

FINANCIAL SUPERVISION COMMISSION
CURRENT REPORT NO. 53/2022

Name of entity:

**Fabryka Obrabiarek RAFAMET S.A.
in Kuźnia Raciborska**

Date of preparation:

13-12-2022

Topic:

The Issuer's Management Board's decision to start work on increasing the Issuer's share capital and to start work on increasing the share capital of its subsidiary Odlewnia Rafamet Sp. z o.o. through the Issuer's acquisition of newly created shares in this subsidiary.

Message:

The Management Board of Fabryka Obrabiarek RAFAMET S.A. with its registered office in Kuźnia Raciborska (hereinafter referred to as the "Company" or "RAFAMET") announces that today the Company's Management Board decided to start work on increasing the Company's share capital and became aware today that its subsidiary Odlewnia Rafamet Sp. z o.o. with its seat in Kuźnia Raciborska (hereinafter the "Subsidiary") by means of acquisition by the Company of newly created shares in this Subsidiary. The Company's Management Board's decision to start work on increasing the Subsidiary's share capital was also agreed today with the Subsidiary's Management Board.

The decision to begin work on increasing the Company's share capital is related to the need to increase the amount of the Company's equity and working capital, as well as the need to provide new sources of financing for the Subsidiary's ongoing business venture described in detail below combined with the structuring of the Subsidiary's loan debt.

Currently, in accordance with the contents of the Company's published current reports: no. 17/2020 dated 25/05/2020 and no. 32/2020 dated 16/09/2020, the Subsidiary is implementing, within the framework of the competition announced by the National Center for Research and Development (hereinafter: NCBiR) No. 1/1.1.1/2000 Fast Track, a research and development project entitled: "Development of an innovative technology for the production of large-size ductile iron castings with special properties in Full Mould technology, dedicated to the production of stamping tools in the automotive sector" (hereinafter: "program", "project", "works", "R&D project"). The total eligible costs accepted for the project amounted to PLN 17.898.387,50, and the amount of the project's subsidy by NCBiR was set at the value of PLN 7.481.798,13. The Subsidiary is financing this project, i.e. the project's own contribution in the original amount of PLN 10.416.589,37, with cash loans granted to it by the Company in accordance with the loan promise dated 17/10/2019 guaranteed to it by the Company for this purpose (current report no. 28/2019 dated 17/10/2019). The Subsidiary's R&D program currently underway requires an increase in the scope of its financing by an additional amount of approximately PLN 3.100.000, which arose as a result of the inflationary increase in the prices of the components of the pilot line (induction furnace, mixer-feeder, pneumatic conveying line). This amount is necessary to continue and complete this work. NCBiR, which was asked by the Subsidiary to recognize the additional expenses, independent of the Subsidiary,

necessary for the completion of the seventh and eighth stages of R&D work (out of the eight implementation stages) as additional eligible costs, stated that, standing on the basis of the European law in force in this regard, it currently has no legal or financial instruments that would make it possible to increase the eligible costs of the R&D project in progress, and thus the possibility of increasing NCBIr's funding for this project.

In view of the above, the Management Board's intended purpose of a possible increase in the Company's share capital and a related increase in the Subsidiary's share capital will be to enable the Subsidiary, which is a very important link in the value of the RAFAMET Capital Group, to further implement, complete and ultimately achieve the full expected technological and economic-financial effects of the R&D work in progress, the planned completion of which is set for November 2023. Intended by the Boards of Directors of the Company and the Subsidiary, additional objectives of a possible increase of equity in the Company and the Subsidiary are to raise the financial standing of both entities of the RAFAMET Capital Group.

As part of the process considered by the Company's Board of Directors to increase the Company's share capital through a new share issue, the new share issue may, according to the current plan of the Company's Board of Directors, be carried out under the following conditions: (1) the share issue will be carried out through a private placement with exclusion of preemptive rights of existing shareholders, (2) the entire share issue will be offered by the Company for subscription to the Agency for Industrial Development S.A. with its seat in Warsaw (hereinafter the "Agency"), which currently holds 3.941. 529 shares of the Company, representing 91,27% of the Company's share capital, (3) the total issue price of the shares will be approximately PLN 16 million, (4) the issue price per share will be determined taking into account the price of the Company's shares on the regulated market operated by the Warsaw Stock Exchange S.A. in the recent period, as well as the prevailing conditions on the capital markets, the Company's financial situation and its development prospects.

The funds raised by the Company from the possible capital increase will increase the amount of equity by PLN 16 million (if the share issue is carried out in the amount assumed by the Management Board), and in the final settlement of these funds, according to the Management Board's intention, will partially increase the amount of the Company's net working capital.

