

Position of the Management Board of RAFAKO S.A. w restrukturyzacji and the opinion of the Company'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 Company's position is subject to a number of risks and uncertainties.

The 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 its extensive restructuring programme. The Management Board is well aware this involves a material risk of not being able to reach an arrangement with the Company's creditors within the statutory time limit of January 7th 2021.

The Company 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 ongoing contracts can continue depends on the availability of required working capital, which poses uncertainty in the present situation.

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.

Based on the plans and assumptions of its new business model, the Company 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.

The Company's plans and assumptions related to the business model include a presumption of the ability to realise deferred tax assets of up to PLN 24.1m. This is the amount of deferred tax entered in the books. The deferred tax assets presented in the statement of financial position as at June 30th 2020 carry the risk of failure to implement the underlying plans and assumptions as expected.

As at June 30th 2020, the Company's liabilities under equity and liabilities were PLN 957.3m. The Company 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 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.

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 Company 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 have also been 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.

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

Opinion of the Supervisory Board

Having read the report on the review of the Company's interim condensed separate financial statements, in view of the disclaimer of conclusion on the interim condensed separate 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 Company's interim condensed separate 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 Company 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 Company's creditors under the ongoing simplified restructuring procedure. Failure to make an arrangement may threaten the Company's continuing as a going concern.
3. The Company has problems raising the necessary funding for new projects, which compromises its bidding ability.

In line with the Management Board's position, the Company's plans and assumptions related to the business model include a presumption of the ability to realise deferred tax assets of up to PLN 24.1m. This is the amount of deferred tax entered in the books. The deferred tax assets presented in the statement of financial position as at June 30th 2020 carry the 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 Company's interim condensed separate financial statements for 2020. However, considering the Management Board's position and the progress of work in individual areas of the Company'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 Company continuing as a going concern.