

a.



RAFAKO S.A.

(joint-stock company with its registered office at ul. Łąkowa 33, Racibórz, Poland, entered in the business register of the National Court Register under No. 0000034143)

Public offering of up to 15,331,998 Series J ordinary shares with a par value of PLN 2 per share, and seeking of admission and introduction of up to 15,331,998 allotment certificates for Series J shares and up to 15,331,998 Series J ordinary shares to trading on the regulated market (main market) operated by the Warsaw Stock Exchange.

This issue prospectus (the "**Prospectus**") has been prepared (i) in connection with the public offering (the "**Offering**"), in Poland, of up to 15,331,998 new Series J ordinary shares in RAFAKO S.A. of Racibórz (the "**Company**", the "**Issuer**" or "**RAFAKO**"), with a par value of PLN 2 per share (the "**Offer Shares**"), addressed exclusively to Institutional Investors, and (ii) to seek admission and introduction of up to 15,331,998 Series J ordinary bearer shares in the Company, and of up to 15,331,998 allotment certificates for the Offer Shares (the "**Allotment Certificates**" or the "**ACs**"), to trading on the regulated market (main market) operated by the Warsaw Stock Exchange (the "**WSE**").

The final number of Offer Shares and the final issue price of the Offer Shares (the "**Final Price of Offer Shares**") will be determined by the Company in consultation with Joint Bookrunners prior to the opening of the subscription period for Institutional Investors. Information on the final number of Offer Shares to be offered in the Offering, and on the Final Price of Offer Shares will be published no later than on July 15th 2015 as required under Art. 54.3 of the Public Offering Act, i.e. in the same manner as this Prospectus, and in a current report as required under Art. 56.1 of the Public Offering Act.

This Prospectus is a prospectus in the form of a single document, as defined in Art. 5.3 of Directive 2003/71/EC of the European Parliament and of the Council ("**Prospectus Directive**") and Art. 21.1.1 of the Public Offering Act, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies (the "**Public Offering Act**"), and has been prepared in particular in accordance with the Public Offering Act and Commission Regulation (EC) No. 809/2004 of April 29th 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements ("**Regulation 809/2004**"). This Prospectus is the only legally binding document prepared for the purposes of the Offering and presenting information on the Company and the Offer Shares.

As at the Prospectus Date, 69,600,000 ordinary shares in the Issuer were traded on the regulated market (main market) operated by the WSE (the "**Existing Shares**"). The Existing Shares were not listed on any other regulated market or in an alternative trading system. The Existing Shares are registered at the depository for securities maintained by Krajowy Depozyt Papierów Wartościowych S.A. ("**CSDP**") under ISIN code No. PLRAFAK00018. The Company intends to introduce up to 15,331,998 Allotment Certificates and up to 15,331,998 Offer Shares to trading on the main market operated by the WSE.

Investing in the Shares offered under this Prospectus involves considerable risks typical of equity capital market instruments and risks related to the business of the Group and the environment in which the Group operates. For a detailed description of risk factors, see "Risk factors".

This Prospectus does not constitute an offer or solicitation to subscribe for the Offer Shares by any person under any jurisdiction in which such offer or solicitation is illegal. The public offering of Offer Shares is carried out exclusively in the territory of Poland. Neither this Prospectus nor the Offer Shares have been registered or approved by, or referred to in a notice to any regulatory authority in any jurisdiction outside Poland.

THE PUBLIC OFFERING IS BEING CARRIED OUT EXCLUSIVELY IN THE TERRITORY OF POLAND. OUTSIDE POLAND, THIS PROSPECTUS MAY NOT BE TREATED AS A PROPOSAL TO ACQUIRE OR OFFER TO SELL ANY SECURITIES. NEITHER THIS PROSPECTUS NOR THE SECURITIES OFFERED UNDER THIS PROSPECTUS HAVE BEEN REGISTERED, APPROVED OR NOTIFIED IN ANY COUNTRY OTHER THAN POLAND, IN PARTICULAR UNDER THE PROSPECTUS DIRECTIVE OR UNDER THE U.S. SECURITIES ACT OF 1933. THE SECURITIES OFFERED UNDER THIS PROSPECTUS MAY NOT BE OFFERED OUTSIDE THE TERRITORY OF POLAND (INCLUDING IN OTHER EUROPEAN UNION STATES AND THE UNITED STATES OF AMERICA), UNLESS SUCH AN OFFER MAY BE LEGALLY CARRIED OUT IN A GIVEN COUNTRY WITHOUT THE NEED TO SATISFY ANY ADDITIONAL LEGAL REQUIREMENTS. EACH INVESTOR DOMICILED OR HAVING THEIR REGISTERED OFFICE OUTSIDE THE TERRITORY OF POLAND SHOULD FAMILIARISE THEMSELVES WITH THE PROVISIONS OF POLISH LAW AS WELL AS THE LAWS OF ANY OTHER COUNTRY WHICH MIGHT APPLY TO THE INVESTOR.

As the Company's share capital increase needs to be registered, investors to whom the Offer Shares will be allotted will be issued Allotment Certificates for the purpose of delivery of the Offer Shares. The Allotment Certificates will be issued through the clearing system of the CSDP, in accordance with the Offering schedule, by entering Allotment Certificates in the investors' accounts. Following registration of the Company's share capital increase effected through the issue of Offer Shares with the preemptive rights of the Company's existing shareholders disappplied, the Company will apply to the CSDP for registration of the Offer Shares in the securities depository maintained by the CSDP. Upon registration in the depository for securities, Allotment Certificates will expire and the securities accounts of investors holding Allotment Certificates at the time will be automatically credited with the Offer Shares at a ratio of one Offer Share for one Allotment Certificate. Trading in Allotment Certificates on the WSE is planned to commence within 14 days from the date of allotment of Offer Shares. Trading in Offer Shares on the WSE is expected to commence approximately one month after the date of allotment of Offer Shares.

No over-allotment or greenshoe option is contemplated under the Offering.

Joint Bookrunner and Offering Broker
Dom Maklerski PKO Banku Polskiego

Joint Bookrunner
Trigon Dom Maklerski

This Prospectus was approved by the PFSA on July 3rd 2015.

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SUMMARY

Section A — Introduction and warnings	
A.1 Introduction	<p>Warning</p> <ul style="list-style-type: none"> – This Summary should be read as an introduction to the Prospectus; – Any decision to invest in the securities should be based on consideration of the Prospectus as a whole by the investor; – Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor may, under the national legislation of the Member States, have to bear the costs of translating the Prospectus before the legal proceedings are initiated; and – Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in such securities.
A.2 Issuer’s consent	<p>Consent by the issuer or person responsible for drawing up the prospectus to the use of the prospectus for subsequent resale or final placement of securities by financial intermediaries.</p> <p>- Indication of the offering period within which subsequent resale or final placement of securities by financial intermediaries can be made and for which consent to use the prospectus is given.</p> <p>p Any other clear and objective conditions attached to the consent which are relevant for the use of the Prospectus.</p> <p>- Notice in bold informing investors that information on the terms and conditions of the offering by any financial intermediary is to be provided at the time of the offering by the financial intermediary.</p> <p>Not applicable. No such consent is given.</p>
Section B – The issuer	
B.1 The issuer’s name	<p>The legal and commercial name of the issuer</p> <p>The Issuer’s name is RAFAKO Spółka Akcyjna.</p> <p>The Issuer’s abbreviated name is RAFAKO S.A.</p>
B.2 General information on the Issuer	<p>The domicile and legal form of the Issuer, the legislation under which the Issuer operates and its country of incorporation</p> <p>A joint-stock company incorporated under Polish law, with its registered office at ul. Łąkowa 33, 47-400 Racibórz, Poland</p> <p>The Issuer operates in compliance with Polish law, including in particular the Commercial Companies Code and other legal regulations applicable to commercial law companies.</p>

B.3. Description of the Group**A description of, and key factors relating to, the nature of the issuer's current operations and its principal activities, stating the main categories of products sold and/or services performed and identification of the principal markets in which the issuer competes**

The Group is one of Poland's and Europe's leading suppliers of environment-friendly and modern technologies for the energy and industry sectors. It has more than 60 years of experience, supported by credentials, in the design, production, construction and maintenance of power and environmental protection facilities. Since inception, the Group has been active abroad, operating for more than 50 years on such markets as the Balkans, India, Turkey, and the Czech Republic.

The Group's portfolio includes:

- air protection systems, including dust extraction equipment, flue gas desulfurization units, and flue gas denitrification units;
- power generation units and steam generators, including complete power generation units and steam generators alone (by type of fuel used, for instance: (i) hard-coal steam generators, (ii) lignite steam generators, (iii) oil/gas steam generators, (iii) biomass steam generators, or (iv) waste boilers);
- subassemblies and parts of power machinery and equipment, and structures; and
- other products and services, including auxiliary services.

The Group delivers the above products and services in the EPC model (end-to-end project management including design, procurement, manufacture, assembly/construction, and commissioning) and in a non-EPC model (design, procurement, manufacture, assembly/construction of a given product in various configurations, with procurement and manufacture as mandatory elements).

The Group operates its own production plants, with the overall workforce of 988 as at May 31st 2015. The main plant is located in Racibórz, along with the plant management staff, the head office, design and technology offices, as well as five production plants where high-pressure equipment is mainly produced. Electrostatic precipitators and their components are manufactured in Wry. As at the Prospectus Date, the Group's total production capacity for 2015 exceeded 1.4 million man-hour per year, with the potential to be increased to more than 1.6 million man-hour per year. The Group is currently Poland's and EU's leader in terms of the production capacity for high-pressure equipment.

The RAFAKO Group is the leading supplier of power steam generators and utility steam generators for power and industrial customers in Poland. As at the Prospectus Date, 75-80% of all steam generators installed in Poland (in terms of steam generation capacity) were delivered by the Group (according to Company data based on information provided by Agencja Rynku Energii). The most important facilities which use steam generators delivered by the Group include power plants in Bełchatów, Opole, Turów, Dolna Odra (all owned by PGE), Rybnik (EDF), Pątnów-Adamów-Konin, Koźlenice (Enea), and power plants owned by Tauron Wytwarzanie, as well as Warsaw CHP Plants – Elektrociepłowni Warszawskie (PGNiG Termika), Wrocław CHP Plants – Zespół Elektrociepłowni Wrocławskich Kogeneracja, Łódź CHP Plants – Zespół Elektrociepłowni Łódź (Dalkia), and Zielona Góra CHP Plant – Elektrociepłownia Zielona Góra (EDF). The Group also delivered circulating fluidised bed (CFB) steam generators to the Żerań CHP Plant and Bielsko-Biała II CHP Plant (Tauron Wytwarzanie), Siersza Power Plant (Tauron Wytwarzanie), and Zakłady Farmaceutyczne Polpharma Starogard Gdański.

As regards environmental protection systems, the Group's completed and pending projects include environmental protection systems for power plants in Jaworzno III, Bełchatów, Pątnów, Ostrołęka, Dolna Odra, Siersza, Skawina, Trzebowice (Dalkia Czechy), Koźlenice and Połaniec, as well as CHP plants in Siekierki and Łódź.

As at the Prospectus Date, the Group's overall workforce comprised 2,347 employees.

The RAFAKO Group's strategy envisages further consolidation of the Group's leading position in Poland and solid market standing in foreign markets, mainly through: (i) development of the technologies applied by the Group, especially proprietary ones; (ii) expansion and enhancement of the current mix of products and services; (iii) development of export sales; (iv) further optimisation of internal process management.

	<p>Competitive advantages</p> <p>The Management Board considers the following factors the Group's main competitive advantages of key importance to the Group's growth and achievement of strategic objectives:</p> <ul style="list-style-type: none"> • Many years of experience supported by credentials; • Technological potential; • Extensive and advanced manufacturing facilities, and • Project management expertise. <p>Strategy</p> <p>It is the strategic objective of the Group to consolidate its position as Poland's leading provider of technologically advanced and environmentally-friendly solutions for the power and industrial sectors and as an important player on foreign markets within the segment. The Group plans to achieve this objective through the actions described below:</p> <ul style="list-style-type: none"> • Development of the Group's solutions, especially proprietary technologies; • Expansion and enhancement of the current mix of products and services; • Development of export sales; • Further optimisation of process management within the Group; • Optimisation of contract financing and contract performance security.
<p>B.4a Trends</p>	<p>A description of the most significant recent trends affecting the issuer and the industries in which it operates</p> <p>The factors and important market trends described below had an expected significant effect on the Group's operational and financial performance, unless stated otherwise. The Group expects the following trends to have a continued significant effect on the Group's operational and financial performance in the future: (i) economic situation in Poland and globally; (ii) situation of the power industry in Poland and globally; (iii) trends in the energy sector; (iv) competition on the market of equipment and installations for the energy sector; (v) financial standing and market position of the Group's customers, consortium partners, subcontractors and suppliers; (vi) market prices of materials used by the Group in manufacturing, market prices of services, and cost of employee benefits; (vii) currency exchange rates; (viii) financial standing of PBG, the Parent's main shareholder, given its status of an insolvent company in voluntary arrangement; (ix) the Group's limited ability to obtain guarantee facilities in view of PBG's arrangement proceedings, (x) conclusion of material contracts by Group Companies, and (xi) effect of the contract performance schedule on recognising revenue and expenses in the Group's financial statements.</p> <p>The financial standing of PBG, the Parent's main shareholder, has had and will have a material adverse effect on the Group's operational and financial performance. In particular, declaring PBG insolvent in voluntary arrangement materially affected the Group's structure as ENERGOMONTAŻ-POŁUDNIE, acquired by RAFAKO from PBG in 2011, was deconsolidated and its results were excluded from the Group's financial statements for the year ended December 31st 2012. The acquisition of shares in ENERGOMONTAŻ-POŁUDNIE S.A. was disclosed in the Group's financial statements for the financial year ended December 31st 2011. As PBG was declared insolvent in voluntary arrangement, obtaining control of ENERGOMONTAŻ-POŁUDNIE was found ineffective. Consequently, the Group concluded with PBG an agreement for the reverse transfer of ENERGOMONTAŻ-POŁUDNIE shares and lost control of the company. The full amount of the claim under the reverse transfer (PLN 160.1m) is included in the proof of the Company's claim to the bankruptcy estate of PBG. The Group measures the receivables based on the expected cash inflows to the Company.</p> <p>Numerous factors may limit the ability to obtain guarantee facilities, including damage to or loss of the Group's or its related entities' reputation, as well as the financial standing of the Group Companies, in particular the Parent. The PBG arrangement proceedings pending since 2012 has had and will have a material adverse effect on the Group's ability to obtain guarantee facilities which the Group uses in its operations to finance performance bonds under its contracts. Ability to obtain guarantee facilities in amounts enabling the Group to acquire and perform contracts materially affects the Group's operating and financial performance.</p>

<p>B.5 The Group</p>	<p>If the issuer is part of a group, a description of the group and the issuer’s position within the group.</p> <p>As at the Prospectus Date, the Group is composed of the Company and its seven direct or indirect subsidiaries. The Company’s parent is PBG w upadłości układowej (in company voluntary arrangement). As at the Prospectus Date, PBG held, directly and through Multaros, 61.01% of the Shares, conferring the right to 61.01% of votes at the General Meeting. PBG’s parent is Mr Jerzy Wiśniewski. As at the Prospectus Date, he held a 27.15% interest in PBG’s share capital, conferring the right to 42.23% of votes at its general meeting. Since no other shareholder in PBG holds sufficient number of shares to counterbalance Mr Wiśniewski’s voting rights at the general meeting of PBG, Mr Jerzy Wiśniewski effectively controls PBG. Thus, Mr Jerzy Wiśniewski has indirect control of the Company.</p> <p>The Group’s core business is manufacture of steam generators.</p> <p>Furthermore, the Company holds 1,956 shares in SANBEI-RAFAKO of Zhangjiakou, Hebei province, China, representing 26.23% of the company’s share capital. As at December 31st 2014, the Company’s interest in the company’s share capital was not material for the assessment of assets, liabilities, profits or losses. Thus, neither the Company nor any Subsidiary holds equity interests in other entities which could have a material effect on the assessment of their assets, liabilities, financial position, profits and losses.</p>
<p>B.6 Major shareholders</p>	<p>Insofar as is known to the issuer, the name of any person who, directly or indirectly, has an interest in the issuer’s capital or voting rights which is notifiable under the issuer’s national law, together with the amount of each such person’s interest.</p> <p>Indicate whether the issuer’s major shareholders have different voting rights, if any.</p> <p>To the extent known to the issuer, state whether the issuer is directly or indirectly owned or controlled and by whom and describe the nature of such control.</p> <p>Given the fact that the Company is a public company, whose Existing Shares are traded on the WSE’s main market, the Company does not have detailed information on its shareholding structure as at the Prospectus Date. Below is presented information on the shareholding structure based on notifications submitted by the Company’s major shareholders under Art. 69 of the Public Offering Act or under other applicable laws. Based on the notifications, major shareholders holding 5% or more of the total voting rights at the General Meeting are as follows:</p> <ul style="list-style-type: none"> • Multaros, holding 34,800,001 Company shares, representing 50% + 1 share in the Company’s share capital and conferring the right to 50% + 1 of total voting rights at the General Meeting (based on the Company’s Current Report No. 16/2015 of June 19th 2015); • PBG, holding 7,665,999 Company shares, representing 11.01% of the Company’s share capital and conferring the right to 11.01% of total voting rights at the General Meeting (based on the Company’s Current Report No. 16/2015 of June 19th 2015); • Investment funds managed by ING Towarzystwo Funduszy Inwestycyjnych S.A., holding 3,508,403 Company shares, representing 5.04% of the Company’s share capital and conferring the right to 5.04% of total voting rights at the General Meeting (based on the Company’s Current Report No. 16/2015 of June 19th 2015). <p>Given the fact that Multaros is PBG’s subsidiary, the Company is indirectly controlled by PBG, which holds, directly and indirectly, 42,466,000 Company shares, representing 61.01% of the Company’s share capital and conferring the right to 61.01% of total voting rights at the General Meeting.</p> <p>All Existing Shares held by shareholders indicated above are ordinary shares, each of which entitles the holder to one vote at the General Meeting. Shareholders indicated above do not hold any other voting rights at the General Meeting.</p> <p>In connection with the Offering, the Company has not requested its shareholders to provide information regarding their intention to participate in the Offering. As at the Prospectus Date, the Company was not aware of the intentions of the shareholders indicated above as to their participation in the Offering.</p>

B.7 Selected historical financial information

Selected historical key financial information regarding the issuer, presented for each financial year of the period covered by the historical financial information, and any subsequent interim financial period accompanied by comparative data from the same period in the prior financial year except that the requirement for comparative balance sheet information is satisfied by presenting the year-end balance sheet information.

This should be accompanied by a narrative description of significant change to the issuer's financial condition and operating results during or subsequent to the period covered by the historical key financial information.

Consolidated statement of comprehensive income

Consolidated statement of comprehensive income for the three months ended March 31st 2015 and 2014

The table below presents the Group's consolidated statements of comprehensive income for the periods indicated.

	3 months ended Mar 31		Change	Change
	2015	2014	2015/2014	2015/2014
	PLN '000		PLN '000	%
	(unaudited)	(unaudited, restated)		
Continuing operations				
Revenue.....	280,092	183,808	96,284	52.4
Revenue from sale of products.....	279,536	183,226	96,310	52.6
Revenue from sale of materials.....	556	582	(26)	(4.5)
Costs of sales.....	(256,865)	(165,812)	(91,053)	54.9
Gross profit/(loss).....	23,227	17,996	5,231	29.1
Other income.....	1,340	1,703	(363)	(21.3)
Distribution costs.....	(6,808)	(8,114)	1,306	(16.1)
Administrative expenses.....	(9,706)	(8,795)	(911)	10.4
Other expenses.....	(305)	(281)	(24)	8.5
Profit/(loss) from continuing operations.....	7,748	2,509	5,239	208.8
Finance income.....	937	4,230	(3,293)	(77.8)
Finance costs.....	(2,346)	(2,442)	96	(3.9)
Profit/(loss) before tax.....	6,339	4,297	2,042	47.5
Income tax.....	(4,052)	(975)	(3,077)	315.6
Net profit/(loss) from continuing operations.....	2,287	3,322	(1,035)	(31.2)
Discontinued operations				
Net profit/(loss) from discontinued operations.....	(55)	154	(209)	(135.7)
Net profit for the year.....	2,232	3,476	(1,244)	(35.8)
Other comprehensive income for the period.....	(215)	222	(437)	(196.8)
<i>Items to be reclassified to profit/(loss) in subsequent reporting periods</i>				
Exchange differences on translating foreign operations.....	(79)	(23)	(56)	243.5
Exchange differences on translating foreign operations attributable to non-controlling interests.....	(5)	–	(5)	–
Other net comprehensive income to be reclassified to profit/(loss) in subsequent reporting periods.....	(84)	(23)	(61)	265.2
<i>Items not subject to reclassification to profit/(loss) in subsequent reporting periods</i>				
Other comprehensive income.....	(162)	302	(464)	(153.6)
Tax on other comprehensive income.....	31	(57)	88	(154.4)
Other net comprehensive income not subject to reclassification to profit/(loss) in subsequent reporting periods.....	(131)	245	(376)	(153.5)

Total comprehensive income for the period	2,017	3,698	(1,681)	(45.5)
Net profit/(loss) attributable to:	2,232	3,476	(1,244)	(35.8)
Owners of the Parent	2,195	3,368	(1,173)	(34.8)
Non-controlling interests	37	108	(71)	(65.7)
Comprehensive income attributable to:	2,017	3,698	(1,681)	(45.5)
Owners of the Parent	1,985	3,590	(1,605)	(44.7)
Non-controlling interests	32	108	(76)	(70.4)
Earnings/(loss) per share:				
Basic earnings/(loss) per share, PLN	0.03	0.05	(0.02)	(40.0)

Source: Interim Consolidated Financial Statements.

