive relief; the disputed amount was drawn from the bank guarantee, with the parent's account debited for the same amount. On July 27th 2020, RAFAKO S.A. w restrukturyzacji filed a claim for payment of PLN 1,917,750.00 due to the lack of grounds for release of the amount from the bank guarantee. RAFAKO S.A. w restrukturyzacji is preparing a separate action regarding the remaining amount of approximately PLN 4m drawn under the guarantee, which according to SODA CIECH Polska S.A. represents liquidated damages for termination of the contract.

On July 10th 2020, RAFAKO S.A. w restrukturyzacji submitted a request to initiate arbitration proceedings, which will be held at the Arbitration Institute of the Stockholm Chamber of Commerce in Stockholm. The main claims submitted by the parent 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. By the date of preparation of these condensed interim financial statements, the panel of arbitrators was appointed, which will then determine (with the participation of the parties) the procedure.

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

23 Parent's Management Board and Supervisory Board

In the six months ended June 30th 2020 and as at the date of these interim condensed consolidated financial statements, there were changes in the composition of the parent's Management Board.

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

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

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

(PLN thousand)

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

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 parent:

- 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 members of the Management Board at four,
- appointed Jarosław Pietrzyk to the Management Board as Vice President, Chief Operating Officer, and
- appointed Ms Ewa Porzucek as Vice President of the Management Board, Chief Financial Officer.

As at the date of these interim condensed consolidated financial statements, the composition of the Management Board of the parent 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 six months ended June 30th 2020 and as at the date of these interim condensed consolidated financial statements, there were changes in the composition of the parent's Supervisory Board.

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

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

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

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

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

(PLN thousand)

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

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

As at the date of these interim condensed consolidated financial statements, the composition of the 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.

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

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

In the reporting and comparative periods, the Group companies did not enter into any transactions with members of their management boards, other than transactions described in Note 25.

25 Related-party transactions

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

Outstanding balances of receivables and liabilities are usually settled in cash. For information on contingent liabilities associated with related parties, see Note 21.

In the six months ended June 30th 2020, the parent and its subsidiaries did not enter into any material transactions with related parties on non-arm's length terms. All transactions with related parties are executed on terms applied by the Group in its business relations with non-related parties. Consideration is generally determined by way of a tender and standard payment terms are applied. A related party must ensure that a contract is performed in accordance with the relevant documentation, give a warranty for a specified period, and provide security in the form of a performance bond. Related parties are also required to accept standard liquidated damages clauses, non-disclosure agreements, provisions protecting industrial property rights, and provisions regarding contract insurance, force majeure and dispute resolution.

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

	Operating income	
	from January 1st 2020 to June 30th 2020	*from January 1st 2019 June 30th 2019*
Sales to:		
Entities related through equity links:	478	1,271
Entities related through personal links:	26	62
TOTAL	**504**	**1,333**

(PLN thousand)

	Receivables	
	June 30th 2020	*December 31st 2019*
Sales to:		
Entities related through equity links:	46,592	39,126
Entities related through personal links:	9	127
TOTAL	**46,601**	**39,253**

** Including bonds from PBG S.A. described in Note* 11.12.1.

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

	Purchases (costs, assets)	
	from January 1st 2020 to June 30th 2020	*from January 1st 2019 June 30th 2019*
Purchases from:		
Entities related through equity links:	822	43,195
Entities related through personal links:	6,316	6,521
TOTAL	**7,138**	**49,716**

	Liabilities	
	June 30th 2020	*December 31st 2019*
Purchases from:		
Entities related through equity links:	53	241
Entities related through personal links:	8,679	6,506
TOTAL	**8,732**	**6,747**

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

The Group has not published any forecasts for 2020.

(PLN thousand)

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

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

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

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

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

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

	Company	*As at July 28th 2020*	*Increase*	*Decrease*	*As at September 30th 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 Key items of the financial statements translated into the euro

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

- the exchange rate effective for the last day of the reporting period, June 30th 2020: 4.4660 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–June 30th 2020: 4.4143; 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–June 30th 2020: 4.6044/4.2279 PLN/EUR, January 1st–December 31st 2019: 4.3891/4.2406 PLN/EUR.

	June 30th 2020	*December 31st 2019*	*June 30th 2020*	*December 31st 2019*
	PLN '000		*EUR '000*	
Statement of financial position				
Assets	1,018,998	1,302,431	228,168	305,843
Non-current liabilities	116,040	94,045	25,983	22,084
Current liabilities	1,067,000	1,094,123	238,916	256,927
Equity	(164,042)	114,263	(36,731)	26,832
PLN/EUR exchange rate at end of period			4.4660	4.2585

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

	from January 1st 2020 to June 30th 2020	*from January 1st 2019 June 30th 2019*	*from January 1st 2020 to June 30th 2020*	*from January 1st 2019 June 30th 2019*
	PLN '000		*EUR '000*	
Statement of comprehensive income				
Revenue	493,962	519,169	111,899	120,906
Operating profit/(loss)	(258,947)	(183,737)	(58,660)	(42,789)
Profit/(loss) before tax	(262,917)	(183,567)	(59,560)	(42,750)
Net profit/(loss) attributable to the parent	(271,215)	(174,585)	(61,440)	(40,658)
Earnings per share (PLN)	(2.18)	(1.37)	(0.49)	(0.32)
Average PLN/EUR exchange rate in the period			4.4143	4.2940
Statement of cash flows				
Net cash from operating activities	52,109	(25,318)	11,804	(5,895)
Net cash from investing activities	91	1,219	21	284
Net cash from financing activities	(35,524)	4,476	(8,047)	1,042
Net increase/(decrease) in cash and cash equivalents	16,676	(19,623)	3,778	(4,570)
Average PLN/EUR exchange rate in the period			4.4143	4.2940