At the same time, following the Company's share issuance, the Company intends to participate in a share capital increase by a Subsidiary through the Company's acquisition of newly created shares in that Subsidiary. As part of this increase in the Subsidiary's share capital, the Company intends to bring increase (increases) the Subsidiary's equity by an amount not less than PLN 16 million in total (if the Company's share issue is carried out in the amount of PLN 16 million assumed by the Company's Board of Directors), with the purpose of further implementation, completion and, ultimately, obtaining the expected technological and economic-financial results of the R&D project described above.

In connection with the completion of six stages (out of eight implementation stages) of the R&D project described above by the Subsidiary and their financing with loans granted to the Subsidiary by the Company, they will be repaid to the Company (in the event of carrying out a share issue in the amount assumed by the Board of Directors and in the event of increasing the share capital in the Subsidiary in the assumed amount). This applies to the loan agreements reported by the Company in current reports No. 7/2022 dated 01/03/2022, No. 25/2022 dated 30/05/2022, No. 29/2022 dated 21/06/2022 and No. 41/2022 dated 05/08/2022, as well as subsequent loans granted to the Subsidiary by the Company for this project until the date of the intended increase in the Subsidiary's share capital.

The decisions taken by the Boards of Directors of the Company and the Subsidiary to commence work on increasing the Company's share capital and increasing the Subsidiary's share capital were favorably reviewed by the Company's Supervisory Board, which passed a relevant resolution today. Also, the corporate bodies of the Subsidiary Company gave a positive opinion today on the above-described activities aimed at continuing, completing and subsequently obtaining the expected technological and economic-financial results of the R&D work described above.

Accordingly, the Company's Board of Directors today approached the Agency regarding the possibility of carrying out the process of increasing the Company's share capital and taking up shares in the Company's new issue by the Agency.

The Company also indicates that the Company is currently in talks with the Agency regarding the conclusion of annexes to the loan agreements concluded by the Company with the Agency, the conclusion of which the Company reported in current reports No. 20/2020 dated 16/06/2020, No. 30/2021 dated 15/11/2021 and No. 32/2021 dated 07/12/2021. The object of the annexes is to defer the repayment of the aforementioned loans in a correlated manner with the stages of the R&D project implemented by the Subsidiary, taking into account the need to rebuild working capital in the Company after the period of financing the Subsidiary's R&D work.

As a result of the actions planned by the Boards of Directors of the Company and the Subsidiary indicated above, there will be, according to their intentions (assuming that the Company conducts a new issue of shares with a total issue price of approximately PLN 16 million):

- 1) an increase in the amount of the Company's equity by PLN 16 million;
- 2) increasing the Subsidiary's share capital by PLN 16 million;
- 3) reduction of the Subsidiary's debt by a target amount of a total of PLN 16 million, i.e. by the value of the Subsidiary's current full own contribution to the ongoing R&D project, currently estimated at approximately PLN 13.5 million, and by the value of the portion of the Subsidiary's current loan obligation not resulting from the implementation of the R&D program, up to approximately PLN 2.5 million, through the Subsidiary's cash repayments of loans granted for these purposes to date and until the date of the increase in the Company's share capital;
- 4) the cessation of the currently existing violations of financial covenants in the Company's and the Subsidiary's loan agreements, following, among other things, a reduction in the balance sheet loan exposure reported by the Company and the Subsidiary for the R&D project.

In addition, the Company's Management Board indicates that in the absence of the Agency's approval of a new issue of the Company's shares in accordance with the contents of this report, the Company's Management Board will consider and present to the Agency the possibility of carrying out a new issue by way of a public offering addressed exclusively to certain categories of investors, in which case the preparation of a prospectus or other offering document for the purposes of such an offering is not required.

Disclaimer:

This report is for informational purposes only and the purpose of its publication by the Company is solely to provide information on the Company's activities in connection with the Company's intention to raise funds by way of a new share issue with the simultaneous deprivation of the Company's existing shareholders' right to subscribe to the new share issue in its entirety, in order to allocate the funds for the continuation, completion and final achievement of the technological and economic-financial effects of the ongoing R&D work combined with the parallel structuring of the Subsidiary's loan obligations and an

increase in the Company's working capital. This report does not serve in any way, directly or indirectly, to promote the subscription of new issue shares and is not promotional material prepared or published by the Company for the purpose of promoting new issue shares or their subscription or encouraging, directly or indirectly, their purchase or subscription. The Company has not yet published any material aimed at promoting new issue shares or their subscription.

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Legal basis:

MAR Article 17, Item 1 - confidential information

Procurator holder

President of the Board

Krzysztof Tkocz

E. Longin Wons