Consolidated statement of comprehensive income for the years ended December 31st 2014 and 2013

	<u>12 months ended Dec 31</u>		<u>Difference</u>	<u>Change</u>
	<u>2014</u>	<u>2013</u>	<u>2014/2013</u>	<u>2014/2013</u>
	<i>PLN '000</i>	<i>PLN '000</i>	<i>PLN '000</i>	<i>%</i>
	<i>(audited)</i>	<i>(restated)</i>		
Continuing operations				
Revenue	1,183,472	748,103	435,369	58.2
Revenue from sale of products	1,181,452	745,091	436,361	58.6
Revenue from sale of materials	2,020	3,012	(992)	(32.9)
Costs of sales	(1,063,363)	(705,134)	(358,229)	50.8
Gross profit/(loss)	120,109	42,969	77,140	179.5
Other income	5,342	4,703	639	13.6
Distribution costs	(31,483)	(39,014)	7,531	(19.3)
Administrative expenses	(45,189)	(34,908)	(10,281)	29.5
Other expenses	(11,060)	(3,470)	(7,590)	218.7
Profit/(loss) from continuing operations	37,719	(29,720)	67,439	-
Finance income	6,598	15,480	(8,882)	(57.4)
Finance costs	(9,900)	(31,909)	22,009	(69.0)
Effect of changes in estimates on valuation of receivables from related entities in arrangement bankruptcy	-	(94,205)	94,205	-
Profit/(loss) before tax	34,417	(140,354)	174,771	-
Income tax	(5,819)	1,971	(7,790)	-
Net profit/(loss) from continuing operations	28,598	(138,383)	166,981	-
Discontinued operations				
Profit/(loss) from discontinued operations	(4,814)	3,735	(8,549)	-
Net profit for the year	23,784	(134,648)	158,432	-
Other comprehensive income for the period	(4,004)	(764)	(3,240)	424.1
<i>Items to be reclassified to profit/(loss) in subsequent reporting periods</i>				
Exchange differences on translating foreign operations ...	56	(328)	384	-
Exchange differences on translating foreign operations attributable to non-controlling interests	(5)	-	(5)	-
Other net comprehensive income to be reclassified to	51	(328)	379	-
<i>Items not subject to reclassification to profit/(loss) in subsequent reporting periods</i>				
Other comprehensive income	(5,005)	(537)	(4,468)	832.0
Tax on other comprehensive income	950	101	849	840.6
Other comprehensive income not subject to reclassification	(4,055)	(436)	(3,619)	830.0
Total comprehensive income for the period	19,780	(135,412)	155,192	-
Net profit/(loss) attributable to:	23,784	(134,648)	158,432	-
Owners of the Parent	22,583	(135,349)	157,932	-

Non-controlling interests	1,201	701	500	71.3
Comprehensive income attributable to:	19,780	(135,412)	155,192	–
Owners of the Parent.....	18,584	(136,113)	154,697	–
Non-controlling interests	1,196	701	495	70.6
Earnings/(loss) per share:				
Basic earnings/(loss) per share, PLN	0.32	(1.94)	2.26	–

Source: Full-Year Consolidated Financial Statements.

Revenue from sale of products was PLN 1,181.5m in the year ended December 31st 2014, and was higher by 58.6% (PLN 436.4m) than in the year ended December 31st 2013 (PLN 745.1m). Other income was PLN 5.3m in the year ended December 31st 2014, and was higher by 13.6% (PLN 0.6m) than in the year ended December 31st 2013 (PLN 4.7m).

Cost of sales was PLN 1,063.4m in the year ended December 31st 2014, and was higher by 50.8% (PLN 358.3m) than in the year ended December 31st 2013 (PLN 705.1m). Other expenses were PLN 11.1m in the year ended December 31st 2014, and were higher by 218.7% (PLN 7.6m) than in the year ended December 31st 2013 (PLN 3.5m).

Consolidated statement of comprehensive income for the years ended December 31st 2013 and 2012

	12 months ended Dec 31		Difference	Change
	2013	2012	2013/2012	2013/2012
	PLN '000		PLN '000	%
	(audited)	(audited)		
Continuing operations				
Revenue.....	836,015	1,291,391	(455,376)	(35.3)
Revenue from sale of products.....	806,617	1,270,509	(463,892)	(36.5)
Revenue from sale of materials.....	29,398	20,882	8,516	40.8
Costs of sales.....	(778,330)	(1,176,807)	398,477	(33.9)
Gross profit/(loss).....	57,685	114,584	(56,899)	(49.7)
Other income.....	4,732	18,847	(14,115)	(74.9)
Distribution costs	(40,991)	(27,451)	(13,540)	49.3
Administrative expenses.....	(43,536)	(53,928)	10,392	(19.3)
Other expenses	(3,586)	(37,006)	33,420	(90.3)
Profit/(loss) from continuing operations	(25,696)	15,046	(40,742)	–
Finance income	16,379	16,762	(383)	(2.3)
Finance costs	(32,150)	(34,683)	2,533	(7.3)
Result on loss of control of a subsidiary by owners of the Parent	–	1,955	(1,955)	–
Effect of changes in estimates on valuation of receivables from related entities in arrangement bankruptcy	(94,205)	–	(94,205)	–
Profit/(loss) before tax	(135,672)	(920)	(134,752)	14.647.0
Income tax	1,024	(26,379)	27,403	–
Net profit/(loss) from continuing operations	(134,648)	(27,299)	(107,349)	393.2
Other comprehensive income for the period	(816)	(161)	(655)	406.8
<i>Items to be reclassified to profit/(loss) in subsequent reporting periods</i>				
Exchange differences on translating foreign operations	(328)	(161)	(167)	103.7
Other net comprehensive income to be reclassified to	(328)	(161)	(167)	103.7
<i>Items not subject to reclassification to profit/(loss) in subsequent reporting periods</i>				
Other comprehensive income	(601)	–	(601)	–
Tax on other comprehensive income.....	113	–	113	–
Other comprehensive income not subject to reclassification to profit/(loss) in subsequent reporting periods.....	(488)	–	(488)	–

Total comprehensive income for the period	(135,464)	(27,460)	(108,004)	393.3
Net profit/(loss) attributable to:.....	(134,648)	(27,299)	(107,349)	393.2
Owners of the Parent.....	(135,349)	9,835	(145,184)	–
Non-controlling interests	701	(37,134)	37,835	–
Comprehensive income attributable to:.....	(135,464)	(27,460)	(108,004)	393.3
Owners of the Parent.....	(136,165)	9,687	(145,852)	–
Non-controlling interests	701	(37,147)	37,848	–
Earnings/(loss) per share:				
Basic earnings/(loss) per share, PLN	(1.94)	0.14	2.08	–

Source: Full-Year Consolidated Financial Statements.

Revenue from sale of products amounted to PLN 806.6m in the year ended December 31st 2013, and was down by 36.5% (PLN 463.9m) compared with the year ended December 31st 2012 (PLN 1,270.5m). Other income was PLN 4.7m in the year ended December 31st 2013, and was down by 74.9% (PLN 14.1m) on the year ended December 31st 2012 (PLN 18.8m).

Cost of sales was PLN 778.3m in the year ended December 31st 2013, and was lower by 33.9% (PLN 398.5m) than in the year ended December 31st 2012 (PLN 1,176.8m). Other expenses were PLN 3.6m in the year ended December 31st 2013, down by 90.3% (PLN 33.4m) from in the year ended December 31st 2012 (PLN 37.0m).

Consolidated statement of financial position

In the period covered by the historical financial information, the Group's key assets included: (i) trade receivables, (ii) property, plant and equipment, and (iii) gross amount due from customers for contract work and prepayments related to contract valuation. Total assets as at March 31st 2015 and as at December 31st 2014, 2013 and 2012 amounted respectively to PLN 1,110,419 thousand, PLN 1,146,562 thousand, PLN 1,065,402 thousand and PLN 1,306,411 thousand.

In the period covered by the historical financial information, key items of the Group's equity and liabilities included: (i) current and non-current trade and other payables, (ii) current portion of interest-bearing borrowings, and (iii) gross amount due to customers for contract work, provisions for contract work and deferred income. Total equity and liabilities as at March 31st 2015 and as at December 31st 2014, 2013 and 2012 amounted to PLN 1,110,419 thousand, PLN 1,146,562 thousand, PLN 1,065,402 thousand, and PLN 1,306,411 thousand, respectively.

Selected items from the consolidated statement of cash flows

The table below presents data from the statements of cash flows for the three months ended March 31st 2015 and 2014, and the years ended December 31st 2014, 2013 and 2012, derived from the Consolidated Financial Statements.

	3 months ended		As at Dec 31		
	Mar 31		2014	2013	2012
	2015	2014	2014	2013	2012
	PLN '000		PLN '000		
	(unaudited)	(unaudited, restated)	(audited)		
Net cash from operating activities	(25,620)	93,474	154,105	39,968	(344,693)
Net cash from investing activities	11,567	(717)	(5,999)	(2,865)	(74,896)
Net cash from financing activities	(25,088)	(108,972)	(137,029)	(50,722)	290,280
Net increase/(decrease) in cash and cash equivalents.....	(39,141)	(16,215)	11,077	(13,619)	(129,309)
Net foreign exchange differences	(110)	(23)	102	(404)	(551)
Cash at the beginning of the period	65,899	54,720	54,720	68,743	198,603
Cash at the end of the period, of which:	26,648	38,482	65,899	54,720	68,743
- restricted cash	1,434	1,575	1,370	1,052	872

Source: Consolidated Financial Statements.

In the three months ended March 31st 2015, operating activities generated negative net cash of PLN 25.6m. In 2014, net cash from operating activities was positive at PLN 154.1m. In 2013, net cash from operating activities was positive at PLN 40.0m. In 2012, net cash from operating activities was negative at PLN 344.7m.

	<p>In the three months ended March 31st 2015, net cash from investing activities was positive at PLN 11.6m. In 2014, net cash from investing activities was negative at PLN 6.0m. In 2013, net cash from investing activities was negative at PLN 2.9m. In 2012, net cash from investing activities was negative at PLN 74.9m.</p> <p>In the three months ended March 31st 2015, financing activities generated negative net cash of PLN 25.1m. In 2014, net cash from financing activities was negative at PLN 137.0m. In 2013, net cash from financing activities was negative at PLN 50.7m. In 2012, net cash from financing activities was positive at PLN 290.3m.</p>
B.8 Selected key pro forma financial information	<p>Selected key pro forma financial information, identified as such.</p> <p>The selected key pro forma financial information must clearly state the fact that because of its nature, the pro forma financial information addresses a hypothetical situation and, therefore, does not represent the company's actual financial position or results.</p> <p>Not applicable. This Prospectus does not contain any pro forma financial information as there exist no reasons for presenting such information as defined in Art. 4a of Regulation No. 809/2004 and Regulation No. 211/2007, not did there arise any circumstances resulting in a significant gross change in the Issuer's situation within the meaning of Regulation No. 809/2004 or Regulation No. 211/2007.</p>
B.9 Profit forecast or estimate	<p>Where a profit forecast or estimate is made, state the figure.</p> <p>Not applicable. This Prospectus does not contain any profit forecast or profit estimate, including any financial forecast within the meaning of Regulation No. 809/2004 as the Issuer does not publish any profit forecasts or profit estimates.</p>
B.10 Auditor's qualifications	<p>A description of the nature of any qualifications in the auditor's opinion/audit report on the historical financial information.</p> <p><i>Qualifications regarding the Consolidated Financial Statements</i></p> <p>The auditors' opinions on the 2014, 2013 and 2012 Consolidated Financial Statements contained qualifications and emphasis-of-matter paragraphs.</p> <p>The auditor audited the Full-Year Consolidated Financial Statements for 2014 and on March 23rd 2015 issued an opinion with a qualification and emphasis-of-matter paragraph regarding the consolidated financial statements. The qualification related to the lack of sufficient documentation confirming correctness of measurement of receivables from a higher-tier parent which is subject to arrangement bankruptcy proceedings. The emphasis-of-matter paragraph pertained to the Group's ability to continue as a going concern.</p> <p>The auditor audited the Full-Year Consolidated Financial Statements for 2013 and on March 21st 2014 issued an opinion with a qualification and emphasis-of-matter paragraph regarding the consolidated financial statements. The qualification related to the lack of sufficient documentation confirming correctness of measurement of non-current receivables from a related entity which is subject to arrangement bankruptcy proceedings. The emphasis-of-matter paragraph pertained to the Group's ability to continue as a going concern.</p> <p>The auditor audited the Full-Year Consolidated Financial Statements for 2012 and on March 21st 2013 issued an opinion with a qualification and emphasis-of-matter paragraphs regarding the consolidated financial statements. The qualification related to the lack of sufficient documentation confirming correctness of measurement of non-current receivables from a related entity which is subject to arrangement bankruptcy proceedings. The emphasis-of-matter paragraphs related to an ongoing dispute concerning receivables related to payment under a guarantee and trade receivables, and the Group's ability to continue as a going concern.</p>
B.11 Working capital	<p>If the issuer's working capital is not sufficient for the issuer's present requirements an explanation should be included.</p> <p>The Management Board represents that in its opinion the level of the Group's working capital is sufficient to cover its day-to-day requirements and to finance its operations for at least twelve months after the Prospectus Date.</p> <p>No dividend was paid for the financial years ended December 31st 2012 and December 31st 2013. In the financial year ended December 31st 2014, the Company reported a net profit of PLN 23.5m.</p>

	As at the Prospectus Date, the Management Board recommended to the General Meeting that the net profit generated in the financial year ended December 31st 2014 be allocated to reserve funds.
Section C – Securities	
C.1 Offer Shares	<p>A description of the type and the class of the securities being offered and/or admitted to trading, including identification code of the securities, if any.</p> <p>As part of the Offering, the Company offers, exclusively to the Institutional Investors who received an invitation from the Offering Broker to place a subscription order, up to 15,331,998 Series J ordinary shares with the nominal value of PLN 2 per share.</p> <p>As at the Prospectus Date, the Company intends to seek the admission and introduction to trading on the regulated market (the main market) operated by the WSE up to 15,331,998 Offer Shares and up to 15,331,998 Allotment Certificates.</p>
C.2 Offering Currency	<p>Currency of the securities issue.</p> <p>The currency of the securities issue is the złoty (PLN).</p>
C.3 Share capital	<p>The number of shares issued and fully paid and issued but not fully paid. The par value per share, or information that the shares have no par value</p> <p>As at the Prospectus Date, the Issuer's share capital amounted to PLN 139,200,000 and was made up of 69,600,000 ordinary shares with a par value of PLN 2.00 per share. All the shares are fully paid.</p>
C.4 The rights attached to the shares.	<p>A description of the rights attached to the securities.</p> <p>The rights and obligations attached to the Shares are as defined in the Commercial Companies Code, the Act on Trading in Financial Instruments, the Public Offering Act, and the Articles of Association. Below are presented all main shareholder rights attached to the Shares:</p> <ul style="list-style-type: none"> • Company shareholders have the right to make dispositions with respect to the Shares; • Company shareholders have the right to a share in the Company's profit disclosed in its audited separate full-year financial statements and allocated for distribution to the shareholders by the General Meeting (right to dividend); • Company shareholders have the right to acquire new Company shares pro rata to their current holdings of Shares (pre-emptive rights); • If the Company is liquidated, each Share entitles its holder to a pro-rata share in the Company's assets available after its creditors' claims have been satisfied or secured; • The shareholders exercise their voting rights at the General Meeting. Each share entitles its holder to one vote at the General Meeting; • Shareholders representing at least a half of the Company's share capital or at least a half of total voting rights in the Company have the right to convene an Extraordinary General Meeting; • A shareholder or shareholders representing at least one-twentieth of the Company's share capital may demand that an Extraordinary General Meeting be held and specific matters put on its agenda. • A shareholder or shareholders representing at least one-twentieth of the Company's share capital may request that specific matters be placed on the agenda of the next General Meeting; • A shareholder or shareholders representing at least one-twentieth of the Company's share capital may, prior to the date of the General Meeting, submit to the Company (in writing or by electronic means) draft resolutions concerning any matters which have been placed or are to be placed on the Meeting's agenda; • The Company's shareholders may request to be provided with copies of proposals concerning matters included on the agenda of the next General Meeting; • Shareholders holding one-tenth of the share capital represented at the General Meeting have the right to demand that the attendance list be reviewed by an elected committee composed of at least three members;

	<ul style="list-style-type: none"> • The Management Board is required to provide shareholders at the General Meeting with any information on the Company that the shareholders may reasonably request for the purposes of assessing a matter included in the agenda; • The shareholders have the right to request that the Supervisory Board be elected by block voting; • The shareholders have the right to challenge General Meeting resolutions. <p>Pursuant to Art. 84 of the Public Offering Act, upon request of a Company shareholder or shareholders holding at least 5% of the total vote, the General Meeting may resolve on a review of a specific matter relating to the incorporation of the Company or the management of its affairs by an expert, at the cost of the Company.</p>
<p>C.5 Any restrictions on the free transferability of the securities</p>	<p>A description of any restrictions on the free transferability of the securities.</p> <p><i>Statutory restrictions on transferability of shares</i></p> <p>The Public Offering Act, the Act on Trading in Financial Instruments and the Commercial Companies Code define, without limitation, the following restrictions on the free transferability of shares:</p> <ul style="list-style-type: none"> • Obligation to notify the PFSA and the Company rests on anyone who: (i) has reached or exceeded 5%, 10%, 15%, 20%, 25%, 33%, 33 1/3%, 50%, 75% or 90% of total voting rights in a public company; (ii) held at least 5%, 10%, 15%, 20%, 25%, 33%, 33 1/3%, 50%, 75% or 90% of total voting rights in a public company, and as a result of a reduction of that equity interest, holds 5%, 10%, 15%, 20%, 25%, 33%, 33 1/3%, 50%, 75% or 90% or less of total voting rights, respectively; (iii) has changed its holding of over 10% of total voting rights by at least 2% of total voting rights in a public company whose shares are admitted to trading on the official stock-exchange market (at the Prospectus Date, it was the main market of the WSE); (iv) has changed its holding of over 33% of total voting rights in a public company by at least 1% of total voting rights; • Obligation to announce a tender offer in the event of: (i) acquisition of shares conferring the right to more than 5% or 10% of total voting rights at the General Meeting, (ii) exceeding 33% of total voting rights at the General Meeting, (iii) exceeding 66% of total voting rights at the General Meeting; • Prohibition of acquisition or disposal of financial instruments for one's own account or for the account of a third party on the basis of inside information; • Prohibition of acquisition or disposal of financial instruments during a restricted period by persons specified in the Act on Trading in Financial Instruments; • A parent company, within the meaning of Art. 4.1.4 of the Commercial Companies Code, is obliged to notify its subsidiary of becoming or ceasing to be the parent company, within two weeks from becoming the parent company, or else the voting rights held by the parent company in excess of 33% of the subsidiary's share capital are suspended.
<p>C.6 Admission to trading on the WSE</p>	<p>An indication as to whether the securities offered are or will be the object of an application for admission to trading on a regulated market and indication of all regulated markets on which the securities are or will be traded.</p> <p>As at the Prospectus Date, the Company intends to seek the admission and introduction to trading on the regulated market (the main market) operated by the WSE of up to 15,331,998 Offer Shares and up to 15,331,998 Allotment Certificates.</p>
<p>C.7 Dividend policy</p>	<p>A description of the policy on dividend distributions.</p> <p>In accordance with the assumptions effective as at the Prospectus Date, over the next two years the Management Board intends to recommend to the General Meeting that the net profit, if any, be allocated to the implementation of the Group's strategy and financing of its development. In addition, restrictions on dividend and interim dividend distribution by the Company are provided for in the agreements executed by the Company, including the Guarantee Agreement, the Surety Agreement and the MPCF Agreement. Therefore, the Company does not expect to pay any dividends over the next few years.</p>

The dividend policy will be subject to periodic reviews by the Management Board.

Section D – Risks

D.1 Risks that are specific to the Company or its industry

Key information on the key risks that are specific to the issuer or its industry.

