

## Independent auditor's report on the full-year consolidated financial statements

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To the Shareholders of RAFAKO Spółka Akcyjna

### Report on the audit of the full-year consolidated financial statements

#### *Opinion*

We have audited the full-year consolidated financial statements of the RAFAKO Group (the Group), in which the parent is RAFAKO Spółka Akcyjna (the Parent), with its registered office at ul. Łąkowa 33, Racibórz, Poland, which comprise the consolidated statement of financial position as at December 31st 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year then ended, additional information on the adopted accounting policies and other explanatory information

In our opinion, the attached full-year consolidated financial statements:

- give a true and fair view of the Group's assets and financial position as at December 31st 2019 and of its financial results and cash flows for the financial year then ended in accordance with International Accounting Standards, International Financial Reporting Standards and the related interpretations issued in the form of European Commission's regulations, as well as with the adopted accounting policies,
- comply in form and content with the laws and regulations applicable to the Group and with the Parent's Articles of Association.

This opinion is consistent with the additional report for the Audit Committee issued on the date of this audit report.



## *Basis for the opinion*

We conducted our audit in accordance with:

- we have conducted our audit in accordance with the Act on Statutory Auditors, Audit Firms and Public Oversight of May 11th 2017 (uniform text: Dz.U. of 2019, item 1421, as amended) (the Act on Statutory Auditors),
- International Auditing Standards adopted as National Auditing Standards (KSB) by Resolution No 3430/52a/2019 of the National Council of Statutory Auditors of March 21st 2019, as amended, and
- Regulation No 537/2014 of the European Parliament and of the Council of April 16th 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC (OJ EU L 158 of May 27th 2014, p. 77 and OJ EU L 170 of June 11th 2014, p. 66) (Regulation 537/2014).

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the full-year consolidated financial statements* section.

We are independent of the Group companies within the meaning of the International Code of Ethics for Professional Accountants issued by the International Federation of Accountants (the IFAC Code), adopted by the National Council of Statutory Auditors by Resolution No. 3431/52a/2019 of March 25th 2019 as professional ethics standards for auditors and other ethical requirements applicable to audits of financial statements in Poland. In particular, in the course of the audit, the lead auditor and the audit firm remained independent of the Group's companies, in accordance with the independence requirements set out in the Act on Statutory Auditors and in Regulation 537/2014. We have fulfilled our other responsibilities under those ethical requirements and the IFAC Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## *Material uncertainty related to going concern*

We would like to draw your attention to the fact that in Note 6 to the full-year consolidated financial statements the Management Board of the Parent presented the following circumstances and the resulting material uncertainty:

- The Management Board of the Parent described the risks associated with managing the Group's financial liquidity, indicating the key conditions necessary to maintain liquidity within twelve months from the reporting date. These conditions include renewal of the existing credit and guarantee facilities maturing at the end of June 2020 and maintaining their amounts at the current level until the reporting date and in the following periods after the reporting date, raising new funding needed to fill the liquidity gap through a transaction to sell the electric bus project, continued implementation of running projects until the end of the year according to plan, and active working capital management.
- The Management Board of the Parent presented the legal and factual situation of and threats to the contract for the construction of a 910 MW supercritical power unit in Jaworzno III Power Plant - Power Plant II, executed for Tauron Wytwarzanie S.A. In particular, the Management Board described the consequences of signing an annex to the contract, setting out rules for the performance of additional works by the Group and extending the deadline for signing the placement-in-service report for the unit until November 15th 2020. The annex also contains an obligation of the parties to amicably cooperate in good faith to have any damage caused by a failure being a 2020 event liquidated. According to the annex, the parties are to soon enter into talks on the settlement of losses resulting from the epidemic and additional claims made by the Group.
- The Management Board presented the Group's liquidity position, indicating the need to obtain additional sources of finance for the Group's core business and the need to undertake restructuring measures enabling uninterrupted operations.



These facts point to significant uncertainty that may raise serious concerns over the Group’s ability to continue as a going concern. In the above mentioned note, the Management Board of the Parent also presented actions taken to eliminate said risks. The Management Board believes, but gives no assurance, that these actions will bring about desired results. Our opinion is not modified with respect to this matter.

