

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

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To the Shareholders of RAFAKO Spółka Akcyjna w restrukturyzacji

## Auditor's report on the full-year financial statements

### *Disclaimer of Opinion*

We were engaged to audit the accompanying full-year financial statements of RAFAKO Spółka Akcyjna w restrukturyzacji (in restructuring), with its registered office at ul. Łkowa 33, Racibórz, Poland, which comprise the statement of financial position as at December 31st 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, additional information on the adopted accounting policies, and other explanatory information.

We do not express an opinion on the accompanying full-year financial statements. Notwithstanding having obtained sufficient appropriate audit evidence regarding each of the individual uncertainties described in the *Basis for disclaimer of opinion* section, it is not possible to form an opinion on the accompanying full-year financial statements due to the potential interaction of the uncertainties and their possible cumulative effect on the full-year financial statements.

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

### *Basis for Disclaimer of Opinion*

In Note 7.4. to the full-year financial statements as at December 31st 2020, the Company's Management Board stated that the Company's full-year financial statements were prepared on a going concern basis despite the fact that the Management Board is aware of a number of uncertainties that pose a material threat to the Company's ability to continue as a going concern. To assess the Company's ability to continue as a going concern it is essential that:

- The proceedings to enter into an arrangement with the Company's creditors be concluded,
- It is possible to continue the performance of running contracts with stable margins and secure additional revenue sources covering the Company's claims through negotiation, and contracts whose performance was discontinued as a result of contract termination by the parties are settled;
- Fay-to-day operations are financed from external sources in the form of bank and other borrowings and bank guarantees, and funds are released in the form of guarantee facilities enabling the Company to build a sound order book,
- A strategic investor is found for the Company.

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Considering the steps taken in connection with the ongoing restructuring proceedings, negotiations held with investors and subcontractors, the business strategy being pursued by the Company and the Group, providing for a deep business restructuring and planned steps 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 full-year financial statements on the assumption that the Company would continue as a going concern in the foreseeable future, covering at least 12 consecutive months after the reporting date.

The key issue for the Company's ability to continue as a going concern is the execution of agreements with customers regarding the projects where one of the parties decided to withdraw from further contract performance by the Company, including in particular the agreement with Operator Gazociągów Przesyłowych GAZ-SYSTEM S.A. to settle the contracts for the construction of the Goleniów-Płoty section of the DN700 Szczecin-Gdańsk gas pipeline and for the construction of the Kędzierzyn Compressor Station, and the agreement with JSC VILNIAUS KOGENERACINĖ JĖGAINĖ to settle the contract for the construction of a biomass-fired co-generation unit as part of the construction of a new CHP plant in Vilnius.

On January 5th 2021, the Company and PKO BP S.A. executed an annex to a multi-purpose credit facility agreement. The main provisions of the annex extend the availability and maturity date of the facility until January 31st 2022 and cap the aggregate amount that can be drawn under all sub-facilities at PLN 120.6m, which allows the Company to finance its day-to-day operations, but does not secure funding for potential new contracts. The Company has applied for additional funds from the Industrial Development Agency under the New Chance Policy. The inability to obtain contract security from the financial sector significantly hinders the acquisition of new orders.

In addition, the ongoing process of finding a strategic investor for the Company, with the support of an external adviser, has not yet been completed.

In Notes 6.2. and 24 to the full-year financial statements the Company's Management Board presented 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. Implementation of the budgets depends on the future events as described above and, as such, involves multiple material uncertainties.

In the statement of financial position the Company's Management Board recognised deferred tax assets of PLN 24.1m. 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, which means that it involves multiple material uncertainties.

Due to the potential interaction of these uncertainties and their possible cumulative effect on the full-year financial statements, it is not possible to form an opinion on the accompanying full-year financial statements.

### *Key audit matters*

Apart from the matters described in the *Basis for Disclaimer of Opinion* section, there are no other key audit matters, including the most significant assessed risks of material misstatement, that would be required to be presented in our audit report.