Risks relating to macroeconomic conditions and the sector in which the Group operates

- Risks relating to macroeconomic conditions
- Risk relating to political environment, as well as energy policy and uncertainty over its future directions
- Currency risk
- Interest rate risk
- Risk of competition

Risks specific to the Group:

- Risk relating to the Group's non-performance or improper performance of contracts
- Risk related to non-payment or delayed payment of amounts due under contracts performed by the Group
- Risk relating to performance of high value contracts and limited number of customers
- Risk of increased operating costs resulting from higher prices of supplies and services and increased employee benefit expenses
- Risk of underestimating project costs
- Risk related to winning new contracts
- Risks related to execution of certain projects in consortia
- Risk related to project acquisition and execution in cooperation with suppliers and subcontractors
- Risk of failure to obtain financial guarantees required to acquire and perform contracts
- Risk related to failure to secure external financing in assumed amounts and on expected terms
- PBG and Hydrobudowa Polska may fail to repay the Company's claims in full or in part
- Risk related to failure to maintain appropriate liquidity by the Group
- The risk of failure to implement the strategy
- Reputational risk
- Risk related to the use by the Group of complex and innovative manufacturing technologies
- The Group's IT systems may suffer a failure or security breach
- The Group's day-to-day operations and growth depend on its senior management and ability to hire and retain highly-qualified personnel, particularly specialist production staff and engineers.
- Risk that the insurance cover maintained by the Group will prove insufficient
- Risk related to consequences of accidents at work and occupational diseases
- Risk related to plant failure or destruction or loss of the Group's assets

Regulatory risks:

- Risk related to changes in regulations concerning the power sector
- Risk related to environmental protection
- Risk of changes in tax laws or their interpretation and changes of private letter rulings
- Risk associated with related-party transactions

<p>D.2 Risks that are specific to the securities</p>	<p>Key information on the key risks that are specific to the securities.</p> <p>Risks relating to the shareholder structure, the Offering and the Shares:</p> <ul style="list-style-type: none"> • PBG may lose control of the Company if PBG is placed in liquidation bankruptcy or if enforcement action is taken by creditors who are not included in the arrangement • Risk related to the creation of a registered pledge over the Shares • No dividend may be paid by the Company in the future or a dividend paid may be lower than expected • Risk of failure to meet or of change of the issue objectives • The Offer Share issue may prove unsuccessful • The Placement Agreement will contain standard termination provisions • The Company or other persons acting on its behalf may breach applicable laws when promoting the Offering • The Company or other persons acting on its behalf may breach applicable laws in connection with the Offering or Admission • The Offering may be cancelled or suspended • Risk that the PFSA may prohibit or suspend the Offering or withhold the listing or admission of the Offer Shares to trading • Risk associated with the Management Board's authorisation to determine the final amount of the share capital increase • Risk that a future offering of debt or equity securities by the Company will adversely affect the market price of the Shares, including the Offer Shares and the Allotment Certificates, and cause dilution of the Company shareholders' holdings • Allotment Certificates or Offer Shares may not be admitted or introduced to trading on the main market of the WSE • The price of the Shares, including the Offer Shares or the Allotment Certificates, may be volatile, and liquidity of the Shares, including the Offer Shares or the Allotment Certificates, may be limited • Risk that the market price of the Shares, including Offer Shares and Allotment Certificates, may decline or be highly volatile • The value of the Shares, including the Offer Shares and the Allotment Certificates, for foreign investors may decrease as a result of movements in foreign exchange rates • Trading in the Shares, including the Offer Shares or the Allotment Certificates, on the WSE may be suspended • The Shares, including the Offer Shares and the Allotment Certificates, may be delisted by the PFSA or WSE • The Company may be subject to administrative sanctions if it breaches provisions of the Act on Public Offering • Risk that shareholders, including holders of Offer Shares, in some jurisdictions may be subject to certain restrictions on the exercise of pre-emptive rights to acquire new issue shares in the future • Risk that the interpretation of the Polish laws governing taxation of investors may be unclear, and the laws may be subject to change • Risk that certain judgements obtained against the Company or members of its Management Board may prove unenforceable
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Section E – Offering	
E.1 Use of proceeds	<p>The total net proceeds and an estimate of the total expenses of the issue/offer, including estimated expenses charged to the investor by the issuer or the offeror</p> <p>The Company expects gross proceeds from the issue of the Offer Shares to amount to approximately PLN 100m. The final amount of the proceeds will depend on the final number of Offer Shares allotted to investors in the Offering and on their Issue Price.</p> <p>The Company estimates that Joint Bookrunners’ total fees for their services in connection with the Offering will amount to 3.2% of total net proceeds from the Offering. In addition to the Joint Bookrunners’ fees, the costs of the Offering include costs of legal advisory services, fees of the Company’s auditor, the cost of drafting and preparing this Prospectus, administrative expenses and other costs related to the issue and public offering of the Offer Shares, costs of registration of the Allotment Certificates and the Offer Shares, costs related to the publication of information on the Offering as well as costs of the information campaign addressed to the Company’s shareholders in connection with the issue and public offering of the Offer Shares.</p> <p>Information on the actual gross and net proceeds from the issue of the Offer Shares and the actual costs of the Offering will be published by the Company in a current report, in accordance with Art. 56.1 of the Act on Public Offering.</p> <p>The Company will not charge any fee for subscribing for the Offer Shares. However, the amount paid by an investor upon placement of a subscription order may be increased by a commission fee, if any, of the investment firm accepting the subscription order, in accordance with such investment firm’s regulations.</p>
E.2a Reasons for the Offering	<p>Reasons for the offering, use of proceeds, estimated net amount of the proceeds.</p> <p>The purpose of the issue of the Offer Shares and the Offering is to raise funds which the Group intends to use:</p> <ul style="list-style-type: none"> • To finance contractual security arrangements in building the Group’s order book and to finance working capital requirements to enable the performance of contracts in the future. The Company plans to apply approximately 85-90% of the issue proceeds towards that purpose; and • To increase its research and development spending with a view to advancing its technology portfolio and supplementing it with unique solutions that help improve product efficiency and reliability. The Group’s key focus in its research and development work financed with the proceeds from the issue will be on environmental protection technologies. The Company plans to apply approximately 10-15% of the issue proceeds towards that purpose; <p>Insofar as financing contract bonds is concerned, the Company emphasises that the issue proceeds will only be applied towards securing future contracts. The Group expects prospective employers will issue requests for proposals and tender notices in the coming quarters. The Group estimates that the value of potential projects for which tenders will be held by the end of 2016, or of the requests for proposals to which the Group may respond, is approximately PLN 9bn; however, the choice of contracts to be supported using the issue proceeds will depend on: (i) the type of tenders and requests for proposals to be ultimately announced by the employers, (ii) which of such tenders or requests the Group decides to respond to, (iii) which of the Group’s bids are selected as best bids by employers, and (iv) the availability of financing at the time of the Group’s bid being selected as the best bid. In view of the above, it is not possible to clearly identify projects where contract bonds will be financed with the issue proceeds.</p>

<p>E.3 Terms and conditions of the Offering</p>	<p>A description of the terms and conditions of the Offering</p> <p>Offering</p> <p>As part of the Offering, the Company offers, exclusively to the Institutional Investors who received an invitation from the Offering Broker to place a subscription order, up to 15,331,998 Series J ordinary shares with the nominal value of PLN 2 per share.</p> <p>The Company expects gross proceeds from the issue of the Offer Shares to amount to approximately PLN 100m. The final amount of the proceeds will depend on the final number of Offer Shares allotted to investors in the Offering and on the Final Price of the Offer Shares.</p> <p>As at the Prospectus Date, the Company intends to seek the admission and introduction to trading on the regulated market (the main market) operated by the WSE up to 15,331,998 Offer Shares and up to 15,331,998 Allotment Certificates.</p> <p>If all Offer Shares are issued and subscribed for by investors, after the Offering they will account for 18.05% of the Company's share capital and 18.05% of the total vote at the General Meeting.</p> <p>Investors should note that the only legally binding offering document prepared for the purposes of the Offering and providing information on the Group and the Offer Shares is this Prospectus, together with any published supplements hereto once they are approved by the PFSA, and any update announcements concerning this Prospectus, as well as the information on the final number of the Offer Shares under the Offering, and the Offer Price.</p> <p>Eligible investors</p> <p>Investors eligible to participate in the Offering are those Investors who received an invitation to place a subscription order from the Offering Broker.</p> <p>No preferential treatment of any investors or specific related groups (including programmes for family and friends) is envisaged for allotment of the Offer Shares as part of the Offering. Non-residents intending to place a subscription order for the Offer Shares are advised to familiarise themselves with the relevant laws of their country and with the information on restrictions on offering the Offer Shares presented in this Prospectus. Individual Investors will place subscription orders for the Offer Shares on the terms specified in the invitation to place a subscription for the Offer Shares.</p> <p>Planned Offering schedule</p> <p>Below is presented information on the planned schedule of the Offering (Warsaw time).</p> <table border="0"> <tr> <td>July 9th-15th 2015</td> <td>Bookbuilding</td> </tr> <tr> <td>July 15th 2015</td> <td>Closing of the bookbuilding process; Determining the Final Price and Final Number of Offer Shares</td> </tr> <tr> <td>No later than on July 16th 2015</td> <td>Publication of the Final Price and Final Number of Offer Shares</td> </tr> <tr> <td>July 16th-20th 2015</td> <td>Subscription period</td> </tr> <tr> <td>No later than on July 21st 2015</td> <td>Allotment of Offer Shares to Investors</td> </tr> <tr> <td>Around July 29th 2015</td> <td>Planned date of first listing of Allotment Certificates on the WSE</td> </tr> </table> <p>The above schedule may be modified. Some of the events scheduled above are beyond the Company's control. The Company reserves the right to modify the above schedule of the Offering, including the subscription period, in consultation with Joint Bookrunners. Information on any such changes will be communicated pursuant to Art. 52 of the Public Offering Act, in the form of an update announcement, in the same manner as this Prospectus. If the Company concludes that a change to the above Offering schedule might materially affect the assessment of Offer Shares, it will publish the relevant information in the form of a supplement to this Prospectus (upon approval by</p>	July 9th-15th 2015	Bookbuilding	July 15th 2015	Closing of the bookbuilding process; Determining the Final Price and Final Number of Offer Shares	No later than on July 16th 2015	Publication of the Final Price and Final Number of Offer Shares	July 16th-20th 2015	Subscription period	No later than on July 21st 2015	Allotment of Offer Shares to Investors	Around July 29th 2015	Planned date of first listing of Allotment Certificates on the WSE
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Around July 29th 2015	Planned date of first listing of Allotment Certificates on the WSE												

the Polish Financial Supervision Authority), in accordance with Art. 51 of the Public Offering Act.

Any change in the opening date of the subscription period shall be made and communicated no later than on the last day before the original opening date of subscription for the Offer Shares.

Any change in the closing date of the subscription period shall be made and communicated no later than at 3:00 pm on the new closing date of subscription for the Offer Shares.

Rescheduled time periods for other events in the Offering schedule shall be published no later than on their end date, except for the shortening of the period of bookbuilding among Investors, which shall be published no later than at 3:00 pm on the closing date of such a shortened period.

Any changes in the Offering schedule shall not be treated as suspension or abandonment of the Offering.

If a decision to reschedule the Offering is made after completion of the bookbuilding process but prior to the opening of the subscription period, the Company may, in consultation with Joint Bookrunners, carry out a new bookbuilding process, in which case the Company will determine whether the previously submitted declarations and invitations to subscribe for the Offer Shares remain valid or not.

The Offering may be rescheduled only within the Prospectus validity period.

Price

For the purposes of the bookbuilding process, the Company, acting in consultation with the Joint Bookrunners, will set an indicative price range, which will not be published and will be subject to change.

Determining the Final Price of Offer Shares and Final Number of Offer Shares in the Offering

The Final Price of the Offer Shares shall be determined by the Company in consultation with the Joint Bookrunners after the closing of the bookbuilding process. The decision on the Final Price of the Offer Shares shall be made by the Management Board based on the authorisation provided for in the Issue Resolution.

After completion of the bookbuilding process, on or before the date of determination of the Price of the Offer Shares, the Company, acting in consultation with the Joint Bookrunners, shall make the decision determining the final number of the Offer Shares in the Offering (the “Final Number of Offer Shares”).

The Final Number of Offer Shares offered in the Offering shall be determined by the Management Board based on the authorisation provided for in the Issue Resolution, and if the Management Board decides not to act on the authorisation, the Final Number of Offer Shares offered in the Offering shall be 15,331,998.

Information on the Final Price of the Offer Shares and Final Number of Offer Shares will be published in the manner provided for in Art. 54.3 of the Public Offering Act, i.e. in the same manner as this Prospectus.

As this Prospectus does not specify the Final Price of the Offer Shares and the Final Number of the Offer Shares, in accordance with Art. 54.1.3 of the Public Offering Act, Investors who place subscription orders for the Offer Shares before the publication of information on the Final Price of the Offer Shares and the Final Number of the Offer Shares in the Offering shall have the right to avoid the legal consequences of their subscription by filing a relevant statement in writing at one of the Customer Service Points of the investment firm offering the Offer Shares where they placed their subscription order, within two business days of publishing the information. However, as acceptance of subscription orders for the Offer Shares is planned to commence only after the publication of the Final Price of the Offer Shares and the Final Number of the Offer Shares, and assuming that the terms and conditions of the Offering will not change in this respect, Investors who placed a subscription order for the Offer Shares after publication of the information on the Final Price of the Offer Shares and the Final Number of the Offer Shares shall not have the right to avoid the legal consequences of their subscription, in accordance with Art. 54.1.3 of the Public Offering Act.

Placement Agreement

The Company intends to enter into an agreement with Joint Bookrunners for placement of Offer Shares with Investors in the Offering (“**Placement Agreement**”) on or before the publication date of this Prospectus. The Placement Agreement will not impose an obligation on any of the Joint Bookrunners, their related parties or any other entities to underwrite the issue of Offer Shares (as an underwriter or in any other capacity). Under the Placement Agreement, the Joint Bookrunners will undertake, subject to certain conditions precedent specified below, to take due care to place the Offer Shares with investors.

The Placement Agreement will include customary representations and warranties by the Company, including those relating to the financial standing of the Group and proper issuance of the Offer Shares.

The Placement Agreement will also define customary conditions precedent and termination events, including force majeure events as well as the terms concerning compliance with representations and warranties made by the Company in the Placement Agreement. If any of the conditions precedent specified in the Placement Agreement is not fulfilled or waived, the Joint Bookrunners’ obligation to place the Offer Shares among Investors as part of the Offering shall expire. The Joint Bookrunners shall also have the right to terminate the Placement Agreement in the cases provided for therein, particularly if a representation or warranty made by the Company is found to be a false statement of fact or law or if the situation on the financial markets changes significantly, adversely affecting the Offering.

On the terms specified in the Placement Agreement, the Company shall agree to indemnify the Joint Bookrunners and other specified persons against specified claims, liabilities and expenses which may be brought against or incurred by the Joint Bookrunners or such other persons in connection with the Placement Agreement (Indemnity Clause).

The Placement Agreement shall contain customary undertakings by the Joint Bookrunners concerning their compliance with the limitations applicable to the offering of the Offer Shares.

The Placement Agreement shall stipulate that the Company will be subject to limitations with respect to the issuance and disposal of Shares.

To the extent required by law, information on execution of the Placement Agreement shall be published in the form of an update announcement, in the same manner as this Prospectus. If the Company comes to the conclusion that any change to the terms and conditions of the Placement Agreement or of the date of its execution may materially affect an assessment of the Offer Shares, relevant information shall be published in the form of a supplement to this Prospectus, in the same manner as this Prospectus, upon the PFSA’s approval of the supplement. Information to the effect that no Placement Agreement has been executed shall be published in the form of a supplement to this Prospectus, in the same manner as this Prospectus, upon the PFSA’s approval of the supplement.

<p>E.4 Entities engaged in the Offering</p>	<p>A description of any interest, including conflicting ones that is material to the issue/offer.</p> <p>Joint Bookrunners: Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Oddział – Dom Maklerski PKO Banku Polskiego w Warszawie with its registered office at ul. Puławska 15, 02-515 Warsaw, Poland, and Trigon Dom Maklerski S.A. with its registered office at ul. Mogilska 65, 31-545 Kraków, Poland.</p> <p>Offering Broker: Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Oddział – Dom Maklerski PKO Banku Polskiego w Warszawie.</p> <p>Joint Bookrunners provide services to the Company in connection with the Offering, including services related to the preparation, management and execution of the Offering. Joint Bookrunners are also responsible for the coordination of marketing activities related to the Offering, coordination of contacts and arrangement of meetings with Investors, management of the book-building process in Poland, as well as other tasks typically performed by investment firms with respect to public offerings of shares.</p> <p>Joint Bookrunners and their related parties have provided and may provide financial services, including investment banking services, to the Company and its related parties, and have executed and may execute other transactions with the Company and its related parties. Joint Bookrunners and their related parties have received and may receive fees and other customary remuneration for the provision of such services or execution of such transactions. In particular, Trigon Dom Maklerski S.A. acts as the market maker for the Company, and Powszechna Kasa Oszczędności Bank Polski S.A. Oddział – Dom Maklerski PKO Banku Polskiego w Warszawie acts as the market maker for the Company’s shares on the WSE. The activities carried out under market making agreements with the WSE and the Company involve supporting liquidity of the Shares, in particular by making buy and sell offers for the Shares on the terms specified in the agreements. As part of those services Trigon Dom Maklerski S.A. and Powszechna Kasa Oszczędności Bank Polski S.A. Oddział – Dom Maklerski PKO Banku Polskiego w Warszawie buy and sell Company shares.</p>
<p>E.5 Selling Shareholder; restriction on transferability</p>	<p>Name of the person or entity offering to sell the security. Lock-up agreements: the parties involved; and indication of the period of the lock up.</p> <p>No Existing Shares are sold as part of the Offering.</p> <p>It is envisaged that a customary lock-up agreement typical for transactions similar to the Offering, restricting Company’s right to issue and sell Shares, will be included in the Placement Agreement. In particular it is envisaged that for a period agreed upon by the parties, from the date of first listing of Allotment Certificates on the WSE, subject to specified exceptions, neither the Company, nor any of its subsidiaries or affiliates which the Company controls through its right to appoint members of the governing bodies of such companies or under a management agreement, or by holding a majority of the total vote at their general meetings, nor any other party acting on their behalf, shall not, without the Joint Bookrunners’ prior written consent: (a) directly or indirectly offer, issue, purchase, pledge, sell, enter into agreements for the sale of or in any other way dispose of, grant options for, enter into agreements for purchase of options for, purchase options for, enter into agreements for the sale or grant of options for, rights or warrants for the purchase, disposal or sale of Company shares, or securities convertible into Company shares or incorporating other rights to purchase Company shares, nor shall it, with respect to the above, apply for the approval of an issue prospectus or another offering document under the Public Offering Act; (b) enter into swap transactions or other agreements transferring, in full or in part, whether directly or indirectly, the economic consequences of the ownership of Company shares to another entity, irrespective of whether such swap or transaction described in items (a) and (b) is to be settled through the delivery of Company shares or other securities referred to above, in cash or otherwise; (c) publicly announce any intention which would result in any such transaction.</p> <p>If the Company comes to the conclusion that the terms of the Placement Agreement or change of its execution date may be a material factor that could affect an assessment of the Offer Shares, relevant information will be published in the form of a supplement to this Prospectus in accordance with Art. 51 of the Public Offering Act.</p>

<p>E.6 Dilution</p>	<p>The amount and percentage of immediate dilution resulting from the offer.</p> <p>In the case of a subscription offer to existing equity holders, the amount and percentage of immediate dilution if they do not subscribe to the new offer.</p> <p>The Company expects gross proceeds from the issue of the Offer Shares to amount to approximately PLN 100m. The final amount of the proceeds will depend on the final number of Offer Shares allotted to investors in the Offering and on the Final Price of the Offer Shares.</p> <p>If the Offering is completed and all the Offer Shares are offered and subscribed for, the Offering will result in a dilution of the existing shareholders' interests in the Company's share capital and in the total number of voting rights that the shareholders may exercise at the General Meeting. Following registration of the share capital increase due to the issue of the Offer Shares, the existing Shares, currently representing 100% of the Company's share capital and 100% of the voting rights at the General Meeting, will jointly represent 81.95% of the Company's share capital and 81.95% of the total voting rights at the General Meeting.</p> <p>The table below presents the Company's share capital structure as at this Prospectus Date and the share capital structure expected after the closing of the issue of Offer Shares.</p> <table border="1" data-bbox="406 750 1479 974"> <thead> <tr> <th rowspan="2"></th> <th colspan="2">As at the Prospectus Date</th> <th colspan="2">After the issue of New Shares</th> </tr> <tr> <th>Number of Shares</th> <th>% of votes at GM</th> <th>Number of Shares</th> <th>% of votes at GM*</th> </tr> </thead> <tbody> <tr> <td>Existing Shares.....</td> <td>69,600,000</td> <td>100.00</td> <td>69,600,000</td> <td>81.95</td> </tr> <tr> <td>Offer Shares.....</td> <td>0</td> <td>0.00</td> <td>15,331,998</td> <td>18.05</td> </tr> <tr> <td>Total number of Shares</td> <td>69,600,000</td> <td>100.00</td> <td>84,931,998</td> <td>100.00</td> </tr> </tbody> </table> <p><i>Source: the Company.</i></p> <hr/> <p><i>* Provided that all the Offer Shares are offered and acquired by Investors.</i></p>		As at the Prospectus Date		After the issue of New Shares		Number of Shares	% of votes at GM	Number of Shares	% of votes at GM*	Existing Shares.....	69,600,000	100.00	69,600,000	81.95	Offer Shares.....	0	0.00	15,331,998	18.05	Total number of Shares	69,600,000	100.00	84,931,998	100.00
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Total number of Shares	69,600,000	100.00	84,931,998	100.00																					
<p>E.7 Estimated expenses charged to the investor</p>	<p>Estimated expenses charged to the investor by the issuer or the offering broker.</p> <p>The Company will not charge any fee for subscribing for the Offer Shares. However, the amount paid by an investor upon placement of a subscription order may be increased by a commission fee, if any, of the investment firm accepting the subscription order, in accordance with such investment firm's regulations.</p>																								

RISK FACTORS

Investors should note that the only legally binding offering document prepared for the purposes of the Offering and providing information on the Group and the Offer Shares is this Prospectus, together with any published supplements hereto once they are approved by the PFSA, and any update announcements concerning this Prospectus, as well as the information on the final number of the Offer Shares under the Offering, and the Offer Price.

