Dear Shareholders, Stakeholders, Employees and Friends

This year's letter is an opportunity to share with you information about the Company's and the Group's future prospects, the challenges we are facing, and key developments that occurred in 2017 and before the date of publication of the Annual Report.

This past year saw continuation of the process to reorganise the Group that will continue into 2018. We have refined and continue to fine-tune internal process management and to enhance our bidding and contract delivery capabilities, focusing on the commercialisation of projects that have resulted from our systematic approach to innovation in research and development.

A key component of our reorganisation effort is the reorganisation programme announced in late June. The programme aims to adjust the level and costs of employment to the conditions prevailing in the Company's markets. We are continuing with the programme, seeking to simplify the workforce structure in the areas directly related to sales. We are also considering outsourcing some activities that have so far been handled in-house.
At the beginning of September, we made the difficult decision to implement a collective redundancies plan. The analytical process conducted as part of the next stage of the reorganisation project yielded a list of optimisation recommendations covering resources, processes and fixed costs. The expected annual savings to be achieved following the implementation of all of the recommendations are expected to total approximately PLN 25m, starting from the second quarter of 2018. It was decided that the collective redundancies will be implemented from October 2nd 2017 until July 31st 2018 as a three-stage process, with a maximum of 276 people let go. From the start of the second stage of the restructuring process until March 31st 2018, 128 employees were terminated, with a maximum of 148 more to be made redundant by the time the process ends.

Another important development last year, which I already mentioned in the 2016 letter, was the execution of Annex No. 5 to the Jaworzno 910 MW unit construction contract on March 1st 2017, which increased the contract price by PLN 71.05m (to PLN 4,470m), exclusive of VAT, and extended the completion deadline by 8 months and 5 days.

The second half of last year and the beginning of this year were marked by the pre-emptive secondary public offering carried out on the Warsaw Stock Exchange. The offering closed on November 30th 2017, with all new shares with pre-emptive rights subscribed for by investors. We raised the expected gross amount of PLN 170m from the transaction, and we acquired new shareholders, including Fundusz Inwestycji Polskich Przedsiębiorstw FIZ AN, managed by TFI PFR of the PFR Group. The public offering comprised the issue of 42,500,000 Series K shares with the pre-emptive rights of existing shareholders retained, at a price of PLN 4.00 per share. Investors subscribed for 35,107,416 shares in the exercise of the pre-emptive rights and under additional orders, and the remaining 7,392,584 shares were allotted to investors who accepted invitations from the Company's Management Board. This successful share offering was another milestone on the RAFAKO Group's growth path. The funds raised from the issue and the trust you have placed in us, for which I would like to thank you today, have provided us with instruments to comfortably deploy our strategy for international expansion, securing a market share in the growing market for environmental protection installations in Poland and globally, and new product implementations. We have also gained a platform for securing proper resources to bid for and deliver contracts, having access to working capital required for that purpose. Let me remind you that roughly 65% of the funds raised from the offering will be applied towards financing future contracts, and up to 25% of the funds will be used as the Company's equity contribution to new product implementation projects, including in particular distributed energy products (polygeneration islands). I would like to reiterate that commercialisation of new products is mainly aimed at creating new business lines outside the conventional energy business, permitting the RAFAKO Group to stabilise revenue in the medium and longer term. The remaining 10% of the funds will be used to finance our R&D projects aimed at delivering sustained growth and maintaining the competitive edge of our products and services. Without the funds for research and development raised through the 2015 SPO we would not have had the means to develop projects that we can commercialise today. The SPO was formally closed on January 18th 2018 upon registration of Series K shares with the Central Securities Depository of Poland.

On October 16th 2017, National Trading & Transport Group Co Ltd. (NTT Group) selected the bid placed by the Company, acting as the leader of a consortium (90% of the contract price) with Gmax Group Sp. z o.o. of Warsaw, and on the same day we signed a conditional contract for the design and construction of a fuel storage depot in Rashaant, Mongolia, including the construction of storage tanks and auxiliary infrastructure. The total value of the contract is EUR 47 (VAT-exclusive).

On December 29th 2017, the consortium comprising RAFAKO and PT. Rekayasa Industri as the consortium leader signed a conditional contract with PT.PLN of Indonesia in a tender for the construction of two coal-fired steam units (2x50 MW) on Lombok Island, Indonesia. The value of the Company's bid was EUR 70.3 (approximately PLN 295m) VAT-exclusive, representing approximately 35% of the total value of the bid submitted by the Consortium.