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

The Company's Management Board is responsible for the preparation, on the basis of properly maintained accounting records, of full-year financial statements that give a true and fair view of the Company'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, adopted accounting policies, applicable laws, and the Company's Articles of Association. The Company's Management Board is also responsible for maintaining such internal controls as it considers necessary to enable the preparation of the full-year financial statements that are free from any material misstatement, whether due to fraud or error.

When preparing the full-year financial statements, the Company's Management Board is responsible for assessing the Company's ability to continue as a going concern, for disclosing, if applicable, any issues relating to the Company continuing as a going concern, and for adopting the going concern basis, unless the Management Board either intends to liquidate the Company 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 2021, item 217, as amended) (the Accounting Act), the Company's Management Board and Members of its Supervisory Board are required to ensure that the full-year financial statements comply with the requirements stipulated in the Accounting Act. Members of the Company's Supervisory Board are responsible for monitoring the Company's financial reporting process.

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

Our responsibility is to conduct an audit of the full-year financial statements in accordance with:

- The Act on Statutory Auditors, Audit Firms and Public Oversight of May 11th 2017 (consolidated text: Dz.U. of 2020, item 1415) (the Act on Statutory Auditors),
- International Standards on Auditing adopted as National Standards on Auditing (NSA) 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 16 April 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).

However, because of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we were not able to express an audit opinion on these full-year financial statements.

We are independent of the Company within the meaning of the *International Code of Ethics for Professional Accountants* (including *International Independence Standards*) of the International Ethics Standards Board for Accountants (the IESBA 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 Company in accordance with the independence requirements set out in the Act on Statutory Auditors and Regulation 537/2014. We have also fulfilled our other responsibilities under those ethical requirements and the IESBA Code.

Our objective was to obtain reasonable assurance about whether the full-year 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 the NSA will always detect a material misstatement when it exists.

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

## Report on other legal and regulatory requirements

*Directors' report, corporate governance statement, separate non-financial report*

*Responsibilities of the Company's Management Board and Supervisory Board*

The Management Board of the Company is responsible for the preparation of the Directors' Report, the corporate governance statement, which is a separate part of the Directors' Report, and the non-financial report in accordance with the Accounting Act and other applicable laws. Moreover, the Management Board and members of the Company's Supervisory Board are responsible for ensuring that the Directors' Report meets the requirements stipulated in the Accounting Act.

*Auditor's responsibilities*

We do not express any form of assurance under the NSA regarding the Directors' Report, the corporate governance statement, which is a separate part of the Directors' Report, or the separate non-financial report. Under the Act on Statutory Auditors, our responsibility is to issue an opinion on whether the Directors' Report has been prepared in accordance with applicable laws and regulations and whether it is consistent with the information contained in the full-year financial statements, and to make a representation, based on our knowledge of the Company and its environment obtained in the course of the audit, on whether we identified any material misstatements in the Directors' Report and on the nature of each such material misstatement. Moreover, we are required to report whether the Company has prepared a non-financial statement or a separate non-financial report and to issue an opinion on whether the Company has included the required information in its corporate governance statement.

*Opinion on the Directors' Report*

In our opinion, the Directors' Report has been prepared in accordance with the applicable laws and regulations, that is Art. 49 of the Accounting Act and Section 70 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 financial statements. We further state that based on our knowledge of the Company and its environment obtained in the course of the audit of the financial statements, we did not identify any material misstatements in the Directors' Report, except for the potential effects of the matters described in the *Basis for Disclaimer of Opinion* section.

*Opinion on the corporate governance statement*

In our opinion, in its corporate governance statement, the Company 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 financial statements.

*Information on the separate non-financial report*

In accordance with the Act on Statutory Auditors, we advise that the Company stated in the Directors' Report that it prepared a separate non-financial report referred to in Art. 49b.9 of the Accounting Act and that the Company in fact prepared a separate non-financial report.

*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 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 Company's full-year financial statements for 2020 and 2021 pursuant to a resolution passed by the Supervisory Board of the Company on July 7th 2020. We have continuously audited the Company's financial statements starting from the financial year ended December 31st 2018, i.e. for the last three consecutive financial years.

Jan Letkiewicz

Statutory 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, April 29th 2021