Before deciding to invest in the Offer Shares, prospective investors should carefully review and consider the risk factors described below, as well as other information contained in this Prospectus. Any one or more of such risks, occurring alone or combined with other circumstances, may have a material adverse effect on the Group's operations, cash flows, financial standing, performance and prospects, as well as on the market price and value of the Shares.

With time, the following description of risks may be no longer exhaustive or definitive. Therefore, as at the Prospectus Date, the risks presented and discussed herein must not be treated as the only ones the Group is exposed to. The order in which the risks are presented does not reflect the likelihood of their occurrence, their magnitude or impact. The Group may be exposed to other risks or uncertainties which are currently unknown to the Company. Occurrence of any of the events described as risks may adversely affect the market price of the Shares, as a result of which investors may lose some or all of their investment.

Risks relating to macroeconomic conditions and the sector in which the Group operates

Risks relating to macroeconomic conditions

The Group operates in Poland and abroad, mainly in Europe and Asia. In Q1 2015, revenue from sales to domestic customers accounted for 89.4% of total revenue, and revenue from sales to foreign customers – for 10.6% of total revenue (see *Overview of the Group's business – Key trading partners – Key customers*). The Group sources its materials, auxiliary equipment and services necessary to perform executed contracts both from domestic suppliers (Q1 2015: 85.7% of total supplies) and foreign suppliers (Q1 2015: 14.3% of total supplies) (see *Overview of the Group's business – Key trading partners – Key suppliers*).

Therefore, its operations are affected by macroeconomic factors related to the domestic market as well as its import and export markets, which in turn are under the influence of local and global economic conditions. Macroeconomic developments on the Polish market and the Group's export and import markets, including GDP growth, unemployment rate, average pay, movements in the levels of industrial and construction output, investment expenditure, foreign exchange rates and relations between fuel and energy prices, have a special impact on the power sector, including the number of investment projects carried out in the sector, and thus also on the number and value of the Group's prospective contracts. In consequence, the Group is exposed to risks and volatility resulting from the influence of economic conditions on the level of investment in the power construction sector in Poland and on the Group's foreign markets. Moreover, future economic conditions in Poland and on the Group's foreign markets may be less favourable than they are now.

An economic downturn in Poland and on global markets may have an adverse effect on the Group's operations, financial standing, performance or prospects. For example, it may cause a drop in investment in the power construction sector, reflected in lower demand for the Group's products, restricted availability of credit, problems on the part of suppliers, customers and other business partners which may hinder or even prevent them from fulfilling their obligations towards the Group, and thus have a negative effect on its operations, financial standing, performance or prospects, as well as the price of the Shares.

Risk relating to political environment, as well as energy policy and uncertainty over its future directions

The Group is exposed to risks related to the impact of political decisions made by governments and public authorities on the markets where it operates, especially Poland, as well as by EU institutions. Political decisions may affect (i) the energy policy, (ii) changes in legal regulations, including those affecting the power sector, aimed to implement such political decisions, and (iii) the pace of their implementation.

Political factors which may considerably affect the Group's operating and financial performance include: (i) Poland's and EU's energy policies, and (ii) the structure of Poland's energy mix, which results from the goals and objectives of the domestic and EU's energy policies. Especially, decisions of the Ministry of Economy and the Council of Ministers concerning the contents and adoption of 'Poland's Energy Policy until 2050', and measures taken to meet its objectives and strategies, may have an impact on the Group's operations. The draft 'Poland's Energy Policy until 2050', published by the Ministry of Economy, contains long-term, strategic objectives of Poland's energy policy, according to which coal is to remain the key source of primary energy for the Polish economy, but its share in the energy mix would gradually decrease in favour of renewables and nuclear energy (see *Market environment*). As at the Prospectus Date, 'Poland's Energy Policy until 2050' was

not yet adopted by the Council of Ministers, and it is still uncertain when it will be adopted and in what final form.

Poland's energy policy, and thus its energy mix, may be subject to further changes driven by their dependence on the EU climate and energy policies. Meanwhile, the EU increasingly emphasizes the importance of reducing the share of coal and lignite-fired generation sources in the Member States' energy mix, and seeks to create an energy market model based on renewable and other zero-emission sources (e.g. nuclear energy). A shift in the energy mix may lead to lower demand for the Group's products and services, which – as at the Prospectus Date – were related primarily to generation sources based on fossil fuels. The above circumstances, including any adverse political developments, Poland's unstable energy policy and changing energy mix, may hinder the delivery of the Group's strategic objectives, and thus have a material adverse effect on its operations, performance, financial standing or growth prospects, as well as the price of the Shares.

Currency risk

The Group sells its products and services abroad and purchases materials and goods necessary to perform its contracts, making payments in the euro and other foreign currencies. In Q1 2015, more than 8.5% of the Group's invoiced revenue was denominated in foreign currencies, primarily the euro.

Accordingly, the Group is particularly exposed to the PLN/EUR exchange rate risk. Any unfavourable exchange rate movements may cause a drop in revenue or an increase in zloty-denominated costs.

The strategy of currency risk management followed by the Group Companies is to use natural hedging to the largest possible extent. The Group Companies strive to achieve the highest possible level of structural matching of income and expenses denominated in the same currency and related to running contracts. Apart from natural hedging, the Group can hedge from 30% to 70% of its net exposure to foreign exchange risk with derivative instruments available on the market and approved by the Group (see *Operating and financial review – Qualitative and quantitative data on financial risks – Currency risk*). There is no certainty, though, that the application of selected derivatives as a risk mitigating method will be fully effective.

As a result, any considerable exchange rate fluctuations may affect the Group's operations, financial standing, performance or prospects, as well as the price of the Shares.

Interest rate risk

The Group's operations have been and may be affected by interest rate movements. As at March 31st 2015, the Group's entire outstanding debt under credit facilities bore interest at variable rates (see *Overview of the Group's business – Material agreements – Material agreements executed outside the Group's ordinary course of business – financing agreements – Multi-purpose credit facility agreement with PKO BP*). In Q1 2015 and in the financial years ended December 31st 2014, 2013 and 2012, interest on bank facilities and loans, finance leases and lease purchase transactions amounted to 0.4%, 0.5%, 1.7% i 1.4%, respectively, of the Group's total expenses.

Interest rates largely depend on numerous factors beyond the Group's control, in particular the global and domestic economic and political conditions. Interest rate movements may drive up finance costs, and the Group may not always be able to fully cover them with higher operating income.

Any future interest rate movements may have a negative impact on the Group, and thus affect the Group's operations, financial standing and performance, as well as the price of the Shares.

Risk of competition

The Group is exposed to the risk of emerging or strengthening competition. What is more, increased competition may lead to: (i) lower profitability of projects in progress, or (ii) lower volume of new orders. In future, the Group's competitors may take further steps to accelerate their growth and implement an aggressive pricing and product policy towards the Group's existing or prospective customers. In consequence, the Group's competitive strength may deteriorate if the Group fails to bring its prices down to levels offered by its competitors, or defend higher prices with the quality of its work.

Competition on the Group's market has increased in recent years on the back of lower demand for, and steady supply of, products and services for the power sector, such as steam generators and power generation units. The market has shrunk, both in terms of the number of entities putting out contracts to tender, who are the Group's natural customers, and in terms of the number of projects run. At the same time, the number of suppliers offering products and services for the power sector has remained unchanged. Additionally, fiercer competition on the Group's market can be traced to markets with lower operating costs, such as China.

These circumstances may have a material adverse effect on the Group's operations, financial standing, performance or prospects, as well as the price of the Shares.

Risks specific to the Group

Risk relating to the Group's non-performance or improper performance of contracts

The Group is exposed to the risk relating to its non-performance or improper performance of contracts. As part of its business, the Group carries out technologically complex projects for large enterprises operating mainly in the power sector. Non-performance or improper performance of such contracts, including failure to meet the agreed deadlines or specifications, may pose a risk of claims for damages (including liquidated damages) against the Group. Moreover, such claims may lead to loss of customers, worse financial terms of services or weaker competitive position of the Group.

Contracts under which the Group delivers orders or projects include a number of clauses on proper and timely performance and warranty bonds. Therefore, the Group is exposed to the risk of liability under warranty bonds (unless such liability is contractually excluded) and liability under performance bonds. A performance bond consists in liability for proper performance of the contract, effective until the date of final acceptance, and a technical warranty, which remains in force after the project's completion during a defects liability period (typically 2-3 years after completion). Performance bonds are typically set at 10% of the estimated contract value. If any defects become apparent within the performance or warranty bond period, there is a risk that customers will raise claims against the Group Companies. As a result, the Group may have to incur additional costs of repairs or upgrades. The provisions for warranty repairs recognised by the Group may be insufficient, what may have a material adverse effect on the Group's operations, financial standing or performance, as well as the price of the Shares.

Improper performance may involve: (i) untimely performance; (ii) failure to deliver projects to agreed specifications, resulting in the inability to present them for final acceptance.

As at the Prospectus Date, circumstances had arisen in the course of performance of several contracts entitling the project owners to claim liquidated or other damages against the relevant Group Companies. Although the Group Companies are currently renegotiating the terms of those contracts, there is no assurance that liquidated damages or other claims are not imposed on the Group. In Q1 2015, the Group incurred liquidated damages of PLN 1.4m, representing approximately 0.5% of the Group's revenue for the period. As at March 31st 2015, the provision for penalties due to late performance of contract was PLN 0.9m.

The occurrence of any of the above circumstances may have a material adverse effect on the Group's operations, financial standing, performance or growth prospects.

Risk related to non-payment or delayed payment of amounts due under contracts performed by the Group

The Group is exposed to the risk of non-payment or delayed payment of amounts due from its customers under contracts, resulting from a number of factors beyond the Group's control.

Contracts executed by the Group typically include schedules of payments for individual project milestones. There is a risk that despite proper and timely performance by the Group of a particular milestone or the entire scope of work, the employer fails to make the agreed payments or a delay in payment occurs, what may impair the Group's liquidity. There is also a risk that the Group will suffer financial losses as a result of insolvency (bankruptcy or liquidation) or loss of liquidity of an employer.

As at the Prospectus Date, the Group was not insured against the risk of non-payment of its trade receivables, but it had applied for an insurance policy to cover the risk of non-payment or delayed payment by its customers. As at March 31st 2015, the Group recognised impairment losses on trade and other receivables of PLN 41.4m.

Non-payment or delayed payment of amounts due from customers, whether for reasons beyond the Group's control or otherwise, may have a material adverse effect on the Group's operations, financial standing, performance or growth prospects, as well as the price of the Shares.

Risk relating to performance of high value contracts and limited number of customers

Based on high value contracts, the Group's business model is characterised by significant revenue concentration. In consequence, single contracts of considerable value may have a strong effect on the Group's financial performance. In Q1 2015, 65.9% of the Group's revenue was derived from contracts awarded by four major customers. The Group's key customer, Tauron Wytwarzanie, accounted for 28.3% of the Group's total revenue in Q1 2015 (see *Overview of the Group's business – Key trading partners – Key customers*).

Considering the complexity and long delivery times of some of the Group's projects, their actual cost and profitability may differ from initial estimates. In particular, profit margins realised by the Group may be lower than initially assumed, or even negative. Revenues, cash flows and profitability of a project may vary throughout the period of its performance, depending on a number of factors partly beyond the Group's control, postponement or delay of contract performance, financial problems of the Group's customers, non-payment on the part of customers or default by its suppliers, sub-contractors or consortium members. Variability of costs and,

as a result, of profitability of certain projects throughout the period of their performance may have an adverse effect on the Group's cash flows related to a contract and its liquidity in the period. If the Group, its consortium members, subcontractors or suppliers fail to perform their contractual obligations or perform them improperly, the employer may withhold payment of the Group's remuneration. Additionally, it may exercise its rights under bank or insurance guarantees, in which case the Group will be obliged to cover the amounts paid by the financial institutions as guarantors on the basis of guarantees issued to the employer at the request of the Group. Such amounts may be substantial, especially if they relate to complex, long-term, high-value projects. The Group may not be able to cover its liabilities under financial guarantees which have been exercised.

Moreover, the Group's customers may terminate or withdraw from their contracts with the Group, especially in the event of improper contract performance. Loss of a key project may significantly reduce the Group's revenue for the period corresponding to the term of the relevant contract and accelerate the settlement of mutual obligations of the parties, making it necessary to refund the advance payments received by the Group, which may cause it to lose liquidity and hinder or prevent it from servicing its debt.

Furthermore, the Group is exposed to the risk associated specifically with the power sector, characterised by a limited number of investment projects and market players, who are the Group's prospective customers. The Group's ability to win new high value projects is restricted due to limited demand for such projects on the part of power sector entities (see *Risk factors – Risks relating to macroeconomic conditions and the sector in which the Group operates - Risk of competition*). Consequently, there is no certainty that the Group is awarded further contracts from its key customers or is able to win new customers.

The above circumstances may have an adverse effect on the Group's operations, financial standing, performance or growth prospects, as well as the price of the Shares.

Risk of increased operating costs resulting from higher prices of supplies and services and increased employee benefit expenses

The Group's operations and financial performance are largely affected by the level and changes of expenses incurred to perform its contracts. The most significant items of operating expenses include: (i) raw materials and energy used and (ii) services, comprising in particular purchases of equipment, raw materials and services. In total, they accounted for 78.6%, 81.1%, 76.6% and 76.5% of the Group's total operating expense in the three months ended March 31st 2015 and in the financial years ended December 31st 2014, 2013 and 2012, respectively. An increase of these or other operating expenses may directly affect the Group's performance and financial standing (see *Operating and financial review*).

The actual level of the Group's expenses depends on factors beyond its control, such as availability of raw materials and services, and prices of raw materials procured from third parties. What is more, these factors may vary depending on the supplier's country of operation, and their complexity makes it difficult to foresee a sudden steep rise in operating expenses. There can be no assurance that the Group's operating expenses, comprising mainly purchases of equipment, raw materials and services, will not increase considerably.

As at March 31st 2015, the Group had more than 2,347 employees. Employee benefit expense accounted for 19.0%, 16.0%, 19.2% and 19.8% of the Group's total expenses in Q1 2015 and the financial years ended December 31st 2014, 2013 and 2012, respectively. It must be noted here that employee benefit expenses in Poland have been considerably lower than in some other, more developed countries. This has been a source of competitive edge for enterprises operating in Poland. However, remuneration expenses have been rising in recent years. The average monthly gross pay in the corporate sector in Poland went up to approximately PLN 4,139.42 in Q4 2014, compared with PLN 3,456.61 in Q4 2009 (according to the Central Statistics Office). If this upward trend in employee and subcontractor remuneration remains steady or increases, in order to remain competitive on the labour market, retain staff, especially engineers, and ensure sufficient headcount, the Group may need to increase employee remuneration at a higher rate, more often or to a larger extent than it has done before.

Moreover, a possible growth of employee benefit expenses at the Group's suppliers of raw materials, equipment or services may drive up their operating expenses and translate into higher prices, which may adversely affect the Group's operating expenses.

If its cost of raw materials, equipment and services, as well as employee benefit expenses, grow considerably, the Group may not be able to achieve a corresponding growth of productivity or pass through such increased expenses to offset their impact on the Group's performance. Any circumstances driving up the Group's operating expenses may have a material adverse effect on its operations, financial standing and performance, as well as the price of the Shares.

Risk of underestimating project costs

The Group is exposed to the risk following from the need to estimate the cost of each project prior to its execution, including the risk of not accounting for all cost items related to contracts. During contract execution,

the Group may incur additional costs related to factors and circumstances which remain beyond its control and could not be provided for at the planning stage. In particular, there is no assurance that costs incurred by the Group in connection with a contract will not increase on the back of higher prices of commodities, such as steel, precious metals, fuels and energy, which in turn may drive up the prices of materials used in the course of the Group's operations. Furthermore, the Group cannot give any guarantee that in future it will buy materials and products required to execute contracts at prices comparable with the current prices, or that the cost of services necessary for the Group's operations will remain unchanged.

The Group is exposed to the risk that the actual costs incurred by the Group during contract execution will be materially different from those estimated by the Company based on available macroeconomic forecasts, in particular with respect to the inflation rate. Even though the Group recognises provisions based on price increase estimates, the cost of the Group's equipment, materials and services may surge dramatically, exceeding the amount of provisions held.

Given that in the course of its operations the Group often executes contracts for deliveries and services based on fixed, lump-sum prices, the Group as a contractor is exposed to a material risk of underestimating the costs of running projects.

Prior to the execution of a project, the Group defines the scope of required work, identifies the costs related to its performance and estimates their amounts based on quotations provided by suppliers of materials, products and services used by the Group for the performance of the contract. After establishing the cost budget, the Group adds a margin of several percent to mitigate the risk of errors in estimates. In the case of technologically complex projects, proper identification of costs in terms of their types and amounts is difficult. The same is true for projects executed within consortia or in cooperation with the Group's subcontractors. There can be no assurance that, due to factors beyond the Group's control, human error or software errors, the costs of project execution will not be underestimated.

If the Group fails to correctly estimate and identify all cost items related to contracts, it may incur higher operating expenses, which may have a material adverse effect on the Group's operations, its financial standing and performance, as well as the price of the Shares.

Risk related to winning new contracts

The Group is exposed to the risk related to contract acquisition, including through tender procedures under the Public Procurement Law. To be awarded contracts in tender procedures, the Group Companies acting as bidders have to meet specific conditions indicated in the public procurement announcement, but also submit a bid that is most advantageous – in most cases, the key criterion being the price. During a market downturn, when less new investment projects are announced, domestic and foreign bidders tend to resort to aggressive pricing policies. In particular, new players entering the Group's market are often willing to make highly competitive bids to secure contracts. Consequently, there is a risk that the Group will not be able to make an attractively priced bid, and so it will not be considered by the contracting authority as the most advantageous.

In addition, given the nature of tenders, where decisions regarding the procedure are often made arbitrarily by the contracting authority, the Group is exposed to the risk of incurring costs of participation in tender procedures which may ultimately be cancelled or suspended. Prior to the award of a contract, the Group needs to incur certain costs which allow it to submit a bid for the contract, including non-refundable costs of bid preparation and expenses related to the bid bond. Furthermore, contracts awarded through tender procedures under the Public Procurement Law are governed by a specific regime, whereby the contracting authority may at any time terminate the agreement or temporarily suspend its performance in the event of a material change in circumstances as a result of which its performance no longer serves the public interest, provided that the change could not have been predicted at the time of the agreement execution.

The contracting authorities can dictate the terms of tender procedures, given the relatively high competitive pressure among bidders. This is due to the structure of the market where a limited number of potential employers (entities operating in the power sector) launch relatively few investment projects creating business opportunities for companies operating on the Group's market (see *Risk factors – Risks specific to the Group – Risk relating to performance of high value contracts and limited number of customers*).

Tender procedures, particularly public procurement procedures, are often very complex and lengthy, with the assessment of submitted bids and selection of the most advantageous one taking up to several months. In the case of procedures under the Public Procurement Law, selection of the best bid may be challenged by other bidders before the National Appeals Chamber and the Regional Court, which may delay the commencement of work on the contract and affect the Group's ability to generate revenue from the contract within the expected timeframe, or increase costs related to maintenance of resources and fixed assets needed to execute the project. If a public procurement process is protracted, particularly in the period between bid submission and contract execution, there is a risk that the prices of raw materials, parts or services required to perform the project will change, or

that the Group will lose the capacity to handle the project on the organisational level. In view of the above, price calculations made for the purpose of a final bid may differ from actual prices, which the Group would have assumed for the calculation if the contract had not been materially delayed relative to the terms of the offer, which may adversely affect the profitability of contracts executed by the Group.

In addition, one or more Group Companies may be barred from public procurement proceedings under the Public Procurement Law if in the three years prior to the commencement of the procedure they culpably and seriously breached their professional duty – in particular, if the Group Companies, as a result of deliberate action or gross negligence, failed to perform or improperly performed a contract, provided that the contracting authority can demonstrate that with any form of evidence and that the contracting authority provides for the possibility of such exclusion in the contract notice, terms of reference or invitation to negotiate.

Difficulties related to winning new contracts in tender procedures and the risk of contracts being cancelled due to a breach of regulations governing procurement procedures or circumstances beyond the parties' control may have a material adverse effect on the Group's operations, financial standing, performance and growth prospects, as well as the price of the Shares.

Risks related to execution of certain projects in consortia

The Group is exposed to the risk related to the execution of certain projects in consortia.

The Group pursues a significant number of projects as part of consortia involving third parties. As at the Prospectus Date, the Company acted as the consortium leader in the Jaworzno Project, the Opole Project (see *Overview of the Group's business – Material agreements – Material agreements executed in the ordinary course of the Group's business, particularly important to the Group's performance – Contracts and agreements related to the execution of the Opole Project* and *Overview of the Group's business – Material agreements – Material agreements executed in the ordinary course of the Group's business, particularly important to the Group's performance – Contracts and agreements related to the execution of the Jaworzno Project*), and a flue gas denitrification system project pursued under a contract with ENERGA Elektrownie Ostrołęka (see *Overview of the Group's business – Key projects – Projects in progress – NOx emissions reduction system at the Ostrołęka power plant*).

Projects carried out in consortia may not be executed in accordance with the Group's expectations to the extent that a third party belonging to the Group's consortium is responsible for a specific element of the project. Furthermore, the Group's ability to influence the terms and schedule of a project executed by a consortium may be limited and the Group may not have full control of the project, which may in turn result in loss of the project due to non-performance or improper performance by other consortium members of their contractual obligations towards the employer. Where proper performance of a project is secured with financial guarantees, claims arising in respect of non-performance or improper performance by a consortium member of its respective scope of work entitles the employer to exercise its right under the financial guarantees and demand payment by the financial institution, acting as the guarantor, of a specific amount. This involves a risk that the Group will be required to reimburse the entire amount paid by the financial institution, even if it was not responsible for the relevant scope of work under the project.