The total value of contracts signed in 2017 was in excess of PLN 750m. Considering the continued freeze on investments in environmental protection projects by domestic companies, we consider this a solid result. The key factors contributing to the freeze are the same as I mentioned in prior years, that is chiefly uncertainties regarding new environmental requirements and specifically BAT regulations. But as we had expected, BAT Conclusions for large combustion plants were published in the Official Journal of the European Union on August 17th 2017. As a result, the operators of existing plants are required to bring their facilities in compliance with the Conclusions by August 16th 2021. We expect that investments to be unlocked and 2018 will see a host of interesting new bidding opportunities and contract wins.

As regards the 2017 geographical revenue mix, 91% of our revenue was earned from contracts delivered in Poland, with the balance of the revenue coming from international markets. Thus overwhelming dominance of the domestic market is attributable to the ongoing performance of the 910 MW Jaworzno III project. With a 99.99% interest, RAFAKO leads the consortium responsible for this project, with a VAT-excluisve value of close to PLN 4.5bn. Over the next year, we intend to reach an around 45% share of export markets in our total revenue on a separate basis.

2018 was another consecutive year RAFAKO strengthened its both capital and financial position. We secured another PLN 165m in new guarantee facilities.

Consolidated revenue for 2017 declined slightly, by 5%, to PLN 1.783bn, of which 1.232bn was attributable to the Jaworzno III Power Plant project. Our financial performance was adversely affected by the ongoing collective redundancies process and impairment losses on some contracts won in 2011 and 2012. Despite this backdrop, we managed to deliver a 21pp improvement in gross profit and an 88pp growth in operating profit, to PLN 150m and PLN 46m, respectively. EBITDA grew 55pp, to over PLN 60m. Only net profit from continuing operations was down year on year, by 71pp, as RAFAKO S.A. utilised a deferred tax asset of PLN 17m. This year, we expect to generate some PLN 700m in consolidated revenue from the Jaworzno III Power Plant contract alone. RAFAKO added another PLN 800m to its order book, with the value of all contracts signed for 2018 totalling approximately PLN 1.5bn. The entire order book of the RAFAKO Group currently stands at PLN 3.1bn.

Considering the shifts and trends prevailing in the Company's core market, including declining investment in conventional energy projects (chiefly in new large generating units in Poland), at the start of 2018 we decided to update our strategy and expand our range to include EPC and general contracting services for the oil and gas upstream and downstream sectors. This move is to help diversify our revenue sources and drive further growth of the Group's business. Following this decision, our core and strategic business segments comprise the power construction segment and the natural gas, crude oil and fuels segment.
Our strategy is to deliver long-term growth in the Company's value by building the largest engineering and construction group in Poland and an important international player, offering specialist construction services for the heat and power sector and for the oil and gas upstream and downstream sectors.

The Group's strategic objectives are to:

1. **Strengthen its position in the domestic heat and power construction market** by delivering and participating in the largest capital investment projects in Poland, capturing a market share in the market for services related to the modernisation of heat and power infrastructure, and ensuring compliance with BAT regulations;

2. **Enter the oil and gas upstream and downstream sectors** by leveraging the capabilities, track record and credentials of the PGB Group;
3. **Expand** both strategic business lines **internationally;**
4. **Develop the technologies applied by the Group, particularly its proprietary technologies;**
5. **Capture a market share in the industrial construction market;**
6. **Optimise contract financing and contract performance security;**
7. **Improve profitability by managing and mitigating project risks;**
8. **Achieve a dividend paying capacity by 2020.**

These objectives are feasible provided the Group is properly organised and focused on the provision of EPC project management and general contracting services in both strategic business segments.

To conclude I would like to thank once again all our Shareholders for the trust they continued to place in us last year. 2017 was a year of challenges and austerity measures, which will however help to streamline RAFAKO's operations in the future. However, it was also a period of many positive developments that make me and the other members of the Management Board feel optimistic about the coming months and years. On behalf of the Management Board, I would also like to thank our Employees. We realise the goals we set you are challenging, therefore we would like to thank you for your effort and dedication that we see every day. I am confident that 2018 will be a year of success for the entire organisation.

Agnieszka Wasilewska-Semail

President of the Management Board

Racibórz, April 5th 2018