

CURRENT REPORT FILED WITH THE POLISH FINANCIAL SUPERVISION AUTHORITY IN WARSAW

DATE: September 27th 2022

Subject: **Execution of significant contract by Company and subsidiary [Current Report No. 75/2022]****Text of the report:**

The Management Board of RAFAKO S.A. of Racibórz (the "**Company**"), announces that on September 27th 2022, a contract was concluded between: (i) the Company and RAFAKO INNOVATION sp. z o.o. of Racibórz, a wholly-owned subsidiary of the Company (the "**Subsidiary**"), acting in a consortium led by the Subsidiary (the "**Consortium**") – as the Contractor, and (ii) Barlinek Inwestycje sp. z o.o. of Barlinek – as the **Employer** (the "**Employer**"), for the construction of a biomass heating system (the "**Contract**").

The key provisions of the Contract are as follows:

1. Definition of the deliverable to be provided by the Consortium under the Contract, that is the design, construction, start-up and commissioning of a biomass heating system, i.e., a dedicated system for pure biomass combustion at the heating plant together with the necessary infrastructure, including buildings and technical facilities, as well as the construction of a system for supplying heat to heat consumers at the Employer's production site in Barlinek, in accordance with the provisions of the Contract, without, however, the Consortium being required to prepare a project information sheet or obtain an environmental permit as in accordance with the Contract the obligation to prepare the project information sheet and obtain the environmental permit lies with the Employer;
2. The Consortium's lump sum fee under the Contract is PLN 42,300,000.00 (forty-two million, three hundred thousand zlotys, 00/100) plus value added tax;
3. The maximum period for completing the deliverable under the Contract is 13 (thirteen) months from the Contract date to the date when the Contract deliverable begins to generate heat, and not more than 14 months from the Contract date to the date on which the Contract deliverable is commissioned;
4. The Employer is entitled to charge the following contractual penalties:
 - i. for late completion of the deliverable under the Contract – 0.2% (two tenths of a percent) of the Consortium's VAT-exclusive fee under the Contract, for each day of delay;
 - ii. for late completion of the individual stages of the process to complete the deliverable under the Contract – 0.1% (one tenth of a percent) of the Consortium's VAT-exclusive fee under the Contract, for each day of delay;
 - iii. for late or improper removal of defects found at the time of acceptance or during the effective period of quality guarantee and/or warranty – 0.1% (one tenth of a percent) of the Consortium's VAT-exclusive fee under the Contract, for each day of delay;
 - iv. for violation of applicable laws and requirements of the Employer relating to occupational health and safety, work regime on the Employer's site, and fire protection regulations – EUR 2,000.00 (two thousand euros) for each identified violation;
 - v. if the Employer withdraws from the Contract for reasons attributable to the Consortium – 10% (ten percent) of the VAT-exclusive fee payable to the Consortium under the Contract, subject to item vi. below;

- vi. if the Employer withdraws from the Contract in the exercise of its contractual right of withdrawal referred to in Section 8 below – 20% (twenty percent) of the VAT-exclusive fee payable to the Consortium under the Contract;
5. The contractual penalties which the Employer may charge to the Consortium are capped at 25% (twenty-five percent) of the VAT-exclusive fee payable to the Consortium under the Contract;
6. Irrespective of the cap on the contractual penalties payable under the Contract the Employer is entitled to claim contractual penalties in excess of the penalties stipulated in the Contract;
7. The Consortium's total liability under the Contract is capped at 100% (one hundred percent) of the VAT-exclusive fee payable to the Consortium under the Contract;
8. The Employer holds a contractual right of withdrawal from the Contract in the following cases:
 - i. The Consortium is more than 30 (thirty) days in delay in relation to the deadlines for acceptance of the Contract milestones;
 - ii. the Consortium is more than 21 (twenty-one) days in delay in relation to the deadline for final acceptance of the deliverable under the Contract;
 - iii. during the warranty period the total period of suspension of operation of the Contract deliverable or the components of the deliverable, caused by defects, exceeds 60 (sixty) days;
 - iv. the Consortium becomes unable to perform the Contract because of a threat of bankruptcy or liquidation or as a result of enforcement by the competent authorities;
9. The Consortium is to provide a guarantee, on the terms defined in the Contract, for a period of 36 (thirty-six) months from the date of the Employer signing a report on final acceptance of the Contract deliverable with respect to equipment, and for a period of 60 (sixty) months from the date of the Employer signing the report on final acceptance of the Contract deliverable with respect to construction works;
10. The Consortium is obliged to provide a performance bond in the form of a bank or insurance guarantee, or in cash, in the amount of 5% of the Consortium's VAT-exclusive fee under the Contract during the Contract performance period and in the amount of 2.5% of the Consortium's VAT-exclusive fee under the Contract during the guarantee period;
11. The Company and the Subsidiary are jointly and severally liable to the Employer for the performance of the Contract;
12. The Employer is entitled to terminate the Contract with immediate effect in the event of violation by the Consortium of national or international sanctions, in particular economic sanctions imposed by the United Nations, the European Union, the United Kingdom, and the United States.

The other terms and conditions of the Contract do not differ from standard terms used in contracts of this type in trading.

The Company's Management Board would also like to note that as at the issue date of this Current Report no agreement has been reached between the Company and the Subsidiary on their respective shares of the fee payable under the Contract.

Legal basis:

Article 17(1) of the Market Abuse Regulation – inside information.

Radosław Domagalski-Łabędzki – President of the Management Board
Maciej Stańczuk – Vice President of the Management Board