When executing contracts in consortia, the Group is unable to exclude the risk of bankruptcy or deterioration in the financial standing of other consortium members. Following execution of a contract, a consortium member may be unable to fulfil its obligations under the consortium agreement, which may include inability to provide appropriate guarantees. In this situation, the Group, as the party jointly and severally liable for the contract entered into with the employer, is required to perform such contractual obligations, including the obligation to provide the relevant guarantees, which may entail the need to provide cash deposits and commit the Group's own funds, or obtain financial guarantees for the benefit of the employer. As a result, the Group is exposed to the risk of incurring higher expenditure than expected at the bid submission stage or having to commit more of its other resources due to the necessity to perform more work than originally assumed.

In the event that one or more consortium members lose the ability to perform a contract, the Group may be exposed to the risk of renegotiating the subcontracts entered into by such consortium members. There can be no assurance that the Group will be able to enter into such subcontracts or that such subcontracts will be executed on equally favourable terms as those provided for in the contracts with the consortium members. If a consortium member having access to a unique technology is unable to perform a contract, the Group may also be exposed to the risk of losing the technological capacity to complete the project.

Given that the consent of all consortium members may be required to make valid amendments to contracts entered into by the consortium, there is a risk that other consortium members will obstruct renegotiation of contracts entered into by the consortium and thus impede the execution of projects and generate additional costs due to delays in performance by the Group. In addition, all actions taken by the consortium members against the

interests of the consortium, as well as non-performance or improper performance by such consortium members of a specific scope of work, may have a negative impact on the Group's reputation as a reliable partner.

Any of the above situations may have an adverse effect on timely execution of contracts by the consortium and, in consequence, on the Group's operations, financial standing, performance or prospects, as well as the price of its Shares.

Risk related to project acquisition and execution in cooperation with suppliers and subcontractors

The Group is exposed to a risk related to the acquisition and execution of projects in cooperation with: (i) suppliers providing the Group with auxiliary materials and equipment (i.e. not manufactured by the Group, but necessary to perform a given contract) and (ii) subcontractors providing auxiliary services which do not fall within the Group's business profile, but are necessary to perform a given contract.

Contracts with suppliers and subcontractors are structured in such a manner as to be compatible with the deadlines and terms provided for under the relevant contract between the Group and the employer. Timely and proper performance of specific services for the Group is important to the Group's business and depends on a number of factors beyond the Group's control, including in particular the financial standing of specific companies, their human and technical resources, and access to materials. When working with third-party suppliers and subcontractors, the Group is exposed to the risk related to defects, safety and low quality of their materials and products, as well as the low quality of services rendered by such subcontractors.

As the Group is liable to the employers for any actions or omissions of its suppliers and subcontractors as for its own actions or omissions, the Group may incur financial losses as a result of non-performance or improper performance of the work by its suppliers and subcontractors, which may give rise to claims of the employers against the Group. Non-performance or improper performance of their contractual obligations by entities providing the Group with supplies or services may compromise the Group's ability to carry out its business, affect proper and timely execution of its own contracts, and expose the Group to the risk of high costs and losses, and to the risk of losing its good reputation (see *Risk factors - Risks specific to the Group - Reputational risk*). Also, in the event of any deterioration in the financial standing or bankruptcy of its suppliers and subcontractors, the Group may be exposed to the risk of incurring higher expenditure than expected at the bid submission stage and having to commit more of the Group's other resources due to delays in the performance of contracted work and the necessity to engage substitute suppliers and subcontractors with relevant expertise.

Another risk is that the Group may be temporarily unable to execute contracts with credible suppliers and subcontractors or negotiate acceptable contractual terms. It is also possible that the cost of engaging suppliers and subcontractors will increase, including the cost of their remuneration, which may have an adverse effect on the prices offered by the Group Companies and, in consequence, the Group's margins.

If it is impossible to perform contracts entered into by the Group with suppliers and subcontractors having access to unique technologies, the Group may be exposed to the risk of losing the technological capacity to complete a given project.

In the case of construction work contracts (pursuant to the Civil Code and the Public Procurement Law; subject to the conditions stipulated therein), the Group Companies as contractors may be required to pay remuneration to a sub-subcontractor in the event that their subcontractor fails to pay the remuneration due to its own subcontractor for the work performed, irrespective of whether the Group Companies have settled their own obligations towards the subcontractor. Subject to the conditions specified in the Civil Code and the Public Procurement Law, this liability of the Group Companies may also extend to sub-subcontractors' obligations towards their subcontractors. The Group Companies may also be required to pay remuneration to subcontractors even if they themselves have not received remuneration from the employer.

Any of the above situations may have an adverse effect on timely execution of contracts by the Group and thus expose it to additional costs, having a material adverse effect on the Group's operations, financial standing and performance, as well as the price of its Shares.

Risk of failure to obtain financial guarantees required to acquire and perform contracts

The Group is exposed to the risk of not being able to obtain financial guarantees, that is bank or insurance guarantees, in amounts enabling it to acquire and perform contracts. Such guarantees are key instruments used by the Group: (i) in connection with its participation in tender proceedings, including those conducted under the Public Procurement Law; and (ii) in order to properly secure proper performance of contracts, primarily with performance bonds (see *Overview of the Group's business – Contracting and project execution processes – Securing contract performance*). This can also lead to a significant decrease in the number and value of contracts awarded to the Group.

Limited availability of financial guarantees granted by financial institutions to the Group's order to secure the Group's performance under contracts would force the Group to commit its own funds in the form of cash

deposits or the employer's partial retention of compensation payable to the Group and blocking such retained amounts as direct security for the employer's benefit. This, in turn, could have an adverse effect on the Group's liquidity (see *Risk factors – Risks specific to the Group – Risk related to failure to maintain appropriate liquidity by the Group*). Given the Group's situation as at the Prospectus Date (see *Operating and financial review*), there is a risk that difficulties connected with limited availability of financial guarantees will continue.

If financial guarantees granted as security for contract execution, including in particular: (i) performance bonds and (ii) bid bonds, are unavailable, the Group may be unable to meet the conditions for participating in most tender proceedings, both public and private. This involves a risk that the Group will not be able to enter a tender, because it will not be able to present the required guarantees when submitting its bid, and thus will not be able to acquire new contracts for its products and services.

Further, the Group might not be able to obtain the required financial guarantees having already won tender proceedings, which would result in a breach of contractual obligations, forfeit of the bid bond paid by the Group and claims by being raised by consortium members for its default under the consortium agreement.

The above circumstances may have a material adverse effect on the Group's operations, financial standing, performance or growth prospects, as well as the price of the Shares.

Risk related to failure to secure external financing in assumed amounts and on expected terms

The Group intends to finance its day-to-day operations with debt financing from external sources. As at March 31st 2015, the Group's financial liabilities under bank borrowings and other debt instruments totalled PLN 105.1m. The Group relies on debt financing advanced by financial institutions primarily to finance its day-to-day operations, including acquisition and performance of contracts.

In implementing its growth strategy, the Group will incur upfront expenses (including those connected with participation in tender proceedings), and thus it will need funds, including from external sources. Availability of external financing depends on a number of factors, including the overall market situation, availability of credit in the entire sector, assessment of the Group's creditworthiness by individual lenders and the value of collateral which the Group is able to create for its debt; some of these factors being beyond the Group's control. There can be no assurance that the Group will be able to obtain new financing in expected amounts, on terms expected by the Group, or that it will be able to obtain any financing at all.

This may result from policies followed by financing institutions to limit the level of financing advanced to the power industry, including in particular the coal-based power sector, instability on the Polish and foreign financial and capital markets, adverse economic developments in Poland and globally, as well as other factors which the Group is not able to predict. In recent years, the availability of financing advanced to coal-based power sector entities has been limited, after the financing institutions, including the European Investment Bank, changed the rules of granting credit facilities and loans. Their new guidelines give priority to financing renewable energy, energy efficiency and infrastructure projects. Accordingly, entities such as PGE, Tauron, Kompania Węglowa and EDF, to which the Group offers its products and services, are faced with limited availability of bank financing for the construction of coal-fired generating units. In recent years, starting from 2008, many developed economies have experienced recession, and many emerging countries, including Poland, have seen economic deceleration. There is a risk that the slower growth of the Polish economy will persist, which may lead to material limitation of availability of financing advanced by commercial banks, or to banks requiring additional collateral or imposing additional burdensome covenants on the Group. The above circumstances may have an adverse effect on the terms of financing secured by the Group, resulting particularly in higher borrowing costs (higher interest rates, fees and commissions etc.). They may also result in the implementation by financing entities of more restrictive rules with respect to execution of new agreements or interpretation and performance of existing agreements. In the event of a crisis on the international or domestic financial markets, the Group may not have access to external financing for some time.

Not being able to obtain external financing on satisfactory terms, the Group will be forced to commit its own funds, which may prove insufficient to implement its strategy and have an adverse effect on the Group's liquidity (see *Risk factors – Risks specific to the Group – Risk related to failure to maintain appropriate liquidity by the Group*). Consequently, the Group's growth may be slower than expected and the rate of achieving its strategic objectives may be lower than originally planned.

Additional costs of servicing any future debt, including additional costs related to interest and exchange rate fluctuations, may render the terms on which the Group obtains financing less favourable than originally expected.

The above circumstances may have a material adverse effect on the Group's operations, financial standing, performance or growth prospects, as well as the price of the Shares.

PBG and Hydrobudowa Polska may fail to repay the Company's claims in full or in part

The Company is exposed to the risk of its claims against PBG and Hydrobudowa Polska not being repaid in full or in part. Thus, it is possible that the Company will not regain the full amount of its claims from PBG and Hydrobudowa Polska, as disclosed in the Consolidated Financial Statements.

The Company's claim against PBG originated after the agreement for purchase of ENERGIOMONTAŻ-POŁUDNIE shares from PBG, dated December 20th 2011, had been deemed ineffective. Under the agreement, the Company purchased 46,021,520 ordinary bearer shares in ENERGIOMONTAŻ-POŁUDNIE, representing 64.84% of that company's share capital and 64.84% of the total vote at the general meeting of ENERGIOMONTAŻ-POŁUDNIE, for PLN 160.1m. On June 13th 2012, PBG was declared to be arrangement bankruptcy (see *Overview of the Group's business – Court, administrative and arbitration proceedings – PBG arrangement bankruptcy proceedings*). On July 16th 2012, the Company received from the court supervisor a letter addressed to PBG advising it that the disposal of ENERGIOMONTAŻ-POŁUDNIE shares was a legal transaction executed against payment by the insolvent entity (PBG) within six months prior to submitting the bankruptcy petition, with PBG's related entity with respect to which PBG was also the parent, and consequently the transaction was ineffective with respect to PBG's bankruptcy estate (Art. 128.2 of the Bankruptcy and Restructuring Law). The Court Supervisor requested the PBG Management Board to immediately take steps under Art. 134 of the Bankruptcy and Restructuring Law to have all shares in ENERGIOMONTAŻ-POŁUDNIE purchased by the Company transferred back to PBG's account. As a result, on August 7th 2012, the Company and PBG concluded an agreement for transfer of the ENERGIOMONTAŻ-POŁUDNIE shares. The share transfer was registered in the brokerage account on August 7th 2012. Given the ineffectiveness of the agreement for PBG's disposal of the shares in ENERGIOMONTAŻ-POŁUDNIE to RAFAKO S.A., the Company is entitled to claim a refund of the price paid for the shares. In accordance with the relevant accounting policy, as at March 31st 2015 the Company recognised a receivable of PLN 29.1m (PLN 29.2m as at the Prospectus Date).

The Company's claim against Hydrobudowa Polska is connected with the loan agreement of January 10th 2012, under which the Company advanced to Hydrobudowa Polska a PLN 32m cash loan for 12 months; the loan was advanced to finance the borrower's day-to-day operations. In connection with the loan agreement, PBG granted a surety in respect of the blank promissory note issued by Hydrobudowa Polska for the benefit of the Company. On June 11th 2012, Hydrobudowa Polska was declared to be in arrangement bankruptcy; the related bankruptcy proceedings were subsequently converted into liquidation bankruptcy. On October 26th 2012, the Company lodged its claim related to the loan in the bankruptcy proceedings against Hydrobudowa Polska. The claim was acknowledged by the bankruptcy administrator and included in the list of claims. On April 9th 2014, the Management Board of Hydrobudowa Polska was notified that the bankruptcy administrator had submitted a plan of distribution of proceeds from sale of property encumbered by way of security. Moreover, on September 21st 2012, the Company lodged a claim under the surety granted in respect of Hydrobudowa Polska's blank promissory note in the bankruptcy proceedings against PBG. The full amount of the claim, PLN 32,915,787.40, has been included in the proof of the Company's claim to the bankruptcy estate of PBG and is on the list of claims acknowledged by the court supervisor. In accordance with the relevant accounting policy, as at March 31st 2015 the Company recognised a receivable of PLN 5.9m; the amount did not change as at the Prospectus Date.

Given the pending bankruptcy proceedings against Hydrobudowa Polska involving liquidation of the bankrupt's assets, the Company is able to influence the amount received as repayment of its loan only to a limited extent. There is a risk that funds obtained by the bankruptcy administrator in the course of the proceedings pending against Hydrobudowa Polska will be insufficient to satisfy the Company's claim in full or even in part.

Also the Company's claim against PBG under the surety in respect of the blank promissory note may not be satisfied in full. The reason is that PBG's arrangement proposals may not be accepted by PBG's creditors or other circumstances may occur which will result in the arrangement proceedings against PBG being converted into proceedings leading to PBG's bankruptcy by liquidation. This in turn may lead to a situation in which the Company receives amounts lower than expected or that its claim against PBG, as disclosed in the Consolidated Financial Statements, is not repaid at all.

As the PBG arrangement bankruptcy proceedings are pending, for the purpose of preparation of its financial statements the Company reviews the valuation of its receivables from PBG to reflect any changes in relevant arrangement proposals. In accordance with the relevant accounting policy, as at March 31st 2015 the Company recognised non-current trade receivables from PBG at PLN 35.1m (PLN 35.2m as at the Prospectus Date). Until the Prospectus Date, none of the Company's claims against PBG were paid. Changes in the accounting valuation of the Company's claims against PBG disclosed in financial statements for individual periods result from changes of the discount rates applied by the Company to estimate present value of the claims.

The above circumstances may have an adverse effect on the Group's operations, financial standing, performance or growth prospects, as well as the price of the Shares.

Risk related to failure to maintain appropriate liquidity by the Group

The Group is exposed to the risk of liquidity loss or deterioration. Loss or deterioration of the Group's liquidity may be caused by a mismatch between the streams of receivables and payables, inadequate financing or limited access to financial guarantees (which would force the Group to commit its own funds in connection with contracts). The liquidity risk is also related to changing requirements for working capital sufficient to cover the Group's day-to-day needs, including the necessity to commit the Group's own funds to finance and secure the performance of contracts. The risk affects timely performance of contracts and the Group's ability to obtain financial guarantees, which are commonly used to secure contract performance on the Group's market.

In line with its strategy, the Group seeks to secure greater access to financial guarantees, as such instruments would allow it to free some of the cash serving as performance bonds in respect of contracts (see *Overview of the Group's business – Contracting and project execution processes – Securing contract performance*). Deterioration or loss of the Group's liquidity may result in limited access to financial guarantees, which in turn could force the Group to commit its own funds to secure the performance of projects, reducing its liquidity and raising its requirement for working capital. Consequently, the Group may be unable to win new contracts because of limited access to both financial guarantees and cash, which is deposited as security for liabilities under other contracts, and therefore restricted from use by the Group.

As at March 31st 2015, current ratio (current assets to current liabilities) at the Group was 1.06. The key factors that determine the liquidity ratio and working capital levels are the structure and duration of projects executed by the Group. The Group's operations rely partly on contracts which require it to bear some of the costs prior to receiving remuneration for delivery of a contract or a contractual milestone. Any unfavourable mismatch between inflows and outflows under the Group's contracts or their individual stages, including delayed payments from employers, may have an adverse effect on cash flows from a given contract and the Group's working capital.

The Group's liquidity and access to working capital may also be affected by the rules of settlement of the Jaworzno Project contract, which as at March 31st 2015 represented a major part of the Group's order book (see *Overview of the Group's business – Order book*). The rules of the contract's settlement are closely related to the structure of performance bonds provided by the Company and E003B7, a special purpose vehicle established to execute the Jaworzno Project, to which the Company subcontracted 90% of the contracted work.

Historically, the Company has experienced financial liquidity problems. For the purposes of the Jaworzno Project, in the period covered by the historical financial information, the Company and E003B7 executed agreements with guarantors, i.e. PKO BP, PZU and BGK, whereby financial guarantees for a total of PLN 523m were issued to secure performance of the Jaworzno Project. Under the agreements, the remuneration due for delivery of the Jaworzno Project is payable by the employer directly to E003B7. This receivable serves as security for the guarantors' potential claims against the Company and E003B7. The Jaworzno Project contract will be settled (margin will be transferred to the Company) after all conditions specified in the financial documentation are met, i.e. once all amounts due to the trading partners and guarantors are paid. A distant date of contract settlement may reduce the Company's access to cash, with an adverse effect on the current liquidity position of the Group's parent.

The above circumstances may have an adverse effect on the Group's liquidity, driving up its requirement for working capital, which may negatively affect the Group's operations, financial standing, performance or growth prospects, as well as the price of the Shares.

The risk of failure to implement the strategy

The Group's key strategic objective is to consolidate its current market position through: (i) development of technologies, especially proprietary solutions; (ii) expansion and enhancement of the mix of products and services; (iii) development of export sales; (iv) further optimisation of internal process management; and (v) optimisation of methods to secure and finance contracts.

The Group may fail to implement its strategy and meet its strategic goals because of a number of external and internal factors beyond its control, related to regulatory, legal, financial, social or operational issues. In particular, changing market conditions may cause the Group to lose its position as one of the leading providers of complete power generation units and services related to design, manufacture, construction and maintenance of power equipment and facilities. Difficulties in implementing the Group's strategy may include lengthy procurement procedures, regulatory or administrative obstacles, delays or difficulties in raising financing, lack of partners for joint ventures or inability to reach an agreement with such partners on matters concerning joint projects, delays in investment processes, cost overruns, and inability to sell or delays in sale of the Group's products and services. In the case of the above or other unforeseen obstacles to the strategy's implementation, the Group may fail to implement it in full or at all, may decide to revise, suspend or abandon the strategy, may

not achieve the expected benefits from the strategy or achieve them later than expected, or the benefits may be lower than projected.

Furthermore, the Group may be forced to allocate more human and financial resources to the strategy's implementation, which may have an adverse effect on the Group's core business areas or result in lower than expected benefits. The results and costs of the Group's strategy may significantly differ from expectations. These circumstances may have an adverse effect on the Group's operations, financial standing or performance, as well as the price of the Shares.

Reputational risk

Successful operation of the Group depends largely on its continued good reputation and ability to obtain credentials from its trading partners. The Group's reputation may be damaged or lost due to circumstances objectively beyond its control, including impaired perception of the industry as a whole, or directly in the course of the Group's business, for instance in the event of material disruptions in the supply of the Group's products, material deterioration in the quality of the Group's products, or breach of contractual obligations by consortium members or subcontractors of the Group.

Damage to or loss of the Group's reputation may have an adverse effect on its ability to obtain financial guarantees.

Loss of trust of the Group's trading partners and customers may compromise its ability to win new contracts and maintain existing business relations. Furthermore, damage to or loss of the Group's reputation may increase costs charged by its suppliers and subcontractors, which may offer the Group less favourable terms of business in view of the risk that the Group may default on its payments or fail to pay them in a timely manner.

Damage to or loss of the Group's reputation, as well as failure to obtain further credentials, may therefore have a material adverse effect on the Group's operations, financial standing, performance or growth prospects, as well as the price of the Shares.

Risk related to the use by the Group of complex and innovative manufacturing technologies

The Group is exposed to the risk related to its use of complex and innovative manufacturing technologies, which also include technologies used to design systems and equipment. The processes and technologies used by the Group carry the risk of process errors, product defects and potential technical failures, which may in turn delay contract performance and have an adverse effect on the Group's profitability and financial performance. Given the risk of process errors, product defects and technical failures, it is possible that the costs of running projects may increase due to the necessity to remove such failures and process errors.

If any of the above risks materialises, the Group may incur significant costs as a result of claims raised by its customers and contractual penalties payable by the Group under its contracts, and can undermine the Group's credibility as a trading partner, which may in turn have an adverse effect on the Group's operations, financial standing, performance or growth prospects, as well as the price of the Shares.

The Group's IT systems may suffer a failure or security breach

In the course of their business, the Group Companies use a number of IT systems, which may suffer disruptions resulting from errors or failures. Some of the IT systems used by the Group Companies are also exposed to the risk of cyber attacks carried out by third parties through the Internet. Although the Group has security systems in place and takes consistent measures to minimise the risk of failure and security breach, such systems and measures may prove ineffective, and the resulting failure or security breach may jeopardise the operation of the IT systems and the confidentiality and integrity of data processed in those systems, which may have a material adverse effect on the Group's operations, performance, standing or growth prospects, as well as the price of the Shares.

The Group's day-to-day operations and growth depend on its senior management and ability to hire and retain highly-qualified personnel, particularly specialist production staff and engineers.