*Emphasis of matter: Deferred income tax assets*

We would like to draw your attention to Note 14.3 to the full-year consolidated financial statements, in which the Management Board of the Parent indicated that uncertainty exists as to the recoverability of deferred tax assets with a carrying amount of PLN 42,672 thousand. The recoverability of these assets will depend on successful implementation of the budgets and tax forecasts for the following years adopted by the Management Board of the Parent. Our opinion is not modified with respect to this matter.

*Key audit matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the full-year consolidated financial statements for the reporting period under analysis. These are the most significant assessed risks of material misstatement, including assessed risks of material misstatement due to fraud. We addressed these matters in the context of our audit of the full-year consolidated financial statements as a whole and we took these matters into account in forming our opinion on the financial statements. In addition to the matter discussed in the sections *Material uncertainty related to going concern* and *Emphasis of matter: Deferred income tax assets*, we have considered the matters described below as key audit matters that should be presented in our report. Below, we have also summarised our responses to the assessed risks and, where we considered it appropriate, we have presented the key observations relating to those risks. We do not issue a separate opinion on these matters.

**Revenue**

**Auditor’s response**

In accordance with the consolidated statement of comprehensive income for the financial year ended December 31st 2019, the Group’s revenue from sale of products and services amounted to PLN 1,244m and comprised revenue recognised on a percentage of completion basis.

In accordance with the requirements of International Financial Reporting Standard 15 *Revenue from Contracts with Customers* (IFRS 15), the Management Board of the Parent assesses, based on an analysis of individual contracts, whether revenue from a given contract should be recognised when or as performance obligations are satisfied.

Revenue recognised as performance obligations are satisfied is measured in accordance with the input method under IFRS 15. Progress towards satisfaction of the obligation is determined as the ratio of costs incurred to estimated costs necessary to complete the contract. This measurement method has a material effect on the Group’s financial statements.

To measure contracts, the Management Board of the Parent makes estimates using its professional

The audit procedures carried out in this area included:

- analysis and assessment of the accounting policies and procedures, including internal controls, applied in contract measurement and recognition,
- compliance testing of selected control mechanisms,
- analysis of construction contracts to understand the nature of the transactions and their key parameters and assessment of classifying contracts as construction recognised over time,
- assessment of assumptions and estimates made by the Management Board of the Parent,
- based on a sample of contracts:
  - analysis of contract terms,
  - examining the correctness of allocating revenue and expenses to individual contracts,
  - analysis of changes in margins.
  - independent confirmations of contract terms.



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judgement and knowledge as at the reporting date. This applies in particular to determining the stage of contract completion and the planned total contract costs.

Quantitative disclosures concerning this matter are presented in Note 10 to the consolidated financial statements.

### *Responsibilities of the Management Board and Supervisory Board of the Parent for the full-year consolidated financial statements*

The Parent's Management Board is responsible for the preparation of full-year consolidated financial statements that give a true and fair view of the Group's assets, financial position, financial performance and cash flows in compliance with International Accounting Standards, International Financial Reporting Standards and related interpretations issued in the form of the European Commission's regulations, applied accounting policies, applicable laws, and the Parent's Articles of Association. The Parent's Management Board is also responsible for maintaining such internal controls as it considers necessary to enable the preparation of the full-year consolidated financial statements that are free from any material misstatement, whether due to fraud or error.

When preparing the full-year consolidated financial statements, the Parent's Management Board is responsible for assessing the Group's ability to continue as a going concern, for disclosing, if applicable, any issues relating to the Group continuing as a going concern, and for adopting the going concern basis, unless the Management Board either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

In accordance with the Accounting Act of September 29th 1994 (consolidated text: Dz.U. of 2019, item 351, as amended) (the Accounting Act), the Parent's Management Board and Members of its Supervisory Board are required to ensure that the full-year consolidated financial statements comply with the requirements stipulated in the Accounting Act. Members of the Parent's Supervisory Board are responsible for monitoring the Group's financial reporting process.

### *Auditor's responsibilities for the audit of the full-year consolidated financial statements*

Our objective is to obtain reasonable assurance about whether the full-year consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Polish Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of those full-year consolidated financial statements.

The scope of the audit does not include an assurance as to the future viability of the Group or the effectiveness or efficiency with which the Parent's Management Board has conducted its affairs or will conduct its affairs in the future.

