

CURRENT REPORT FILED WITH THE POLISH FINANCIAL SUPERVISION AUTHORITY IN WARSAW

DATE: March 20th 2023

Subject: **Update on Jaworzno project – agreeing on key terms of future settlement [CR 21/2023]**

Text of the report:

Further to (i) Current Report No. 9/2023 of February 7th 2023 announcing that in the course of the mediation process before the Arbitration Court at the Office of the General Counsel to the Republic of Poland (the “Arbitration Court”), an agreement was reached on February 7th 2023 (the “Agreement”) between RAFAKO S.A. w restrukturyzacji of Racibórz (the “Company”), Mostostal Warszawa S.A. of Warsaw (“Mostostal”; and the Company and Mostostal jointly the “Contractor”), E003B7 Sp. z o.o. of Racibórz, a wholly-owned subsidiary of the Company (the “Subsidiary”), and TAURON Wytwarzanie S.A. of Jaworzno (“TAURON Wytwarzanie”), (ii) Current Report No. 18/2023 of March 7th 2023 announcing that the Contractor, the Subsidiary and TAURON Wytwarzanie executed Annex 1 to the Agreement in the course of the mediation process before the Arbitration Court, and (iii) Current Report No. 20/2023 of March 8th 2023 announcing that the validity term of the performance bonds provided under Contract No. 2013/0928/Ri for the development of new coal-fired generation capacities at TAURON Wytwarzanie S.A. – construction of a 910 MW supercritical power generation unit at the Jaworzno III Power Plant – Power Plant II: steam boiler, turbine generator set, main building, electrical and I&C systems (the “Contract”) was extended until March 24th 2023 and that documents confirming the extension were submitted to TAURON Wytwarzanie, the Company’s Management Board announces that on March 20th 2023, in the course of the mediation process before the Arbitration Court, the Contractor, the Subsidiary and TAURON Wytwarzanie agreed on the key terms of the future settlement agreement. The key terms of the future settlement agreement are as follows:

1. TAURON Wytwarzanie would cap its claims against the Contractor and the Subsidiary at PLN 240,000,000.00 (two hundred and forty million złoty, 00/100), which sum would be paid under the performance bonds provided for the Contract – this arrangement does not imply acknowledgment by the Contractor and the Subsidiary of TAURON Wytwarzanie’s claims;
2. TAURON Wytwarzanie would pay to the Company and the Subsidiary a total of PLN 65,087,444.16 (sixty-five million, eighty-seven thousand, four hundred and forty-four złoty, 16/100), which sum would consist of:
 - i. an amount of PLN 32,574,744.16 (thirty-two million, five hundred and seventy-four thousand, seven hundred and forty-four złoty, 16/100) as payment due based on the survey of the work performed;
 - ii. an amount of PLN 8,500,000.00 (eight million, five hundred thousand złoty, 00/100) as the relevant share of the insurance compensation;
 - iii. an amount of PLN 14,012,700.00 (fourteen million, twelve thousand, seven hundred złoty, 00/100) on account of deliveries and transfer of rights to the documentation;
 - iv. an amount of PLN 10,000,000.00 (ten million złoty, 00/100) on account of indemnification of TAURON Wytwarzanie by the Company for any claims that may be raised by the subcontractors and further subcontractors of the Company and

- the Subsidiary, to be refunded if TAURON Wytwarzanie is nevertheless obliged to make any payments to those subcontractors and further subcontractors;
3. the Company and the Subsidiary would agree for their subcontractors and further subcontractors to enter into direct contracts with TAURON Wytwarzanie;
 4. the Contractor and the Subsidiary would be released from liability under the technical warranties provided under the Contract;
 5. the Parties would terminate the Contract extinguishing their mutual obligations thereunder;
 6. the Parties would waive all mutual claims over and above the claims under the future settlement agreement, and furthermore the Company and the Subsidiary would waive all claims against TAURON Polska Energia S.A. of Katowice ("TAURON PE"), under a separate agreement to be executed between the Company, the Subsidiary and TAURON PE;
 7. entry into force of the future settlement agreement would be subject to the following conditions precedent:
 - i. all the required corporate approvals are obtained by the Company, Mostostal and TAURON Wytwarzanie by April 20th 2023;
 - ii. the Company executes, by April 24th 2023, an agreement with the guarantors who issued the performance bonds for the Contract on immediate payment by those guarantors to TAURON Wytwarzanie of the sum referred to in section 1 above;
 - iii. the Company's general meeting passes, by April 24th 2023, a resolution to increase the Company's share capital;
 - iv. MS Galleon GmbH delivers, by April 24th 2023, a declaration of continued interest in participating in the investment process involving the Company;
 - v. the Company executes, by April 24th 2023, a settlement agreement with Ignitis Grupė AB or its subsidiary/subsidiaries with respect to the Vilnius project.

In addition, on March 20th 2023, the Contractor, the Subsidiary and the Company agreed on:

1. the Company's undertaking to submit to TAURON Wytwarzanie, by March 23rd 2023, documents confirming the extension of the validity term of the performance bonds for the Contract at least until April 28th 2023;
2. execution on March 21st 2023 of another annex to the Agreement in which the stand still dates set forth in the Agreement would be extended until April 28th 2023;
3. submission by the Contractor to TAURON Wytwarzanie on March 20th 2023 of a declaration on extending the deadline for complying with the demand – within the meaning of Art. 649³.1 of the Polish Civil Code – to provide a payment guarantee – within the meaning of Art. 649¹ of the Polish Civil Code – for the remuneration due to the Contractor under the Contract until April 28th 2023. The Company's Management Board announces that a declaration on the extension referred to in this section was submitted by the Contractor to TAURON Wytwarzanie on March 20th 2023.

The Company's Management Board further explains that the above key terms have been agreed, but the settlement agreement has not yet been signed between the Contractor, the Subsidiary and TAURON Wytwarzanie, as its detailed contents are still being finalised between these entities.

Legal basis:

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

Radosław Domagalski-Łabędzki – President of the Management Board

Dawid Jaworski – Vice President of the Management Board