The Group's success is partially dependent on its ability to acquire, retain and motivate qualified personnel, particularly certain categories of production staff (specialist pressure equipment welders, including certified code welders) and engineers (design engineers, constructors and project managers). The appropriate level of technical staff's qualifications is vital to the quality and safety of the Group's products and services, while their motivation and productivity are reflected in the Group's performance.

Whether the Company achieves success in its strategy and day-to-day operations depends on the efforts and experience of its management and support provided by its key senior staff. Most of the Group's senior managers have been employed at the Group for many years, having gained extensive experience and knowledge about the Group's business and the market environment in which it operates.

Therefore, future success of the Group depends on its ability to continue its relationship with key managers, who have significantly contributed to its development, and to retain and motivate its personnel. Furthermore, the Group's senior management and personnel leaving the Group may attempt to take over, for their new employers, the business and customer relations they had helped establish when working for the Group. No assurance can be given that the Group will be able to continue its relationship with all or some of such employees in the future or that retaining or acquiring key personnel will not entail an increase in salaries and wages or provision of additional employee benefits.

The availability of skilled staff that could meet the Group's personnel needs and ensure its proper and uninterrupted operation is, however, limited, especially in the case of highly qualified specialists and engineers. As its target market expands and becomes more competitive, the Group may experience difficulties in attracting and/or retaining qualified personnel with the relevant knowledge, experience and qualifications. Loss or shortage of properly qualified staff may significantly delay, or altogether prevent, delivery of the Group's strategy or business objectives. Any short- or long-term shortage of personnel may also cause the Group to incur higher costs.

As the Group has unique knowledge relating to technical, technological, commercial, marketing, financial, and organisational matters, its management staff and other, especially high-tier, employees are in possession of market-sensitive information forming the Group's know-how. It is therefore vital for the Group to retain the personnel who are in possession of critical expertise, capabilities and information relating to the Group's business, without whom the Group would be unable to continue its day-to-day operations on the current scale or would have to significantly downscale them. The Group is unable to guarantee that no important information about the Group's business is disclosed as a result of employee turnover. There is a risk that departing management staff or personnel who are in possession of specialist expertise and experience gained at the Group may disclose, particularly to competitors, the Group's innovative technical, technological, commercial and other solutions, which may erode the Group's competitive advantage.

Loss of the senior management staff and the Group's inability to acquire, properly train, motivate and retain qualified personnel or any delays in such actions may have a material adverse effect on the Group's operations, financial standing, performance or growth prospects, as well as the price of the Shares.

Risk that the insurance cover maintained by the Group will prove insufficient

The Group's business is exposed to a number of risks related to technical failures, natural disasters and other extraordinary events beyond its control. In the case of a technical failure of any plant component, or an occurrence due to construction and assembly risks, the Group may be unable to meet its sales or production targets, may incur costs of repairs, or may be exposed to claims made by customers or parties injured as a result of accidents, property damage, disasters, etc. The Group has taken out insurance policies against risks considered material to its continued operation, which include insurance against damage to property as a result of various occurrences, third party liability insurance against damage to property and personal injury, insurance of construction and assembly works and cargo insurance for domestic and international transport. However, the policies do not cover all risks and the total amount of possible claims. The consequences of an occurrence for which no insurance cover has been taken out or the resulting losses are not fully covered by the insurer's compensation would need to be covered by the Group with its own funds, by the trading partner responsible for the damage or with external financing. Where the Group has insufficient or no insurance cover, this may result in disruption to the Group's operations, or even their temporary suspension or complete discontinuation (for instance in the event of destruction of any material assets of critical importance to the operation of the Group Companies).

Any occurrence which is not covered by insurance or is insured only partially and any loss not fully covered by the insurer's compensation may have a material adverse effect on the Group's operations, financial standing, performance or prospects.

Risk related to consequences of accidents at work and occupational diseases

The Group is responsible for the safety of its employees in the course of its operations. The Group may be held liable for certain occurrences, such as accidents, injuries and deaths of its employees. Should any of these occur, the Group would be obliged to satisfy the ensuing compensation claims of the employees concerned or other entitled persons.

As at May 31st 2015, 280 Group employees worked in environments exposed to harmful agents or nuisances. Costs related to special benefits for employees working in such conditions, as well as benefits for employees affected by occupational diseases, given their relative scarcity, did not materially affect the Group's expenses in the period covered by the Consolidated Financial Statements.

If regulations on occupational health and safety become more stringent, and in particular if the list of occupational diseases is extended or if additional OHS obligations are imposed on employers, or if the number

of accidents or employees affected by occupational diseases increases, the Group may have to incur additional costs. The above circumstances may have an adverse effect on the Group's operations, financial standing, performance or growth prospects, as well as the price of the Shares.

Risk related to plant failure or destruction or loss of the Group's assets

The Group's plant is of crucial importance to its uninterrupted and proper operation, and therefore any lasting disturbances in the plant's functioning may affect the Group's manufacturing capacities and the quality of its products and services. Such disturbances may be attributable to various causes, including in particular (i) defects, wear and tear and ageing of equipment, machinery and installations; (ii) their improper maintenance or operation; (iii) events beyond the Group's control, such as fires, flooding, extreme weather conditions, natural disasters, strikes or terrorist attacks; or (iv) errors in the power supply system. The Group may not be able to remove such defect or damage or replace faulty equipment, machinery or installation in a relatively short time because of limited availability or unavailability of such unit or its spare parts, which may expose the Group to additional costs.

In the event of a failure, destruction or loss of specialised key machinery used by the Group for specific manufacturing purposes, the Group may have to suspend the performance of its contracts in full or in a significant part. Any such material stoppages may result in a failure to meet the agreed contract delivery dates, exposing the Group to the risk of contractual penalties, additional costs or customer loss, and negatively affect its reputation. In addition, failures may have an adverse effect on the Group's ability to manufacture or deliver its products and services.

These circumstances may have an adverse effect on the Group's operations, financial standing or performance, as well as the price of the Shares.

To mitigate this risk, the Company employs its own maintenance teams, which carry out maintenance work, current repairs and periodic overhauls of manufacturing assets.

Risk related to the reservations of the independent auditor of the Consolidated Annual Financial Statements

The auditors' opinions on the 2014, 2013 and 2012 Consolidated Annual Financial Statements contained reservations and comments. The reservations concerned the limited scope of the audit, resulting from the Management Board's failure to present to the auditors sufficient documentation confirming the amount of receivables due from PBG as at the end of the reporting period under the arrangement bankruptcy proceedings (see *Important information – Presentation of financial and other data – Independent auditor's reservations with respect to the Consolidated Financial Statements*). Consequently, the auditor was not able to evaluate the effect of this item on the Consolidated Annual Financial Statements. The amount of receivables due from PBG (the Parent) disclosed in the Consolidated Annual Financial Statements for 2014, 2013 and 2012 and covered by the auditor's reservations was PLN 33m, PLN 33m and PLN 118m, respectively.

There can be no assurance that in the future the auditor will not issue audit opinions on the Group's financial statements with similar reservations, or with reservations relating to other matters. Furthermore, it is possible that the lack of proper documentation concerning non-current receivables from PBG or other grounds will result in the independent auditor's refusal to issue an opinion on the Group's financial statements in subsequent periods. These circumstances may have a material adverse effect on the operations of the Company and the Group, their financial standing or performance.

Regulatory risks

Risk related to changes in regulations concerning the power sector

The power sector is strongly regulated by Polish and EU law, especially as regards electricity generation and renewable energy sources. Any changes in regulations on renewable energy sources may adversely affect the Group's operations.

The rising interest in renewable energy sources and growing number of conventional generation assets being replaced by their renewable counterparts may increase the risk of temporary loss of some revenue and cause the Group to incur material additional unexpected expenses and bear the costs of adjusting its operations to changing demand on the power market.

In addition, the Group's customers are required to hold a number of licences, permits and approvals to run their businesses – in particular power generation licences, as well as environmental permits and approvals. The continued operations of the Group's customers, and thus also of the Group, are conditional on compliance with the terms of such licences, permits and approvals, as well as ability to extend their validity or obtain new documents.

Risk related to environmental protection

The Group is subject to a number of environmental regulations, which may cause the Group to incur additional costs related to compliance with new or amended laws, or the need to secure new environmental permits.

Environmental protection regulations in Poland are frequently amended (see *Regulatory environment*). In addition, even more stringent requirements on environmental protection may be introduced into Polish law, EU regulations and international conventions in the years to come. Given the uncertainty regarding future regulations, the Group may have to incur significant costs or capital expenditures to ensure its plant's compliance with environmental regulations.

The Group's business requires the use of installations which emit substances into the environment and produce hazardous and non-hazardous waste. As regards environmental protection, the Group's operations are based on relevant sectoral permits.

Legal regulations regarding environmental protection and use of the environment for business purposes are becoming more stringent, and consequently the Group may be required to obtain new or amend existing permits. The Group can give no assurance that its efforts to secure or amend environmental permits will be successful.

These circumstances may have a material adverse effect on the Group's operations, financial standing and performance, as well as the price of the Shares.

Risk of changes in tax laws or their interpretation and changes of private letter rulings

Tax laws are complex and subject to frequent changes. The practice of application of the tax law by tax authorities is not homogeneous, and there are significant discrepancies between the rulings issued by different administrative courts on matters of tax law. No assurance can be given by the Company that tax authorities will not adopt different interpretations of the tax laws applicable to the Group Companies that may be unfavourable to them. There is also a risk that the private letter rulings received and applied by the Group Companies may be changed or challenged. A risk exists that as tax regulations are amended or new tax regulations are enacted, the Group Companies will have to undertake adjustment measures, which may generate significant costs to ensure compliance with the amended or new regulations.

Therefore, no assurance can be given that tax authorities will not question the correctness of the Group entities' tax settlements with respect to non-statute-barred tax liabilities and determine that the companies are in tax arrears, which may have an adverse effect on the Group's operations, financial standing, performance and prospects.

Furthermore, certain international agreements, including double-tax treaties between Poland and other countries, apply to the Group's cross-border business operations. Any changes in the interpretation of double-tax treaties by tax authorities and any amendments to such treaties may also have a material adverse effect on the operations, financial standing or performance of the Group Companies.

Risk associated with related-party transactions

The Group Companies enter into related-party transactions, as defined in relevant tax laws. In the course of execution and performance of related-party transactions, the Group Companies take care to ensure that the transactions comply with the effective transfer pricing regulations and that all documentation requirements for such transactions are met. However, no assurance can be given that the Group Companies will not be subject to audits or other inspections by tax or tax inspection authorities in this respect. Given the specific nature of related-party transactions, the complexity and ambiguity of laws governing pricing verification methods, as well as difficulties in identifying comparable transactions, the methods used by the Group to determine market terms for its related-party transactions may be questioned, and this may in turn adversely affect the Group's operations, financial standing, performance and growth prospects.

Risks relating to the shareholder structure, the Offering and the Shares

PBG may lose control of the Company if PBG is placed in liquidation bankruptcy or if enforcement action is taken by creditors who are not included in the arrangement

On completion of the Offering, PBG will hold directly or indirectly (through Multaros) Company shares representing from 50.01% to 61.01% of the Company's share capital, depending on the number of Offer Shares taken up by other investors.

The PBG insolvency proceedings are under way, and the Company is unable to predict their outcome. If an arrangement is reached but not implemented or if the PBG insolvency proceedings are converted from arrangement bankruptcy to liquidation bankruptcy, the Company's majority shareholder may change. A risk exists that a group of PBG creditors or other entities without a controlling interest become the Company's shareholders, hampering the decision-making process on its Management and Supervisory Boards due to

dispersed ownership. Such change might have a negative impact on the Group's ability to implement its strategic plans and to raise new financing for its operations.

If PBG creditors approve an arrangement, the controlling interest in the Company held by the PBG Group may become encumbered with a pledge in favour of PBG creditors. If the arrangement is not implemented, PBG may be placed in liquidation bankruptcy and its majority shareholder may change.

Risk related to the creation of a registered pledge over the Shares

The Group is exposed to the risk of a registered pledge being created over the Shares in connection with the ongoing arrangement proceedings. A planned revision of the PBG arrangement proposals envisages the creation of pledges in favour of all the PBG creditors whose claims are covered by the arrangement (except for Group 3 and Group 7 creditors, i.e. the Company and Mr Jerzy Wiśniewski) as security for those claims.

Furthermore, the published PBG arrangement proposals of November 3rd 2014 provide that eligible creditors will be invited to acquire bonds issued by PBG as secured, non-interest-bearing securities. After the issue date, the bonds will be secured by, inter alia, a registered pledge on the Company shares held by PBG directly and indirectly through Multaros.

If a default occurs under the pledge agreement and the pledgee exercises its rights thereunder (in particular by taking ownership of the shares), there is a risk of changes in the shareholder structure, which may have a material adverse effect on the price of the Shares.

No dividend may be paid by the Company in the future or a dividend paid may be lower than expected

Under the Commercial Companies Code, a dividend is paid to shareholders only if the General Meeting passes a resolution authorising such payment. The Management Board is under no obligation to recommend the payment of a dividend for a given financial year to the Annual General Meeting. Even if the Management Board makes such a recommendation, no assurance can be given that a relevant resolution authorising such payment is passed by the General Meeting.

The Management Board's dividend proposal will depend on a number of factors, including the amount of cash flows and net profit reported by the Company in its separate and consolidated financial statements, the Group's investment needs, the availability and cost of debt financing, the amounts available for distribution and restrictions on dividend payments imposed under agreements executed by the Group, including the Guarantee Agreement (see *Dividend and dividend policy*).

A dividend payment resolution requires an absolute majority of votes at the General Meeting, which will effectively remain with the Company's existing shareholders after the Offering. There is a risk that the interests of the Company's existing shareholders as regards dividend payments will be in conflict with the interests of the Company and its other shareholders.

Although the Company is authorised to pay interim dividends under its Articles of Association, no assurance can be given that such payments will be made or that the Company will meet the conditions for making such payments.

The Group's legal structure affects the Company's ability to pay dividends and the amounts that may be allocated to dividend payments under applicable laws. To a certain extent, these depend on the profits and cash flows generated by the Subsidiaries, on the Subsidiaries' ability to pay dividends to the Company, and on whether such dividends are actually paid. No assurance can be given by the Company that its Subsidiaries will be able to pay dividends to the Company or that they will generate sufficient cash flows to pay such dividends or that such dividends will be paid in the amount and at the time allowing the Company to effectively implement its dividend policy.

No assurance can be given that the Company will be able to pay dividends in line with its dividend policy (see *Dividend and dividend policy*), that the restrictions described above will have no adverse impact on its dividend policy, that dividends for a given year will actually be paid or that their amount will meet the shareholders' and the market's expectations, which may have a material adverse effect on the Group's operations, its financial standing and performance, as well as on the price of the Shares, including the Offer Shares.

Risk of failure to meet or of change of the issue objectives

The primary objective of the Offer Share issue is to raise funds (i) to finance contractual security arrangements in building the Group's order book and to finance working capital requirements to enable the performance of contracts in the future (the Group plans to apply approximately 85-90% of the issue proceeds towards that purpose), and (ii) to increase the Company's research and development spending with a view to advancing its technology portfolio and supplementing it with unique solutions that help improve product efficiency and reliability (see *Use of proceeds*). No assurance can be given that the Company will raise the target issue proceeds or that the amount of financing required to perform contracts in the future will not exceed original estimates.

Any such event may delay the implementation of the Group's growth strategy or, should the worst-case scenario materialise, cause the Group to change its strategy altogether. The Group may also change the original issue objectives if their implementation proves impossible for valid reasons or if the costs of such implementation change significantly. These factors may have a material adverse effect on the Group's operations, performance, financial standing or growth prospects.

The Offer Share issue may prove unsuccessful

The Offer Shares issue will be unsuccessful if: (i) the Management Board resolves to abandon the Offering; (ii) no Offer Shares are duly subscribed and paid for as at the subscription closing date specified in the Prospectus; (iii) the Management Board fails to apply to the registry court for the registration of a share capital increase resulting from the issue of the Offer Shares within 12 months of the Prospectus Date or within one month of the allotment of the Offer Shares; or (iv) the registry court's decision to refuse the application for registration of the share capital increase resulting from the issue of the Offer Shares becomes final and binding.

In addition, Resolution No. 2 of the Company's Extraordinary General Meeting of March 24th 2014 on amending the Company's Articles of Association in connection with the Management Board's authorisation to increase the share capital within the limit of the authorised capital ("**Resolution**"), authorises the Management Board to determine the final number of the Offer Shares in the Offering and to determine the final amount of the share capital increase in accordance with Art. 432.4 of the Commercial Companies Code. Prior to opening of the subscription for the Offer Shares, the Management Board may use its authorisation and determine the final number of the Offer Shares in the Offering. However, if the Management Board determines the final number of the Offer Shares in the Offering and investors subscribe for less than the number determined by the Board, the registry court may consider the issue of the Offer Shares unsuccessful and refuse to register the share capital increase.

Registration of the share capital increase resulting from the issue of the Offer Shares is also contingent on the Management Board's filing a statement on the exact amount of the share capital subscribed for by investors, based on the number of Offer Shares covered by valid subscription orders, and on amendments to the Articles of Association reflecting that amount. The statement, made pursuant to Art. 310.2 and Art. 310.4 in conjunction with Art. 431.7 of the Commercial Companies Code, should be enclosed with the application for registration of the share capital increase. The Management Board's failure to make the required statement will preclude the registration of the share capital increase and consequently prevent the issue of the Offer Shares.

If this is the case, investors may face losses and a temporary freeze of their assets, as payments of the Issue Price made in respect of Offer Shares will be refunded without any interest or compensation and without reimbursement of any costs incurred by investors in connection with subscribing for Offer Shares on the secondary market.

If the issue of the Offer Shares proves unsuccessful after the Allotment Certificates are admitted to trading on the WSE, refunds will be made to those investors who have Allotment Certificates registered in their securities accounts as at the date when transactions executed on the last day of trading in the Allotment Certificates on the WSE's main market are settled. The amount of a refund will be the product of the number of Allotment Certificates registered in an investor's securities account and the Issue Price of Offer Shares. Consequently, if the market price paid by an investor for Allotment Certificates is higher than the Issue Price of Offer Shares, the investor will incur a loss.

The Placement Agreement will contain standard termination provisions

The Company intends to enter into an agreement with Joint Bookrunners for placement of Offer Shares with Investors in the Offering ("Placement Agreement") on or before the publication date of this Prospectus. The Placement Agreement will not impose an obligation on the Joint Bookrunners, their related parties or any other entities to underwrite the issue of Offer Shares (as an underwriter or in any other capacity) (see *Underwriting, Stabilisation and Lock-up – Placement agreement*).

Joint Bookrunners may terminate the Placement Agreement in the cases provided for therein, particularly if a representation or warranty made by the Company is found to be a false statement of fact or law or if the situation on the financial markets changes significantly.

The Company cannot provide assurance that no circumstances will arise limiting the parties' ability to meet their obligations under the Placement Agreement or justifying termination of the Placement Agreement by Joint Bookrunners. The occurrence of such circumstances, resulting in non-performance of obligations under the Placement Agreement or rendering them ineffective or leading to termination of the Placement Agreement, may have a material adverse effect on the successful completion of the Offering.

Consequently, there is no guarantee that Joint Bookrunners will secure buyers for the unsubscribed portion of the Offer Shares. The actual proceeds raised from the Offering may therefore be lower than expected (if any at all),

which may have a material adverse impact on the Company's working capital, its liquidity, financial standing, and prospects. The Placement Agreement may also contain standard termination provisions. Hence, the Company provides no assurance that the Offering will be successful or that the Offer Shares will be subscribed for.

The Company or other persons acting on its behalf may breach applicable laws when promoting the Offering

The Act on Public Offering permits issuers and other persons acting on their behalf to undertake promotional activities in connection with a public offering on the terms specified therein. There can be no assurance that the Company or other persons acting on its behalf will not breach any laws and regulations governing such activities.

If the Company or any persons acting on its behalf fail to comply with regulations governing promotional activities, the PFSA may (i) order that the promotional activities be suspended until all irregularities have been rectified; (ii) prohibit the promotional activities, particularly if the Company fails to rectify the irregularities identified by the PFSA, or if the content of promotional or advertising materials violates the law; or (iii) publish, at the Company's expense, a notice stating that the conducted promotional activities breach the law and specifying the breaches. Any such PFSA-imposed sanctions may have a material adverse impact on the Offering.

The Company or other persons acting on its behalf may breach applicable laws in connection with the Offering or Admission

Pursuant to the Act on Public Offering, in the event of a breach or a reasonably suspected breach of law committed in relation to a public offering, or the subscription or sale of securities on the basis of such public offering, in the territory of the Republic of Poland by the issuer or any other entity involved in the public offering, subscription or sale for or on behalf of the issuer or the selling shareholder, the PFSA may, among other things:

- order that the opening of the public offering, subscription or sale be postponed or discontinued for a period of up to ten business days;
- prohibit the opening or continuation of the public offering, subscription or sale;

In the same manner, in accordance with the Act on Public Offering, the PFSA may apply sanctions if there is a breach or a reasonable suspicion of a breach of laws in relation to the seeking of admission or introduction of securities to trading on a regulated market in the territory of the Republic of Poland, by the issuer or other entities acting on behalf of or on instructions from the issuer. Similar measures may also be applied when: (i) the documents or information submitted to the PFSA or made available to the public indicate that the public offering, or the subscription or sale of securities on the basis of such public offering, or admission or introduction of such securities to trading on a regulated market, would materially compromise investors' interests; (ii) there exist certain circumstances that may lead to the cessation of the issuer's existence as a legal person; (iii) the issuer's operations are conducted in gross violation of the law, which may have a material impact on the assessment of the issuer's securities or, in the light of applicable laws, may lead to the cessation of the issuer's legal existence or to the issuer's bankruptcy; or (iv) the legal status of the securities does not comply with applicable laws and in the light of these laws there is a risk that the securities may be deemed non-existent or burdened with a legal defect having a material impact on their assessment.

