



GRUPA PBG

(RAFAKO spółka akcyjna with its registered office at ul. Łąkowa 33, Racibórz, Poland, entered in the Business Register of the National Court Register under No. 0000034143)

CURRENT REPORT FILED WITH THE POLISH FINANCIAL SUPERVISION AUTHORITY

DATE: April 5th 2018

Subject: Update of RAFAKO Group's Growth Strategy for 2018–2020 [Current Report No. 15/2018]

Contents:

Current Report No. 15/2018

The Management Board of RAFAKO S.A. ("RAFAKO") announces that on April 5th 2018 it approved the RAFAKO Group's updated Growth Strategy for 2018–2020 (the "Strategy"), which had received a favourable opinion of the Supervisory Board. The decision to update the Strategy was prompted by changes in the main market of the Company's business, as well as growth prospects in the new business area, which includes EPC and general contractor services in the natural gas, crude oil and fuels sector. This growth direction is to diversify revenue sources and ensure further development of the Group's business.

RAFAKO's strategic objectives are to:

1. Strengthen the Company's position in the domestic power construction market, by delivering and participating in Poland's largest capital investment projects, capturing a market share in services related to power and heat infrastructure modernisation and ensuring compliance with the BAT regulations;
2. Enter the natural gas, crude oil and fuels sector by leveraging the capabilities, experience and credentials of the PBG Group;
3. Expand the business in foreign markets in both of the Group's core segments;
4. Develop the Group's solutions, especially proprietary technologies;
5. Capture a market share in industrial construction;
6. Optimise contract financing and contract performance security;
7. Improve profitability through control and mitigation of project risks;
8. Achieve dividend distribution capacity in 2020.

The delivery of these strategic objectives will be possible if the RAFAKO Group is properly organised and focused on project management services on an EPC and general contractor basis in both core segments of its business. Internal reorganisation of the Group will, on the one hand, involve acquisition of EPC capabilities in the natural gas, crude oil and fuels sector, and on the other – separation of services from manufacturing through planned spin-off (within the RAFAKO Group) of an organised part of business, namely the Steam Generator Plant, and RAFAKO's subsequent in-kind contribution of the organised part of business to a subsidiary. The acquisition of capabilities in the new business area will take place through merger of RAFAKO Engineering Sp. z o.o. (in which a 51% interest is held by

RAFAKO and 49% – by PBG oil and gas Sp. o.o.) with PBG oil and gas Sp. z o.o. (a wholly-owned subsidiary of PBG S.A., the parent of the PBG Group). Additionally, PGL Dom Sp. z o.o. (a wholly-owned subsidiary of RAFAKO) will be included in the transaction, with a view to strengthening the balance sheet and thus the borrowing capacity of the combined entity, in which RAFAKO will acquire a majority interest. This will increase the RAFAKO Group's capacity to bid for and deliver projects within the areas of its expanded capabilities and will naturally facilitate its business growth by leveraging synergies between the merged companies. The merger will be contingent upon consents being obtained from RAFAKO S.A.'s creditors (i.e. financing institutions) and PBG's creditors (i.e. bondholders). The relevant consents will be sought shortly. The spin-off of the Steam Generator Plant within the RAFAKO Group is designed to better orient this business towards the market, enhance competitiveness through rightsizing, and streamline the organisational structure. Separating the organised part of business from RAFAKO will also require consents of the Company's creditors.

Under the updated Strategy, the RAFAKO Group assumes generating annual revenue of PLN 300m in the natural gas, crude oil and fuels segment within the next three years. The Strategy was developed taking into account significant changes in the RAFAKO Group's business environment and trends in the power, industrial, as well as natural gas, crude oil and fuels sectors. A presentation of the Strategy has been included in the 2017 Directors' Reports on the operations of RAFAKO and the RAFAKO Group.

Forward-looking statements should not be construed as forecasts or estimates.

Legal basis: Art. 17.1 of the Market Abuse Regulation – inside information.

Agnieszka Wasilewska-Semail, President of the Management Board
Jarosław Dusiło, Vice President of the Management Board