

COMMISSION FOR FINANCIAL SUPERVISION

Current Report No. 43/2020

Date drawn up: 2020-11-18

Abbreviated name of the issuer ELEKTROTIM S.A.

Subject Correction of the forecast of the financial results of ELEKTROTIM S.A. and the ELEKTROTIM S.A. Capital Group for the year 2020

Legal basis Art. 17, sec. 1 MARCH – confidential information.

Content of the report:

The company ELEKTROTIM S.A. (hereinafter: Company) notifies about the correction of the forecast of the financial results of ELEKTROTIM S.A. and the ELEKTROTIM S.A. Capital Group for the year 2020.

The correction has been adopted based on the data on the closing of the third quarter of 2020 which will be notified to the public by the Company on 19.11.2020.

Having analysed the data for the third quarter of 2020, taking into account the currently most important factor, i.e. the direct and indirect consequences of the SARS-CoV-2 coronavirus pandemic and COVID-19 cases, of which we will be talking later on, the Management Board notifies that there is going to be a reduction in several parameters of the annual forecast presented in the current report No. 4/2020 of 04.02.2020 and of that corrected by the current report No. 20/2020 of 25.06.2020.

The main factor of the second correction of the forecast is the factor indicated in the current report No. 20/2020, i.e. the shifting in the implementation of the tasks as a result of the spread of the SARS-CoV-2 coronavirus and COVID-19 cases.

The direct mechanism that leads to the shifting in the implementation of the tasks is:

- a) occurrence and persistence of occurrence of the prerequisites preventing the performance of the subject of contracts to which ELEKTROTIM S.A. is a party due to the epidemiological situation and the related legal changes in the environment (force majeure),
- b) difficulties resulting from the legal provisions introduced in connection with the epidemiological situation connected to COVID-19 – lack of quick prospects for ending the pending court and administrative proceedings.

A new mechanism that has emerged over the last three months (September-October-November) is the dynamic increase in COVID-19 incidence among the employees of the Company and the Group, subcontractors providing work to ELEKTROTIM S.A. and to the Group, and what is most important among the employees of entities for which works are being performed, i.e. infections among the Investors or Ordering Parties' staff (indirect mechanism). In the entire Capital Group about 15% of employees are subject to quarantine and isolation (at homes and hospitals) which, to a large extent, requires undertaking flexible organizational and legal actions with limited human resources.

Also the drop in revenues, the Company recorded with the first economic lockdown in May and June and reported on 25.06.2020 was of importance to the overall implementation of the forecast for the year 2020. The perspective of another lockdown of the economy, which would be taking place in the fourth quarter of 2020, which, as per seasonal nature of works which are specific to a construction industry company, is usually the best in terms of results for the Company and the Capital Group, made the Management Board of ELEKTROTIM S.A. notify of the second correction of the forecast for the year 2020.

The Company's Management Board, based on the „ELEKTROTIM S.A. Risk Management Policy” in which risk is defined both as a threat and an opportunity, taking into consideration the circumstances resulting from:

1. reduction in the value of sales revenues in the year 2020 and, as a consequence, of the results caused by shifting in the implementation of the tasks as a result of the spread of the SARS-CoV-2 coronavirus and COVID-19 cases,
2. order portfolio for ELEKTROTIM S.A. as at 31 October 2020 which had the value of approx. PLN 247,172 thousand and which in relation to the order portfolio of ELEKTROTIM S.A. as at 31 October 2019 had the value of PLN 243,505 thousand, i.e. was at a comparable level y/y (increase by 1.5%),
3. order portfolio for the ELEKTROTIM Capital Group as at 31 October 2020 which had the value of approx. PLN 301,593 thousand and which in relation to the order portfolio of the ELEKTROTIM Capital Group as at 31 October 2020 had the value of PLN 312,364 thousand, i.e. was decreased by approx. 4% y/y.

has made the second correction of the forecast of the results of the Company and the Capital Group, which is as follows.

The corrected forecast of individual financial results of ELEKTROTIM S.A. presents as follows:

Sales revenues: PLN 214,000 thousand - reduction of the forecast by PLN 6.000 thousand

(correction by 3%)

Operating profit: PLN 18.100 thousand - reduction of the forecast by PLN 900 thousand (correction by 5%)

Net profit: PLN 12.600 thousand - reduction of the forecast by PLN 900 thousand (correction by 7%).

Thus the forecast of the consolidated financial results of the ELEKTROTIM Capital Group for the year 2020 is being corrected and it presents as follows:

Consolidated sales revenues: PLN 293.000 thousand - reduction of the forecast by PLN 7.000 thousand (correction by 2%).

Consolidated net profit: PLN 14.800 thousand - reduction of the forecast by PLN 1.000 thousand (correction by 6%).

The value of the consolidated operating profit remains without changes: PLN 22,000 thousand

Management Board of the Company signal the following threats:

- a) the need to establish a deposit to secure the bid bond, performance bond, quality guarantee,
- b) the possibility of increasing the value of unsold production due to the effects of the COVID-19 pandemic.

The shifted implementations and the sales from 2020 will positively influence the results of the first half of 2021 in the ELEKTROTIM Capital Group.

The said correction of the financial forecast was not subject to a control by a certified auditor.

The decision to make a correction of the forecast of the financial results of the Company and of the ELEKTROTIM Capital Group for the year 2020 was made by the Company's Management Board on the date of publication of this report, immediately after obtaining access to the data allowing to make the correction in question.

Management Board of ELEKTROTIM S.A. will monitor the degree of implementation of the above-mentioned forecast on a regular basis and will assess the possibilities of implementation of the forecasted results (every quarter) also in the context of the possible correction. This correction of the forecast has been prepared with utmost care, adopting cautious projections for the future.

Management Board of ELEKTROTIM S.A. has decided to publish the forecast due to the implemented „Strategy of ELEKTROTIM S.A. for the years 2019-2022” which was notified to the public by way of a current report No. 40/2018 of 13.11.2018 („vision of the year 2022”).