In addition, pursuant to the Act on Trading in Financial Instruments, if justified by the security of trading on the regulated market or a threat to investors' interests, at the request of the PFSA, the company operating the regulated market withholds the admission to trading or the listing of the securities or other financial instruments indicated by the PFSA for up to ten days.

Any of the above may have a material adverse effect on the successful execution of the Offering.

The Offering may be cancelled or suspended

The Company may, at its own discretion but in consultation with Joint Bookrunners, abandon and, thus, effectively cancel the Offering without giving reasons for its decision before the subscription period for the Offer Shares has commenced.

The Company may, at its own discretion but in consultation with Joint Bookrunners, abandon the Offering after the subscription period for the Offer Shares has commenced provided that it has a valid reason for doing so. Such good and valid reasons include in particular: (i) sudden or unexpected changes in the economic and political situation in Poland or another country which might have a material adverse effect on financial markets, Poland's economy, the Offering or the Group's operations (e.g. terrorist attacks, war, disasters or floods); (ii) sudden or unexpected changes other than listed under (i) above which might have, directly or indirectly, a material adverse effect on the Group's operations or might result in the Group's incurring, directly or indirectly, material damage or experiencing material disruption of operations, directly or indirectly; (iii) a material adverse

change affecting, directly or indirectly, the Group's operations, financial position or operating performance; (iv) suspension or material limitation of trading in securities on the WSE or other stock markets where such suspension or limitation might have a material adverse effect on the Offering; (v) unsatisfactory level of demand for Offer Shares during the bookbuilding process, both in terms of number and price of Offer Shares; (vi) sudden and unexpected changes which have a direct or indirect material adverse effect on the Group's operations; or (viii) termination of the Placement Agreement.

The Offering may not be abandoned after allotment of the Offer Shares.

If the Company resolves, in consultation with Joint Bookrunners, to entirely abandon the Offering, relevant information will be published in the form of an announcement referred to in Art. 49.1b of the Act on Public Offering, in the same manner as this Prospectus.

If the Offering is abandoned after the subscription period for the Offer Shares has commenced, all subscription orders that have been placed by investors will be declared invalid, and all payments made by investors will be returned, with no interest or other compensation paid, within 14 days from the date when the abandonment of the Offering was publicly announced.

The Company may, in consultation with Joint Bookrunners, suspend the Offering without specifying a new timetable before the subscription period for the Offer Shares has commenced. The Company may, in consultation with Joint Bookrunners, set a new timetable for the Offering at a later date.

The Company may, in consultation with Joint Bookrunners, suspend the Offering without specifying a new timetable after the subscription period for the Offer Shares has commenced. The Company may, in consultation with Joint Bookrunners, set a new timetable for the Offering at a later date. The Offering may be suspended only for a good and valid reason. Such good and valid reasons include, without limitation, any events which might adversely affect, directly or indirectly, the success of the Offering or increase the investment risk for investors who have subscribed for Offer Shares. The Company may decide to suspend the Offering without specifying a new schedule for the Offering, which may be determined at a later time.

Information on the suspension of the Offering prior to the opening of the subscription period for the Offer Shares will be published pursuant to Art. 52 of the Act on Public Offering, in the form of an update announcement, in the same manner as this Prospectus. Information on the suspension of the Offering after the opening of the subscription period for the Offer Shares will be published in the form of a supplement to this Prospectus, upon the PFSA's approval of the supplement. The supplement will be published in the same manner as this Prospectus.

If a decision to suspend the Offering is made between the opening of the subscription period for the Offer Shares and the day of allotment, any subscription orders placed and payments made will remain valid but the investors that placed their subscription orders for the Offer Shares before the publication of information on the suspension of the Offering will be entitled to avoid the legal consequences of the subscription under Art. 51a of the Act on Public Offering by submitting a relevant written statement at a customer service office of the investment firm offering Offer Shares where the subscription order was placed, within two business days of the publication of a supplement to this Prospectus containing information on the suspension of the Offering, unless the Company sets a longer deadline.

If a decision to suspend the Offering is made after completion of the bookbuilding process but prior to the opening of the subscription period, the Company may, in consultation with Joint Bookrunners, carry out a new bookbuilding process, in which case the Company will determine whether the previously submitted declarations and invitations to subscribe for Offer Shares remain valid or not. Relevant information will be published in accordance with the procedure set out in Art. 52 of the Act on Public Offering, in the form of an update announcement, in the same manner as this Prospectus.

Risk of breaching applicable laws in connection with the Offering or Admission

Pursuant to the Act on Public Offering, in the event of a breach or a reasonably suspected breach of law committed in relation to a public offering or the subscription of securities on the basis of such public offering, in the territory of the Republic of Poland by the issuer or any other entity involved in the public offering or subscription for or on behalf of the issuer, the PFSA may, among other things:

- order that the opening of the public offering, subscription or sale be postponed or discontinued for a period of up to ten business days;
- prohibit the opening or continuation of the public offering, subscription or sale;

In the same manner, in accordance with the Act on Public Offering, the PFSA may apply sanctions if there is a breach or a reasonable suspicion of a breach of laws in relation to the seeking of admission or introduction of securities to trading on a regulated market in the territory of the Republic of Poland, by the issuer or other

entities acting on behalf of or on instructions from the issuer. Similar measures may also be applied when: (i) the documents or information submitted to the PFSA or made available to the public indicate that the public offering or the subscription of securities on the basis of such public offering, or admission or introduction of such securities to trading on a regulated market, would materially compromise investors' interests; (ii) there exist certain circumstances that may lead to the cessation of the issuer's existence as a legal person; (iii) the issuer's operations are conducted in gross violation of the law, which may have a material impact on the assessment of the issuer's securities or, in the light of applicable laws, may lead to the cessation of the issuer's legal existence or to the issuer's bankruptcy; or (iv) the legal status of the securities does not comply with applicable laws and in the light of these laws there is a risk that the securities may be deemed non-existent or burdened with a legal defect having a material impact on their assessment.

In addition, pursuant to the Act on Trading in Financial Instruments, if justified by the security of trading on the regulated market or a threat to investors' interests, at the request of the PFSA, the company operating the regulated market withholds the admission to trading or the listing of the securities or other financial instruments indicated by the PFSA for up to ten days.

Risk associated with the Management Board's authorisation to determine the final amount of the share capital increase

In accordance with Art. 432.4 of the Commercial Companies Code, a resolution on a share capital increase in connection with a public offering may authorise the management board or the supervisory board to determine the final amount by which the share capital will be increased, with the proviso that the amount cannot be lower than the minimum amount defined by the General Meeting, and cannot exceed the maximum amount of the increase, as defined by the General Meeting.

Under the Resolution of the Extraordinary General Meeting, the Company's Management Board has been authorised to determine the final amount by which the share capital will be increased in accordance with Art. 432.4 of the Commercial Companies Code.

The Company would like to point out that pursuant to *PFSA's position on the application of Art. 432.4 of the Commercial Companies Code in the case of public offerings carried out under issue prospectuses and information memoranda, dated September 30th 2010*: (i) a situation where the number of shares subscribed for by investors is lower than the number of shares corresponding to the final amount of the share capital increase determined by the management board may raise doubts whether the issue has been successful and, consequently, may result in a refusal to register the share capital increase, (ii) a situation where the number of shares subscribed for by investors is higher than the number of shares corresponding to the final amount of the share capital increase determined by the management board will require the management to reduce the number of shares covered by subscription orders during allotment.

Risk that a future offering of debt or equity securities by the Company will adversely affect the market price of the Shares, including the Offer Shares and the Allotment Certificates, and cause dilution of the Company shareholders' holdings

In order to finance the operations of its Group, the Company may seek to raise additional capital by offering debt or equity securities, in particular convertible bonds, bonds with pre-emptive rights, subscription warrants and ordinary shares (subject to the General Meeting's approval expressed in a resolution authorising the issue of such securities). Subscription for new Company shares under future offerings or in exercise of the right to shares conferred by subscription warrants, bonds with pre-emptive rights or convertible debt securities which the Company may issue in the future, may result in the dilution of property rights and voting rights held by the existing shareholders if such offerings are carried out with the pre-emptive rights of the Company's existing shareholders disapplied or if the Company's shareholders decide not to exercise their pre-emptive rights or any other right to acquire new shares in the Company. It may also result in a reduction of the price of the Company's shares. It is also possible that both of these risks will materialise.

As the Company decides whether to issue additional securities based on such factors as the prevailing market conditions, the Company's capital requirements, availability and cost of alternative sources of financing, and other factors, including those beyond the Company's control, the Company cannot predict or estimate the amount, time or nature of any such future issue of its securities. Thus, prospective investors would bear the risk of a reduction of the market price of the Shares, including the Offer Shares and the Allotment Certificates, and dilution of their holdings in the Company as a result of share issues made by the Company in the future.

Allotment Certificates or Offer Shares may not be admitted or introduced to trading on the main market of the WSE

Admission and introduction of the Allotment Certificates and Offer Shares to trading on the regulated market are subject to approval of the WSE Management Board and the CSDP's decision to accept the Allotment Certificates and Offer Shares in deposit.

The Company cannot provide assurance that these approvals will be obtained or that the Allotment Certificates and Offer Shares will be admitted and introduced to trading on the main market of the WSE. Also, no assurance can be given that the number of investors who place subscription orders for Offer Shares will provide a level of dispersion sufficient to meet the minimum liquidity criterion; the criterion must be met if the Allotment Certificates and Offer Shares are to be admitted and introduced to trading on the main market of the WSE.

Taking into account that certain criteria for admission and introduction of securities to trading on the WSE are arbitrary and their fulfilment is assessed by the WSE at its sole discretion, the Company cannot provide assurance that such approvals and consents will be obtained or that the Allotment Certificates and the Offer Shares will be admitted and introduced to trading on the regulated market of the WSE. If the Company receives information that, due to the expected outcome of the Offering, it may fail to meet the requirements for admission and introduction of the Offer Shares to trading on the regulated market of the WSE, the Company will consider abandonment of the Offering. Abandonment of the Offering will be effected in accordance with the relevant provisions of this Prospectus set out in *Terms of the Offer – Suspended or abandoned Offer*. Moreover, the Company cannot fully assure that, due to circumstances beyond the Company's control, the dates of admission and introduction of the Offer Shares and the Allotment Certificates to trading on the main market operated by the WSE will not be different than those initially anticipated. Also, due to a time gap between the subscription period and the first listing of the Offer Shares (see *Terms of the Offer – Planned Offering schedule*), which may be longer than in other jurisdictions, investors will face a lack of liquidity during that time.

If the Company fails to meet the requirements for admission of the Offer Shares and the Allotment Certificates to trading on the regulated market, as defined in the Market and Issuer Regulation and the WSE Rules, the Company will not seek admission of the Offer Shares or the Allotment Certificates outside the regulated market operated by the WSE.

If the Company resolves to change its plans regarding admission and introduction of the Offer Shares and the Allotment Certificates to exchange trading, relevant information will be published pursuant to Art. 51 of the Act on Public Offering, i.e. in the form of a supplement to this Prospectus, in the same manner as this Prospectus.

The price of the Shares, including the Offer Shares or the Allotment Certificates, may be volatile, and liquidity of the Shares, including the Offer Shares or the Allotment Certificates, may be limited

The prices and trading volumes of securities issued by public companies are subject to significant fluctuations, which may have a material adverse effect on the price of the Shares, including the Offer Shares and the Allotment Certificates. As at the Prospectus Date, no stabilisation measures are planned with respect to the Shares, including the Offer Shares and the Allotment Certificates.

Moreover, admission and introduction of the Allotment Certificates or the Offer Shares to trading on the WSE are not a guarantee of their liquidity. Inability to achieve or maintain an appropriate volume of trading in the Shares, including the Offer Shares and the Allotment Certificates, may have a material adverse effect on their liquidity or price. Even if an appropriate level of trading volume of the Shares, including the Offer Shares and the Allotment Certificates, is achieved and maintained, their market price may be lower than the Issue Price of the Offer Shares.

Risk that the market price of the Shares, including Offer Shares and Allotment Certificates, may decline or be highly volatile

The market price of the Shares, including the Offer Shares and the Allotment Certificates, may decline and may be subject to significant fluctuations caused by a number of factors, some of which (or even most of which) are beyond the Company's control and may not be related to the Company's operations and growth prospects. These include: general economic trends in Poland and on other European markets, trends in the sector in which the Company operates, changes in the market valuations of companies from Company's sector, changes in the quarterly operating results of the Group, fluctuations of equity trading prices and volumes on the stock exchange, potential regulatory changes affecting the Group's operations, changes in the financial estimates or recommendations issued by securities analysts with respect to the Company or the Shares, acquisitions, joint ventures as well as short sale activities or changes in the regulatory restrictions pertaining to such activities. Furthermore, prices on capital markets fluctuate significantly, and such fluctuations may not necessarily be correlated with changes in operating performance of issuers or may be disproportionately large in relation to such changes. Such general market factors may have an adverse effect on the price of the Shares, including the Offer Shares and the Allotment Certificates, irrespective of the operating performance reported by the Group.

Any actual or anticipated sale of a large number of Shares on the stock market after the closing of the Offering may have an adverse effect on the trading price of the Shares, including the Offer Shares and the Allotment Certificates, and may limit the Company's ability to raise capital by way of a public or private offering of shares or other securities in the future. The Company is not able to foresee the possible impact of actual or anticipated

sale of the Shares, including the Offer Shares and the Allotment Certificates, by its shareholders on their trading price.

The value of the Shares, including the Offer Shares and the Allotment Certificates, for foreign investors may decrease as a result of movements in foreign exchange rates

The listing currency of the Shares, including the Offer Shares or the Allotment Certificates, is PLN. Any payments in respect of the Shares, including the Offer Shares or the Allotment Certificates, such as dividend payments and payments of the sale price for Shares, including the Offer Shares or the Allotment Certificates, sold on the regulated market, will be made in PLN. As a result, the rate of return on investment in the Shares, including the Offer Shares or the Allotment Certificates, will depend not only on how their trading price changes over the investment period, but also on movements in the exchange rates of the investment currency vs. PLN. Appreciation of PLN against foreign currencies may have an adverse effect on the equivalent in a foreign currency of any amounts paid in respect of the Shares, including the Offer Shares or the Allotment Certificates, such as dividend payments and payments of the sale price for Shares, including the Offer Shares or the Allotment Certificates, sold on the regulated market.

Trading in the Shares, including the Offer Shares or the Allotment Certificates, on the WSE may be suspended

The WSE Management Board may adopt a resolution to suspend trading in securities in accordance with the WSE Rules (including in particular Par. 30 of the WSE Rules). The WSE may suspend trading in securities at the request of a public company, to protect investors' interests and the security of trading or as a result of breach of the WSE Rules by a public company. Trading may be suspended for up to three months.

Under Art. 20.2 of the Act on Trading in Financial Instruments, the PFSA has the right to request that the WSE suspend trading in instruments listed on the WSE for up to one month. The PFSA may exercise this right if trading in given securities or other financial instruments poses a threat to proper operation of the regulated market, the security of trading or investors' interests. Other reasons justifying the PFSA's demand to suspend trading in securities are specified in detail in the Act on Trading in Financial Instruments.

In the period when trading in securities is suspended, investors are unable to buy and sell the suspended securities on the stock exchange, which will negatively affect their liquidity. Sale of such securities in over the counter transactions may entail a large discount relative to their most recent stock-market price.

No assurance can be given that trading in the Shares, including the Offer Shares and the Allotment Certificates, will not be suspended.

The Shares, including the Offer Shares and the Allotment Certificates, may be delisted by the PFSA or WSE

Pursuant to Art. 96 of the Act on Public Offering, if the Company fails to perform or improperly performs the obligations or orders or if it breaches the prohibitions imposed by or provided for in the Act on Public Offering, Act on Trading in Financial Instruments or the Prospectus Regulation, or if it acts in breach of the obligations set forth therein, the PFSA may:

- issue a decision to delist given securities from the regulated market for a definite or indefinite period,
- impose a financial penalty up to PLN 1m, taking into account the financial standing of the entity on which the penalty is to be imposed, or
- apply both these sanctions jointly.

Further, in accordance with Art. 20.3 of the Act on Public Offering, at the demand of the PFSA, the company operating the regulated market delists the securities or other financial instruments specified by the PFSA, if trading in those securities or instruments poses a material threat to the proper operation of the regulated market or the security of trading on that market, or compromises investors' interests.

Pursuant to Par. 31.1 of the WSE Rules, the Management Board of the WSE delists financial instruments:

- if their transferability becomes limited,
- at the request of the PFSA made in accordance with the Act on Trading in Financial Instruments,
- if they are no longer in book-entry form, or
- if they are delisted from a regulated market by the competent supervision authority.

Moreover, pursuant to Par. 31.2 of the WSE Rules, the Management Board of the WSE may also delist financial instruments:

- if they cease to meet the conditions for admission to stock-exchange trading other than the

- unrestricted transferability condition,
- if the issuer is persistently in breach of any of the WSE rules and regulations,
- at the issuer's request,
- upon declaration of the issuer's bankruptcy or in the event of the court's dismissal of a bankruptcy petition on the grounds that the assets owned by the issuer are insufficient to cover the costs of the proceedings,
- if it deems it justified by the need to safeguard the interest of trade participants and ensure their security,
- in the event of the issuer's merger with another entity, its division or transformation,
- if no stock-exchange transactions in a given financial instrument have been executed in the preceding three months,
- if the issuer engages in illegal activities, or
- if liquidation proceedings have been opened with respect to the issuer.

The Company may be subject to administrative sanctions if it breaches provisions of the Act on Public Offering

The Act on Public Offering provides that if a public company fails to perform or improperly performs the obligations laid down by the law, in particular if it fails to comply with the disclosure requirements, the PFSA may issue a decision to delist such company's securities from the regulated market for a definite or indefinite period, or impose a fine of up to PLN 1m, or apply both these sanctions jointly. The Company is unable to predict whether it will commit a breach under the Act on Public Offering in the future; if it commits such a breach, this may constitute the basis for imposition of administrative sanctions by the PFSA, and may compromise the Company's reputation among its customers and investors and affect the liquidity and market value of the Shares, including the Offer Shares or the Allotment Certificates.

Risk that shareholders, including holders of Offer Shares, in some jurisdictions may be subject to certain restrictions on the exercise of pre-emptive rights to acquire new issue shares in the future

In the event of a share capital increase at the Company, shareholders will have the pre-emptive right to acquire new issue shares in the Company as provided for in the Commercial Companies Code, unless such pre-emptive rights are disapplied in whole or in part pursuant to a resolution of the General Meeting. To the extent that the Company shareholders in the United States of America are entitled to exercise their pre-emptive rights, they might be unable to do so unless the Company registers the offering in accordance with the U.S. Securities Act or unless there is an exemption from the registration requirement. Shareholders in other jurisdictions also may be subject to certain restrictions on their exercise of pre-emptive rights. No assurance can be given that the Company will register any Shares or other securities in accordance with the U.S. Securities Act, or in accordance with the applicable regulations effective in any other jurisdictions other than Poland, or that it will take any steps required by the laws applicable in the shareholders' jurisdiction of residence or domicile outside of Poland to enable such foreign shareholders to exercise their pre-emptive rights. If the Company's share capital is increased, the shareholders who are unable to exercise their pre-emptive rights under the laws applicable in the country of their domicile should take into account the risk that their holding in the Company will be diluted. Although in some jurisdictions shareholders who are deprived of the possibility to exercise or dispose of their pre-emptive rights are entitled to compensation equal to the value of those rights, no such entitlement exists in Poland, therefore shareholders, including holders of Offer Shares, should take into consideration the fact that they will receive no compensation in the event they are not able to exercise or dispose of their pre-emptive rights.

Risk that the interpretation of the Polish laws governing taxation of investors may be unclear, and the laws may be subject to change

The Polish legal system, particularly the tax legislation, is subject to frequent changes, the practices of tax authorities are not consistent, and court rulings on the application of Polish tax laws tend to vary. For this reason, tax risk is higher in Poland than under other, more mature legal systems. This is also relevant to the rules of taxation of income earned by investors in connection with the purchase, holding or disposal of securities. No assurance can be given that no changes unfavourable to investors will be introduced in the tax regulations referred to above, and that the tax authorities will not adopt a different interpretation of the tax laws, unfavourable to investors, which may have a material adverse effect on the amount of tax liabilities and the actual return on investment in Offer Shares.

Risk that certain judgements obtained against the Company or members of its Management Board may prove unenforceable

The Company is incorporated and exists under the laws of Poland, and the Group operates exclusively in the territory of Poland. All of the Group's assets are located in the territory of Poland and all members of the Management Board are Polish residents. Therefore, it may prove difficult or even impossible for foreign investors that have acquired or subscribed for Offer Shares to obtain recognition in Poland of any judgement that has been issued against the Company or against members of its Management Board in another country, or to enforce such judgement in Poland. This risk applies to the greatest extent to investors from outside the EEA and from countries which have not signed conventions or bilateral treaties on mutual recognition and enforcement of judgements with Poland. Even if an investor manages to effectively lodge such a claim, Polish laws might prevent them from enforcing a judgement against the Company's assets or the assets of members of its governing bodies.

