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Review report on interim condensed financial statements

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To the Shareholders of RAFAKO Spółka Akcyjna w restrukturyzacji

Introduction

We have been engaged to review the accompanying interim condensed financial statements of RAFAKO Spółka Akcyjna w restrukturyzacji (the "Company") with its registered office at ul. Łąkowa 33, Racibórz, Poland, comprising the interim condensed statement of financial position as at June 30th 2020, interim condensed statement of comprehensive income, interim condensed statement of changes in equity and interim condensed statement of cash flows for the period from January 1st 2020 to June 30th 2020, as well as certain explanatory information (notes).

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

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

Scope of review

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

Audit – Taxes – Outsourcing – Advisory
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Reasons for disclaimer of conclusion

In Note 2 to the interim condensed financial statements as at June 30th 2020, the Company's Management Board disclosed circumstances affecting the assumption of the Company continuing as a going concern. We believe that in order to assess the Company's ability to continue as a going concern it is essential that:

1. The Company's business restructuring process is completed and an arrangement is agreed with the Company's creditors within four months from the date when a notice of opening the procedure to approve the arrangement is published in Monitor Sądowy i Gospodarczy, that is by January 7th 2021;
2. The contract to construct a 910 MW supercritical power generation unit at the Jaworzno III Power Plant - Power Plant II is completed and funding for the project is secured, as described in Note 9.1.1;
3. Running contracts continue to be performed with stable margins, and additional revenue sources covering the Company's claims are secured through negotiation;
4. Day-to-day operations are financed from external sources in the form of bank loans and bank guarantees, and funds are released in the form of guarantee facilities enabling the Company to build a sound order book.

Considering the steps taken in connection with the ongoing restructuring proceedings, negotiations held with investors and subcontractors, a new business strategy being developed for the Company and the Group providing for a deep business restructuring, and the steps taken and planned to raise funding for E003B7 Sp. z o.o., which is the subsidiary responsible for performing the contract to build the 910 MW power generation unit, the Company's Management Board resolved to prepare the interim condensed financial statements on the assumption that the Group would continue as a going concern in the foreseeable future, covering at least 12 consecutive months after the reporting date. The interim condensed financial statements were prepared on the assumption that the Company would continue as a going concern, and they fail to mention the effects of applying different policies for the measurement and presentation of assets and liabilities, which may have been necessary if the interim condensed financial statements had not been prepared on the going concern assumption.

In our opinion, during the review we did not obtain sufficient evidence in support of the assumptions adopted by the Company's Management Board in the cash flow budget provided to us. Therefore, we were not able to assess the appropriateness of the Management Board's use of the going concern assumption in preparing the interim condensed financial statements. If the interim condensed financial statements were not prepared on a going concern basis, the disclosure and measurement of individual items of assets, liabilities and profit or loss could have been different, and we are not able to assess the effect of a change in the disclosure and measurement policies on the interim condensed financial statements.

In Notes 5.2. and 10.3 to the interim condensed financial statements as at June 30th 2020 the Company's Management Board disclosed its estimates pertaining to the results of an impairment test of the Company's non-current assets, providing the basis for keeping the amounts of non-current assets recognised in the statement of financial position unchanged. The test was performed on the basis of budgets that factored in the effects of restructuring measures. As the implementation of these budgets is subject to significant uncertainties, we are unable to verify that the conclusions of the impairment test are correct.

As at June 30th 2020, the Company's Management Board recognised deferred tax assets of PLN 24.1m in the statement of financial position. 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. As the implementation of these budgets is subject to significant uncertainties, we are unable to verify that the amount of the deferred tax assets is correct.



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As at June 30th 2020, the Company's Management Board recognised liabilities of PLN 957.3m in the interim condensed statement of financial position. As at the date of the interim condensed financial statements, the process of updating the list of creditors, including disputed claims, was not completed. Therefore, we are unable to verify that the amount of the liabilities disclosed in the financial statements is full.

Disclaimer of conclusion

Given the significant uncertainties affecting the interim condensed financial statements as a whole, as described in the *Reasons for disclaimer of conclusion*, we are unable, based on our review, to express a conclusion whether anything has come to our attention that would cause us to believe that the accompanying interim condensed financial statements have not been prepared, in all material respects, in accordance with International Accounting Standard 34 *Interim Financial Reporting* issued in the form of the European Commission's regulations.

Jan Letkiewicz

Qualified Auditor Reg. No. 9530

Lead auditor performing the review on behalf of

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

Poznań, September 30th 2020