Dear shareholders,
trading and business partners as well as collaborators of RAFAKO S.A.

Last year, the Company had to deal with challenges posed by a variety external and internal factors.

One of the Management Board's decisions was to review the estimated costs of performance of the main long-term contracts. The review had an adverse effect on both separate and consolidated results. It should be noted that all long-term contracts were concluded under volatile market conditions, and the extraordinary change in prices of materials and costs of construction and assembly services between 2017 and 2019 as well as significant extension of completion dates for these contracts (including due to objective circumstances) led to a major rise in the costs the Company had to incur to perform the contracts. It should be stressed that these adverse developments impacted the entire construction and assembly services market in Poland, including in particular companies providing services in tenders organised under the Public Procurement Law.

Notwithstanding, given the deteriorating financial condition of PBG S.A. w restrukturyzacji (in restructuring), which resulted in the filing on February 12th 2020 of a restructuring request leading to the opening of recovery proceedings, the Company's Management Board decided to recognise an impairment loss on bonds and other receivables from PBG S.A. w restrukturyzacji (in restructuring).

These events significantly contributed to increasing the Company's estimated loss and triggered a formal prudential procedure under Art. 397 of the Commercial Companies Code.

It should be stressed that following an analysis of the Company's financial and liquidity position, its current and expected market environment, considering the risks related to the Company's current financial condition, the Management Board has not identified, based on the knowledge and information available as at today, any threat to the Company continuing the projects in the backlog. At present, the value of the Company's portfolio of financially sound projects (i.e. those generating positive margins) is well above PLN 1bn, and the average margin generated on these projects exceeds 8.7%.

The Company is actively engaged in acquiring new contracts in order to maintain stable revenue. It is taking part in tender procedures in Poland and abroad, with a high likelihood of the tenders being completed and the Company winning the contracts.

In recent months, steps were taken to streamline and implement procedures aimed at improving the standards of internal control over the contracts performed by the Company, and to implement a programme aimed at enhancing financial discipline and cost efficiency.

The Company's Management Board has also identified potential cost optimisation areas and non-core assets which can be potentially divested. The Management Board estimates that these efforts may bring in at least several dozen million złotys. The money will be used to improve and maintain the Company's liquidity position, which is currently stable.

Therefore, in the Management Board's opinion, there are reasonable grounds for the General Meeting to pass a resolution on the Company's continued existence. In addition, the optimisation measures in the management area and cost cutting measures undertaken by the Management Board will have a positive effect on both current and medium-term liquidity.

It should also be noted that as part of cooperation with KPMG, initiated in December 2019, an independent assessment of the Company's and the RAFAKO Group's contracts was carried out, the correctness of the Company's financial model was reviewed, and an independent medium-term liquidity model for the Company was prepared.

The outcome of the accounting firm's work, as well as the steps taken to change the contract reporting model, have enabled the Company to identify the risks involved in the projects it is carrying out and the measures it must promptly take to minimise losses. The outcome will also contribute to the stabilisation of the Company's and the Group's reported performance.

The Company has also undertaken an analysis aimed at redefining and streamlining its own and the RAFAKO Group's product portfolio and individual business lines based on operational efficiency and market outlook criteria and indicators.

This year, despite the turbulences caused by the COVID-19 pandemic, should be a better period for the Company than 2019. The Company will actively seek to win new contracts, carry out the necessary reorganisation measures, and continue to reduce its operating expenses. This should result in strengthening the Company's and the RAFAKO Group's market position, driving long-term growth in the future. The Management Board intends to carry out all these activities in accordance with the policy of enhancing the Company's transparency and openly communicating with the capital and financial markets.