

Dear Shareholders, Employees, Stakeholders and Friends,

Once again, through this Letter, I have the pleasure to recapitulate key events in our Company and the RAFAKO Group as a whole since the beginning of 2016. It was a period that will undoubtedly have a positive effect on our business in the years to come and one we started with a major success. As stated in my last year's letter, mBank issued an advance payment bank guarantee of PLN 48m and a performance bond bank guarantee of PLN 126.3m related to the Jaworzno III project in favour of Tauron Wytwarzanie. Thus, the amount of PLN 40m deposited by RAFAKO in cash to secure performance of the contract was returned to the Company.

In the first half of 2016, following full implementation of certain strategic objectives and in connection with changes in the market, competitive and legal environments, we updated the RAFAKO Group's Stable Growth Strategy for 2015-2018, published in November 2014. The Company remains committed to pursuing its strategic objectives: (i) doubling down on research and development efforts; (ii) consolidating our position as a leader on the Polish market of technologically advanced and environmentally-friendly solutions for the power and industrial sectors; (iii) expanding foreign sales; (iv) optimising management of the parent's and the Group's business, and in particular expanding the maintenance function.

The second half of 2016 and the beginning of 2017 saw us forge strategic alliances, sign new contracts and annexes to existing ones.

In mid-2016, we signed a letter of intent with POLIMEX Energetyka to cooperate in a tender for expansion of power generation capacities at the Ostrołęka C Power Plant by approximately 1,000 MW. This partnership proved successful, as on March 10th 2017 we submitted a joint bid in the tender in consortium with POLIMEX-Mostostal S.A., the parent of POLIMEX Energetyka.

On September 29th 2016, RAFAKO signed a contract with JSC VILNIAUS KOGENERACINĖ JĖGAINĖ worth EUR 149.7m (ca. PLN 650m), exclusive of VAT, for construction of a biomass-fired co-generation unit consisting of fluidised bed boilers, biomass storage and feeder systems, and flue gas treatment system. The project will be executed as part of the process to construct a new CHP plant in Vilnius, Lithuania.

The following day, on September 30th 2016, RAFAKO signed a contract with Enea Wytwarzanie Sp. z o.o. valued at PLN 289.2m, exclusive of VAT, for delivery and installation of a catalytic flue gas denitrification system for AP-1650 boilers no. 9 and 10 and for upgrade of electrostatic precipitators.

Both contracts were signed under the EPC formula.

In September 2016, we entered into negotiations with Tauron Wytwarzanie and Tauron Polska Energia to amend some of the terms of the contract for construction of a 910 MW supercritical power unit at the Jaworzno III Power Plant. The entire process was described in detail in our current reports. The negotiations ended with the execution, on March 1st 2017, of Annex No. 5 whereby the contract price was increased by PLN 71.05m (to PLN 4,470m), exclusive of VAT, and the completion deadline was extended by 8 months and 5 days.

The two contracts, one in Vilnius and the other in Koźienice, stand out as orders of the largest value secured in 2016. The remaining orders had lower unit values and the total value of contracts signed in 2016 exceeded PLN 1.2bn. We are very satisfied with this achievement, especially given that investors are still putting most of their environmental protection projects on hold. The key contributing factors are the same as mentioned in my last year's letter, that is chiefly uncertainties regarding new environmental requirements and specifically BAT regulations. Their overarching goal is to set such emission limits that would reflect the right balance between benefits and costs. BAT conclusions are expected to be announced in the second half of 2017. Once that happens, investment projects should be released from hold.

As regards the situation on RAFAKO's markets, last year 91% of the Group's revenue was derived from domestic contracts, and the balance, or 9%, from foreign markets. Such an 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 PLN 4.5bn project. Over the next year, we intend to reach an around 20% share of export markets in our total revenue on a separate basis.

In 2016, we placed significant focus on reorganising our company. Given governments' and financial institutions' increasingly strict approach to climate protection, businesses such as RAFAKO are seeking new markets, both geographically and product-wise. All these factors combined encourage us to change so as to play a major part in the future growth of the energy market. Last year, we streamlined our internal process management, enhanced the competitiveness of internal business units, strengthened capabilities related to bidding for and implementation of EPC projects, and adopted a systemic approach to innovation in R&D, and these efforts are being continued in 2017. These have been and remain the main objectives of our reorganisation project.

One element of the reorganisation was the Voluntary Redundancy Programme launched in mid-November 2016. The VRP aimed to adjust the level and costs of employment in RAFAKO to the conditions prevailing in the market where the Company operates, while supporting the leaving employees through financial and non-financial measures. Ultimately, the programme was to cover around 200 employees. It was targeted mainly at: (i) employees who have reached retirement age; (ii) employees who were entitled to pre-retirement protection. The VRP ended on January 31st 2017. The total number of the Company's employees who took advantage of the programme was 128, and the final amount of obligations arising in connection with the programme (for which a provision was recognised and charged in full against the earnings for 2016) will be about PLN 7.7m.

I am confident that these measures will lead us in the right direction, as manifested by the volume of orders acquired in 2016.

2016 was yet another year in which RAFAKO strengthened its financial standing. We managed to obtain PLN 96m in unsecured guarantee facilities.

In accordance with the Stable Growth Strategy for 2015-2018 and our expectations, we increased our consolidated revenue by 21% to PLN 1.875bn, 1.3bn of which was attributable to the Jaworzno III project. However, our profits are not equally satisfying. Our financial performance was affected by two events: the Voluntary Redundancy Programme and recognition of impairment losses on some contracts signed in 2011-2012, as reported in our current report. They contributed to a year-on-year deterioration at every level of our consolidated statement of profit or loss. Gross profit amounted to PLN 124.3m, operating profit to PLN 24.7m, and net profit from continuing operations stood at PLN 10.9m. However, our plans for the current year assume improvement all across the board. We expect to generate some PLN 1.3bn in consolidated revenue from the Jaworzno III Power Plant contract alone. The entire order book of the RAFAKO Group currently stands at PLN 4bn.

In 2017, we will consistently pursue the goals defined in the Stable Growth Strategy.

To conclude, I would like to thank our Shareholders. Your trust is our driving engine. I would also like to thank our Trading Partners for yet another successful year of cooperation. Once again, my special thanks go to those responsible for construction of the power generation unit at the Jaworzno III Power Plant, the largest contract in our portfolio. On behalf of the entire Management Board, I would like to express our gratitude to the Supervisory Board without whose support and counsel none of our achievements would have been possible, just as without the participation and engagement of RAFAKO employees. All year round you contributed your effort and hearts to your work. I am deeply grateful for that. I firmly believe that 2017 will be an interesting year and a year in which we expand our horizons.

Agnieszka Wasilewska-Semail

President of the Management Board

Racibórz, March 21st 2017