As part of an audit in accordance with Polish Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the full-year consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;



- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board of the Parent;
- conclude on the appropriateness of the use by the Parent's Management Board of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the full-year consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the full-year consolidated financial statements, including the disclosures, and whether the full-year consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain audit evidence regarding the financial information of the entities or business activities within the Group that is sufficient and appropriate to provide a basis for the opinion on the full-year consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Parent's Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any material weakness in internal control that we identify during our audit.

We also provide the Parent's Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence and communicate with it all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

Among the matters communicated with the Parent's Supervisory Board, we identified those which were of most significance in the audit of the consolidated financial statements for the current financial year and which, therefore, we deemed the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### *Other information, including the Directors' Report*

Other information comprises the Directors' Report on the Group's operations in the financial year ended December 31st 2019 together with a corporate governance statement and a non-financial statement referred to in Art. 49b(1) and Art. 55.2b of the Accounting Act, which are separate parts of the Directors' Report, and the consolidated annual report for the financial year ended December 31st 2019 (excluding the full-year consolidated financial statements and our auditor's report).

### *Responsibilities of the Parent's Management Board and Supervisory Board*

The Management Board of the Parent is responsible for preparing other information in accordance with the Polish Accounting Act and other applicable laws. Moreover, the Management Board and members of the Parent's Supervisory Board are responsible for ensuring that the Directors' Report on the Group's operations meets the requirements stipulated in the Polish Accounting Act.

### *Auditor's responsibilities*

Our opinion on the full-year consolidated financial statements does not cover the other information and we do not express any form of assurance regarding the other information under Polish Standards on Auditing. In



connection with the audit of the full-year consolidated financial statements, our responsibility is to read the other information and identify whether it is materially inconsistent with the full-year consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on our audit work, we conclude that there is a material misstatement in the other information, we are required to report this in our report. Under the Act on Statutory Auditors, our responsibility is also to issue an opinion on whether the Directors' Report on the Group's operations has been prepared in accordance with applicable laws and regulations and whether it is consistent with the information contained in the full-year consolidated financial statements. Moreover, we are required to report whether the Parent has prepared a non-financial statement or a separate non-financial report and to issue an opinion on whether the Parent has included the required information in its corporate governance statement. We obtained the full-year report before the date of this audit report.

### *Opinion on the Directors' Report*

In our opinion, the Directors' Report on the Group's operations has been prepared in accordance with the applicable laws and regulations, that is Art. 49 and Art. 55.2a of the Polish Accounting Act and the Minister of Finance's Regulation on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state, dated March 29th 2018 (Dz.U. of 2018, item 757; Regulation on Current and Periodic Information) and is consistent with the information disclosed in the accompanying full-year consolidated financial statements. We further state that based on our knowledge of the Group and its environment obtained in the course of the audit of the full-year consolidated financial statements, we did not identify any material misstatements in the Directors' Report.



## *Opinion on the corporate governance statement*

In our opinion, in its corporate governance statement, the Parent included the information specified in Par. 70.6.5 of the Regulation on Current and Periodic Information. The information specified in Par. 70.6.5.c–f, 70.6.5.h and 70.6.5.i of the Regulation on Current and Periodic Information, contained in the corporate governance statement, complies with the applicable laws and regulations and is consistent with the information disclosed in the full-year consolidated financial statements.

## *Information on separate non-financial report*

In accordance with the Act on Statutory Auditors, we advise that the Parent stated in the Directors' Report that it prepared a separate non-financial report referred to in Art. 55.2c of the Accounting Act and that the Parent in fact prepared a separate non-financial report.

## **Report on other legal and regulatory requirements**

### *Representation on the provision of non-audit services*

We hereby represent that, to the best of our knowledge and belief, we have not provided any of the Group's entities with any non-audit services prohibited under Art. 136 of the Act on Statutory Auditors and Article 5(1) of Regulation 537/2014.

### *Appointment of audit firm*

We have been appointed to audit the Group's full-year consolidated financial statements for 2018 and 2019 pursuant to a resolution passed by the Supervisory Board of the Parent on May 25th 2018. We have continuously audited the Group's consolidated financial statements starting from the financial year ended December 31st 2018, i.e. for two consecutive financial years.

Jan Letkiewicz

Qualified Auditor Reg. No. 9530  
Lead auditor performing the audit 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, June 30th 2020.