(PLN thousand)

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

The remuneration paid to the members of the Management and Supervisory Boards of Group companies for the six months ended June 30 2020 was as follows:

	Base pay	*Awards*	*Other remuneration*
RAFAKO S.A. – the parent			
Management Board	1,166	–	79
Supervisory Board	418	–	313
PGL-DOM Sp. z o.o. – a subsidiary			
Management Board	45	–	–
Supervisory Board	–	–	–
RAFAKO ENGINEERING Sp. z o.o. – a subsidiary			
Management Board	480	50	240
Supervisory Board	69	–	–
RAFAKO ENGINEERING Sp. z o.o. – an indirect subsidiary			
Management Board	206	–	117
Supervisory Board	–	–	–
E001RK Sp. z o.o. – a subsidiary			
Management Board	64	–	–
Supervisory Board	–	–	–
E003B7 Sp. z o.o. – a subsidiary			
Management Board	830	–	660
Supervisory Board	535	–	–
RENG-NANO Sp. z o.o. – a subsidiary			
Management Board	84	–	–
Supervisory Board	–	–	–

31 Order book

As at June 30th 2020, the value of the Group's order book was in ca. PLN 1.7bn. The largest item was the PLN 0.4bn Jaworzno Project, with PLN 0.1bn outstanding under the contract and attributable to the parent and PLN 0.3bn outstanding under the contract and attributable to SPV Jaworzno. The order book did not include the Opole contract (RAFAKO's entire share in the project worth PLN 3.2bn was subcontracted outside the RAFAKO Group, of which PLN 0.01bn is still outstanding).

	ORDER BOOK (PLNm)		**Due for execution in**		
	as at June 30th 2019	**as at June 30th 2020**	**JULY–DECEMBER 2020**	**2021**	**after 2021**
RAFAKO	2,375	1,353	769	576	8
SPV Jaworzno	627	339	205	134	–
Other	30	37	19	13	5
TOTAL	**3,032**	**1,729**	**993**	**723**	**13**

As regards the value of the RAFAKO Group's order book, data presented in this document is based on the following assumptions:

a. the value of the order book is equal to the aggregate amount of the Group's consideration under individual contracts executed by the Group companies by June 30th 2020; the amount does not include any planned contracts that have not yet been signed, but it does include contracts signed conditionally;
b. the value of the order book is disclosed as at June 30th 2020; actual revenue from contracts and completion periods depend on a number of factors, which may be outside the Group's control.

32 Events after the reporting period

After the reporting period, no events took place that would materially affect the Group's financial performance.

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

- an organised part of business operating as a branch of the Company under the name of RAFAKO S.A. Oddział w Solcu Kujawskim ("ZCP"), for an amount of PLN 30,985,000.00; the agreement was executed by and between RAFAKO EBUS sp. z o.o. of Racibórz ("EBUS") and RAFAKO S.A. w restrukturyzacji, with the participation of Agencja Rozwoju Przemysłu S.A. of Warsaw ("ARP"), and
- 100% of shares in the share capital of EBUS for PLN 15,000.00, between ARP and RAFAKO S.A. w restrukturyzacji, i.e. for a total amount of PLN 31m.

As part of the agreement, the parent sold its eBus development project. As at June 30th 2020, the amount of development outlays of PLN 15,611 thousand was disclosed in short-term prepayments.

The share purchase agreement was executed after the agreement to sell ZCP was concluded. The share purchase agreement includes a condition precedent, which is payment of the price for ZCP (as provided for in the agreement to sell ZCP), to be paid from the funds obtained by EBUS from ARP following adoption of a resolution to increase the share capital of EBUS as part of the closing process. The ownership of the Organised Part of Business will be transferred upon payment of the full price for the Organised Part of Business, while the ownership of the shares will be transferred upon payment of the full price for the EBUS shares. At the time of the transfer of ownership of all shares in EBUS to ARP, the Organised Part of Business will be owned by EBUS.

The Company has the right to rescind the Agreement to Sell the Organised Part of Business if the price for the Organised Part of Business is not paid to the Company by the deadline specified therein.

On August 27th 2020, the Management Board of the parent passed a resolution to commence restructuring of the RAFAKO S.A.'s workforce. The purpose of the restructuring is to adjust the level and costs of employment to the situation on the Company's markets. The Management Board of RAFAKO S.A. decided to launch the formal collective redundancy procedure within the meaning of the Act on Special Rules of Termination of Employment for Reasons Not Attributable to Employees of March 13th 2003. For details, see Note 2 to these interim condensed consolidated financial statements.

After the reporting date, there were changes in the composition of the Management Board and the Supervisory Board of the parent, as described in detail in Note 23 to these interim condensed consolidated financial statements.

33 Authorisation for issue

These interim condensed consolidated financial statements of the Group were authorised for issue on September 30th 2020 by resolution of the RAFAKO S.A. Management Board of September 30th 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	....