

## **Position of the Management Board of the RAFAKO Group whose parent is RAFAKO S.A. w restrukturyzacji and the opinion of the Group's Supervisory Body regarding the disclaimer of conclusion issued by the auditor of the half-year financial statements in the review report**

In light of the Management Board's position and all explanations contained in the Financial Statements, the Group's and Parent's position is subject to a number of risks and uncertainties.

The Group's Management Board prepared the Financial Statements assuming in good faith that the Company would continue as a going concern based on plans and assumptions underlying the Parent's extensive restructuring programme. The Management Board is well aware this involves a material risk of not being able to reach an arrangement with the Parent's creditors within the statutory time limit of January 7th 2021.

The Parent is exposed to a material risk of failure to raise external financing, mainly in the form of insurance and guarantee facilities, related to bidding and new contract acquisition. Whether the performance of the Group's ongoing contracts can continue depends on the availability of required working capital, which poses uncertainty in the present financial situation.

Based on the plans and assumptions of its new business model, the Parent made estimates for the purposes of impairment testing of its non-current assets as a basis for keeping the amount of disclosed assets unchanged. The conclusions of the test are positive yet subject to the risk of failure to implement the underlying plans and assumptions as expected.

Another source of uncertainty is the lack of a final agreement on completion of the contract to build a 910 MW power generation unit and for the provision of financing sources necessary to complete the project. In the financial statements of the subsidiary E003B7 sp. z o.o. additional revenue of PLN 69.5m was recognised based on estimates made in connection with the progress of negotiations. As at the date of this statement, arrangements between the parties have not been written down in a formal agreement.

The Group's plans and assumptions related to the business model include a presumption of the ability to realise deferred tax assets of up to PLN 28.1m. Whether these assets can be realised depends on the ability to generate taxable profits in subsequent years. The realisability of the assets was analysed based on budgets that factored in the effects of restructuring measures at the Parent and involves a risk of failure to implement the underlying plans and assumptions as expected.

As at June 30th 2020, the Group's liabilities under equity and liabilities were PLN 1,183m. The Parent is currently preparing a list of the Company's creditors, including disputed claims, in connection with the ongoing restructuring proceedings. There is a risk of changes due to possible disclosures after the reporting date.

The restructuring measures planned by the Parent's Management Board will therefore involve extensive efforts to restore a healthy order book, stabilise contract margins, reduce operating expenses, and implement comprehensive organisational improvements at the Company. These areas have already been identified and cost savings potential allocated to them. A number of these measures have already been implemented.

The Group's Management Board declares its full commitment to all risk management measures and efforts aimed at eliminating the uncertainty surrounding the Group's continuing as a going concern.

## **Opinion of the Supervisory Board**

Having read the report on the review of the RAFAKO Group's interim condensed consolidated financial statements, in view of the disclaimer of conclusion on the interim condensed consolidated financial statements issued by the auditor Grant Thornton Polska spółka z ograniczoną odpowiedzialnością sp.k. (the "**Auditor**"), the Supervisory Board, based on the Management Board's position statement received by the Supervisory Board, expresses the following opinion on the disclaimer of conclusion issued in the report on the review of the Group's interim condensed consolidated financial statements for 2020.

The Supervisory Board recognises the risks identified by the Auditor as at the date of the report, which were highlighted in the course of the ongoing supervision and addressed by guidelines issued to mitigate the identified risks:

1. By the date of this opinion, the Parent has not entered into any agreement with Tauron concerning the final settlement of the equipment failure at the Jaworzno Power Plant and the additional work performed. However, negotiations are at an advanced stage and an agreement is expected to be reached on the matter.
2. A serious risk is involved in making a final arrangement with the Parent's creditors under the ongoing simplified restructuring procedure. Failure to make an arrangement may threaten the RAFAKO Group's continuing as a going concern.
3. The Parent has problems raising the necessary funding for new projects, which compromises its bidding ability.

In line with the Management Board's position, the Group's plans and assumptions related to the business model include a presumption of the ability to realise deferred tax assets of up to PLN 28.1m. Whether these assets can be realised depends on the ability to generate taxable profits in subsequent years. The realisability of the assets was analysed based on budgets that factored in the effects of restructuring measures at the Parent and involves a risk of failure to implement the underlying plans and assumptions as expected.

Due to the nature of the risks involved and in light of the applicable laws, the auditor was unable to form a conclusion on the review report on the Group's interim condensed consolidated financial statements for 2020. However, considering the Management Board's position and the progress of work in individual areas of the Parent's operations, the Supervisory Board issues a positive opinion on the measures taken by the Management Board. In line with the Management Board's position, the implemented measures justify the assumption of the RAFAKO Group continuing as a going concern.