IMPORTANT INFORMATION

Definitions and terms

Unless defined otherwise elsewhere in this Prospectus, capitalised terms contained herein have the meaning defined in ‘*Abbreviations and definitions*’. Certain industry terms and other expressions used in this Prospectus are explained in ‘*Abbreviations and definitions*’.

Unless the context indicates otherwise, when used in this Prospectus, the terms “Group”, “RAFAKO Group”, “Group Companies” and similar expressions refer to the Company together with all its Subsidiaries. The terms “Company” and “Issuer” refer solely to RAFAKO, without the Subsidiaries.

Unless indicated otherwise, all statements expressing beliefs, expectations, estimates and opinions of the Company or the management refer to the beliefs, expectations, estimates and opinions of the Management Board.

Disclaimer

Investors are advised that investment in the Offer Shares involves financial risk, and for this reason prior to making any decision regarding the acquisition of Offer Shares they should carefully read this Prospectus, and in particular the ‘*Risk factors*’, and make their own assessment of its relevance to their investment plans. When deciding whether to invest in the Offer Shares, prospective investors should rely on their independent assessment of the Company, the Group’s activities and the information contained in this Prospectus, and in particular they should take into consideration the risk related to investment in the Offer Shares.

Prospective investors should rely only on the information contained in this Prospectus, including any amendments hereto published in: (i) any supplements to this Prospectus, approved by the PFSA, (ii) Prospectus update announcements, and (iii) other information provided pursuant to the Public Offering Act (see ‘*Important Information – Amendments to the Prospectus*’ below). Subject to applicable laws, no person has been authorised to provide information or make statements in connection with the offering other than the information and statements contained in this Prospectus, and if such information or statements have been provided or made, they should not be deemed as authorised by the Company or the Joint Bookrunners.

The information contained in this Prospectus does not purport to constitute investment, legal, financial, tax or any other advice. It is recommended that prospective investors consult their own investment, legal, financial or tax advisers on any related investment, legal, financial, or tax matters prior to investing in the Offer Shares. However, investors must be aware that the price of and return on securities may vary.

Neither the Company nor the Joint Bookrunners give investors any warranties regarding legality of investment in the Offer Shares or other securities of the Company by a given investor.

The Joint Bookrunners act in connection with the Offering solely for the Company and shall not treat or be liable to any other entity, including investors, as their client in connection with the Offering. In particular, the Joint Bookrunners shall not be responsible towards any other entities for affording them the same protection as they afford to their clients in connection with the provision of advisory services for the purposes of the Offering.

Amendments to this Prospectus

The information presented in this Prospectus shall be updated, supplemented and amended in accordance with applicable laws. See below for information on the obligation to amend or supplement the information presented in this Prospectus when required by law, by way of supplements to this Prospectus or in the form of update announcements. Below is presented information on publishing, in the manner provided for in Art. 54.3 of the Public Offering Act, i.e. in the same manner as this Prospectus, of the Final Price and the Final Number of the Offer Shares.

Supplements to this Prospectus

Pursuant to the Public Offering Act, this Prospectus, upon approval by the PFSA, may be amended or supplemented in cases envisaged by law, in the form of supplements to the Prospectus or in the form of update announcements. Pursuant to the provisions of the Public Offering Act, the Company will be required, until the Offer Shares are admitted to trading on the regulated market operated by the WSE, to file with the PFSA, and subsequently publish, in the form of a supplement to this Prospectus, information on any developments which occur or come to the Company’s attention after the Prospectus Date, concerning: (i) material errors in the Prospectus, and (ii) material factors which may have a bearing on the assessment of the Shares. Filing of a supplement hereto with the PFSA should take place not later than within two business days after such errors or material factors which justify submission of the supplement come to the Company’s attention. In accordance with Art. 51.4 of the Public Offering Act, the PFSA may refuse to approve a supplement to this Prospectus if its form or content do not comply with the requirements defined in applicable laws. When refusing to approve a

supplement because its form or content do not comply with the requirements defined in applicable laws as a result of the issuer's breach of or failure to fulfil the requirements defined in applicable laws, the PFSA shall apply, respectively, the measures defined in Art. 16 or Art. 17 of the Public Offering Act (see *Risk factors – Risks relating to the shareholder structure, the Offering and the Shares – Risk of breaching applicable laws in connection with the Offering or Admission*). If a supplement to this Prospectus is not approved, the commencement of the Offering may be withheld, the Offering may be suspended or discontinued, or the Admission process may be withheld.

If a supplement to this Prospectus is published by the Company after the opening of the subscription period for the Offer Shares, anyone who has placed a subscription order prior to the publication of the supplement may avoid the legal consequences of such subscription pursuant to Art. 51a of the Public Offering Act within two business days from the date of publication of the supplement.

If supplements to this Prospectus are required to be prepared after the Prospectus Date and prior to the date of publication of this Prospectus, all supplements to this Prospectus approved by the PFSA by that date will be published as separate documents together with this Prospectus. Investors should bear in mind that in such a case certain information contained in this Prospectus may be out of date as at the publication date hereof, and investors should read carefully both this Prospectus and all supplements to this Prospectus released on and after the Prospectus publication date.

Update announcements

If there arise any circumstances concerning the organisation or management of subscription for the Offer Shares, as well as the admission of the Offer Shares to trading on the regulated market operated by the WSE, which do not require preparation of a supplement to this Prospectus but cause a change to the contents of this Prospectus, the Company may release information on such circumstances in the form of an update announcement pursuant to Art. 52 of the Public Offering Act. An update announcement shall be released in the same manner in which this Prospectus has been published, and it should be at the same time filed with the PFSA.

Notice to prospective investors

The Company, the Joint Bookrunners or any other persons acting on their behalf have not taken and will not take any steps aimed at obtaining a permit to carry out a public offering of the Offer Shares in any jurisdiction.

Neither the Company nor the Joint Bookrunners give prospective investors any warranties regarding legality of investment in the Offer Shares by a given investor.

As of the publication date and throughout its validity period, this Prospectus, together with supplements and update announcement hereto, if any, shall be available in electronic form on the Company's website (www.rafako.com.pl) and additionally, for information purposes, on the website of Powszechna Kasa Oszczędności Banku Polskiego S.A. Oddział – Dom Maklerski PKO Banku Polskiego of Warsaw (www.dm.pkobp.pl).

Presentation of financial information and other data

Financial information

The audited consolidated financial statements of the Group for the years ended December 31st 2014, December 31st 2013 and December 31st 2012 ("**Full-Year Consolidated Financial Statements**"), the unaudited interim consolidated financial statements of the Group for the three months ended March 31st 2015 and the interim consolidated financial statements of the Group for the three months ended March 31st 2014 ("**Interim Consolidated Financial Statements**"), together with the Full-Year Consolidated Financial Statements referred to as the "**Consolidated Financial Statements**"), incorporated in this Prospectus by reference (see *Important Information – Documents incorporated by reference* below).

The Full-Year Consolidated Financial Statements were prepared in accordance with the International Financial Reporting Standards ("**IFRSs**") as endorsed by the EU.

The Full-Year Consolidated Financial Statements include financial data of the Group for the period from January 1st 2012 to December 31st 2012, from January 1st 2013 to December 31st 2013, and from January 1st 2014 to December 31st 2014. The Full-Year Consolidated Financial Statements for 2014 present the financial data of the Group for the financial years ended December 31st 2014 and December 31st 2013, which comprise all of the historical results of the Group following the adjustment for 2013, consisting in the elimination of the financial results of FPM as required by IFRS 5 (in particular IFRS 5.6, 5.7, 5.32, 5.33 and 5.34). The financial data of the Group for the financial year ended December 2013 is restated data. The fact that the Full-Year Consolidated Financial Statements for 2013 have not been adjusted by eliminating the financial results of FPM renders difficult a period-to-period comparison and analysis of the operating and financial performance of the Group for the last three financial years. For this reason this Prospectus also presents the financial data disclosed in the Full-

Year Consolidated Financial Statements for 2013 that contain comparative data for the financial year ended December 31st 2012, including the financial results of FPM. This means that a financial review of the 2014 and 2013 financial years is presented based on the data sourced from the Full-Year Consolidated Financial Statements for 2014 and in the case of the 2013 and 2012 financial years – based on the data sourced from the Full-Year Consolidated Financial Statements for 2013. Since the financial position data and the statement of cash flows data in the Full-Year Consolidated Financial Statements for 2014 and 2013 do not differ, the respective data presented in this Prospectus is disclosed as at December 31st 2014, December 31st 2013 and December 31st 2012 and the 12-month periods ended on these dates.

The qualified auditor, Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k. of Warsaw (00-124 Warsaw, Rondo ONZ 1), audited the Full-Year Consolidated Financial Statements and issued qualified opinions and opinions with emphasis of matter (see *Important Information – Presentation of financial information and other data – Qualifications regarding the Consolidated Financial Statements* below).

The Interim Consolidated Financial Statements have not been reviewed or audited by an auditor.

Unless stated otherwise, all financial data pertaining to the Group and presented in this Prospectus is extracted from or calculated based on the Consolidated Financial Statements. Certain financial and operational data presented in this Prospectus was taken from, prepared or calculated on the basis of sources other than the Consolidated Financial Statements, in particular on the basis of documents and attachments thereto prepared for internal use within the Group as part of management reporting. The data has not been audited or reviewed by an auditor. Whenever such information or data is used, the Company is indicated as their source.

The Consolidated Financial Statements are incorporated in this Prospectus by reference and should be read together with the information presented in other parts of this Prospectus, in particular *Operating and financial review*.

The term “audited” used with respect to the Groups’ financial results for the years ended December 31st 2014, December 31st 2013 and December 31st 2012 presented in this Prospectus means that such data is extracted from the Full-Year Consolidated Financial Statements audited by EY.

The term “restated” used with respect to the Groups’ financial results for the three months ended on March 31st 2014 and for the years ended December 31st 2013 and December 31st 2012, presented in this Prospectus, means that the data has been adjusted by eliminating the financial results of FPM, as discontinued operations, in connection with the sale of FPM by the Company (see *Overview of the Group’s business – Material agreements – Material agreements executed outside the Group’s ordinary course of business – sale of shares in FPM*). For presentation adjustments for Q1 2014 and for the years ended December 31st 2013 and December 31st 2012, see *Operating and financial review – Presentation and comparability of financial information*. The adjustments pertain solely to the items of the consolidated statements of comprehensive income for Q1 2014 and for the years ended December 31st 2013 and December 31st 2012, respectively.

The term “unaudited” used with respect to the Groups’ financial results for the three months ended March 31st 2015 and March 31st 2014, presented in this Prospectus, means that the data is extracted from the Interim Consolidated Financial Statements, which have not been audited.

The data included in the Consolidated Financial Statements, as well as other financial and operating information, is given in the złoty (PLN), which is the functional currency of the Company and the presentation currency of the Group (all amounts are rounded off to the nearest whole złoty). Unless indicated otherwise, the financial and statistical data presented in this Prospectus are expressed in thousands of złoty.

In some instances the total amount in the individual columns and lines of the tables contained in this Prospectus may not add up to the totals calculated for a given column or line. Some percentage values given in the tables presented in this Prospectus have also been rounded up and the totals in these tables may not add up to 100%. The changes in percentage values between the compared periods have been calculated based on original amounts, not the rounded off ones.

While making a decision concerning investing in the Offer Shares, investors should rely on their own analysis of the Group, the Consolidated Financial Statements and the information presented in other parts of this Prospectus, and should consult their professional advisers about the information contained in this Prospectus to the extent their consider reasonable.

This Prospectus does not contain any pro forma financial information as there exist no reasons for presenting such information as defined in Art. 4a of Regulation No. 809/2004 and Regulation No. 211/2007, not did there arise any circumstances resulting in a significant gross change in the Issuer’s situation within the meaning of Regulation No. 809/2004 or Regulation No. 211/2007.

Qualifications regarding the Consolidated Financial Statements

The auditors' opinions on the 2014, 2013 and 2012 Consolidated Financial Statements contained qualifications and emphasis-of-matter paragraphs.

The auditor audited the Full-Year Consolidated Financial Statements for 2014 and issued an opinion dated March 23rd 2015, with a qualification and emphasis-of-matter paragraph, reading as follows:

1. *“As described in more detail in Note 43 to the attached consolidated financial statements, in the consolidated statement of financial position the Group presents, as at the reporting date, receivables from a higher-tier parent which is subject to arrangement bankruptcy proceedings, totalling PLN 33m (VAT exclusive), with respect to which there is an indication of impairment given the financial situation of the parent. In the course of our audit, the Company’s Management Board did not provide us with sufficient documentation confirming correctness of the measurement of the receivables as at the reporting date, therefore we are unable to assess the effect of this issue on the attached consolidated financial statements, including the consolidated statement of financial position and the consolidated statement of comprehensive income.*
2. *While not making any further qualifications, we would like to note, as described in more detail in Note 5 to the attached consolidated financial statements, that the Group’s continuation as a going concern depends on the materialisation of a number of assumptions underlying the financial projections prepared by the Company’s Management Board, which relate in particular to the Company’s ability to maintain its financing sources in the form of a credit facility and financial guarantees required to implement contracts, bring in new financing sources, and achieve the assumed margins on contracts. In Note 5, the Company’s Management Board presented the risks that may affect the materialisation of these assumptions, indicating a significant uncertainty regarding the Group’s ability to continue as a going concern”.*

The auditor audited the Full-Year Consolidated Financial Statements for 2013 and issued an opinion dated March 21st 2014, with a qualification and emphasis-of-matter paragraph, reading as follows:

1. *“As described in more detail in Note 43 to the attached consolidated financial statements, in the consolidated statement of financial position the Group presents, as at the reporting date, receivables from a related entity which is subject to arrangement bankruptcy proceedings, totalling PLN 33m (VAT exclusive), with respect to which there is an indication of impairment given the financial situation of the entity. In the course of our audit, the Company’s Management Board did not provide us with sufficient documentation confirming correctness of the measurement of the receivables as at the reporting date, therefore we are unable to assess the effect of this issue on the attached consolidated financial statements, including the consolidated statement of financial position and the consolidated statement of comprehensive income.*
2. *While not making any further qualifications, we would like to note, as described in more detail in Note 5 to the attached consolidated financial statements, that the Group’s continuation as a going concern depends on the materialisation of a number of assumptions underlying the financial projections prepared by the Company’s Management Board, which relate in particular to the ability to secure long-term financing sources in the form of a credit facility and financial guarantees required to implement contracts. In Note 5, the Company’s Management Board presented the risks that may affect the materialisation of these assumptions, indicating a significant uncertainty regarding the Group’s ability to continue as a going concern”.*

The auditor audited the Full-Year Consolidated Financial Statements for 2012 and issued an opinion dated March 21st 2013, with a qualification and emphasis-of-matter paragraph, reading as follows:

1. *“As described in more detail in Note 43 to the attached consolidated financial statements, as at the reporting date in the consolidated statements of financial position the Group presents non-current receivables from a related entity subject to arrangement bankruptcy proceedings, totalling PLN 118m (VAT exclusive). In the course of our audit, we were not provided with sufficient documentation confirming correctness of the measurement of the receivables, therefore we were unable to assess the effect of this issue on the attached consolidated financial statements.*
2. *While not making any further qualifications, we would like to note as follows:*
 - i. *As described in more detail in Note 5 to the attached consolidated financial statements, the Company’s continuation as a going concern largely depends on the materialisation of a number of assumptions underlying the financial projections for 2013 and subsequent years, prepared by the Company’s Management Board, which relate in particular to the execution of significant contracts, **receipt** of current assets, including those referred to in item 7b) below, ability to secure financing*

sources in the form of working capital facilities and financial guarantees required to win and implement contracts. In Note 5, the Company's Management Board presented the risks that may affect the materialisation of these assumptions, indicating a significant uncertainty regarding the Company's ability to continue as a going concern.

- ii. *As described in more detail in Note 42 to the attached consolidated financial statements, the Company is party to a dispute over one of its contracts. The dispute concerns receivables related to payment under a guarantee and trade receivables totalling approximately PLN 185m. As the date of the attached consolidated financial statements, the outcome of the dispute, affecting the collection of these receivables, is unknown."*

Financial information not based on IFRS

Under "Selected historical financial information" this Prospectus presents the following financial ratios: gross profit margin, net profit margin, operating margin, margin before extraordinary items, net margin, return on assets, return on equity, current ratio, current ratio without inventory adjustment related to valuation of long-term contracts, quick ratio, average collection period, average collection period before sales adjustment related to valuation of long-term contracts, inventory turnover ratio, inventory turnover ratio without inventory adjustment related to valuation of long-term contracts, average payment period, debt ratio, bank debt ratio, long-term funding ratio, share of equity in financing of assets, equity financing of non-current assets, debt to assets ratio. These ratios are not financial performance measures defined in IFRS and they have not been extracted directly from the Consolidated Financial Statements, but have been calculated on their basis.

They are presented in this Prospectus because the Company believes they are good indicators of the Group's strength and operating performance, as well as of its ability to finance its expenses and service its debt, and therefore may be useful for investors.

Furthermore, the ratios should not be treated as measures of operating performance or operating cash flows and should not be considered an alternative to profit. The ratios do not have a uniform definition and therefore are not comparable with the corresponding or similar ratios presented by other companies, including companies operating in the same sector as the Group.

Documents incorporated by reference

Because the Company is a public company whose Shares are traded on the main market of the WSE, and is therefore subject to the disclosure obligations imposed by applicable laws and stock exchange regulations, the information below is incorporated in this Prospectus by reference. Such information has been sourced from documents published or submitted by the Company to the PFSA prior to the Prospectus Date.

The Full-Year Consolidated Financial Statements, including the auditor's opinions, are incorporated in this Prospectus by reference to:

- the consolidated financial statements of the Group for the period from January 1st 2012 to December 31st 2012 and to the auditor's opinion and supplementary report on those consolidated financial statements, included in the consolidated full-year report of the Group for 2012, issued by the Company on March 21st 2013;
- the consolidated financial statements of the Group for the period from January 1st 2013 to December 31st 2013 and to the auditor's opinion and supplementary report on those consolidated financial statements, included in the consolidated full-year report of the Group for 2012, issued by the Company on March 21st 2014;
- the consolidated financial statements of the Group for the period from January 1st 2014 to December 31st 2014 and to the auditor's opinion and supplementary report on those consolidated financial statements, included in the consolidated full-year report of the Group for 2012, issued by the Company on March 23rd 2015;

The Interim Consolidated Financial Statements are incorporated in this Prospectus by reference to:

- the interim condensed consolidated financial statements of the Group for the period from January 1st 2015 to March 31st 2015, issued by the Company on May 15th 2015; and
- the interim condensed consolidated financial statements of the Group for the period from January 1st 2014 to March 31st 2014, issued by the Company on May 15th 2014.

The Consolidated Financial Statements contain financial information on the Group's assets, equity and liabilities, financial position, profits and losses, required to be presented in the Prospectus under Annex I (section 20.1 – 20.6) to Regulation No. 809/2004. The information contained in the other parts of the Group's consolidated annual reports and consolidated quarterly report, referred to above, is not incorporated herein by reference. This

information is not considered by the Company as important for assessing the Group's economic and financial position, assets and growth prospects or is presented in other parts of this Prospectus. The Consolidated Financial Statements are available at the Company's website (www.rafako.com.pl).

Apart from this Prospectus, supplements hereto, update announcements published in accordance with the requirements specified in the Public Offering Act and the information specified above as incorporated in this Prospectus by reference, any information available on the Company's and the Joint Bookrunners' websites and the information available on the websites referred to on those websites does not constitute part of this Prospectus.

Macroeconomic, industry and statistical data

In this Prospectus, the Group presents selected data concerning the industry and the market, derived from publicly available information sources, including official industry publications, as well as from other external sources which the Group considers reliable. Such information, data and statistics may be approximate or estimated or may contain rounded figures. Macroeconomic and statistical data concerning Poland and the market on which the Group operates is taken mainly from the publications of the Central Statistics Office, Eurostat, European Commission, NBP, Agencja Rynku Energii, the Gdańsk Institute for Market Economics, PwC, Ministry of Economy, and URE. It should be noted that in each case the macroeconomic and statistical data and the source data on which it is based may have not been prepared in the same manner as the manner in which such macroeconomic and statistical data is prepared in other countries. No assurance can be given that a third party applying different data collection, analysis and processing methods would arrive at the same results.

Market information, certain industry information and description of market trends, as well as information on the Company's and the Group's market positions presented in this Prospectus was prepared and estimated based on assumptions considered reasonable by the Management Board, as well as based on data sourced from reports prepared by third parties at the request of the Issuer or from public sources. Wherever such information is used in this Prospectus it is accompanied by a reference to its source. The Company did not verify any macroeconomic, market, industry or other data taken from external sources, such as government, third party, industry or general publications. The information in this Prospectus that has been sourced from third parties has been accurately reproduced and, as far as the Company is aware and able to ascertain based on the information obtained from third parties, no facts have been omitted whose omission would render the third-party information inaccurate or misleading.

As a rule, industry publications contain statements that the information they include has been obtained from sources regarded as reliable. However, there is no guarantee that such data is fully accurate and complete. When preparing this Prospectus neither the Company nor the Joint Bookrunners carried out any independent verification of third party information. Neither did they analyse the suitability of methods used by such third parties to prepare such data or make estimates or projections. Neither the Company nor the Joint Bookrunners are able to guarantee that such information is accurate or, in the case of projections, that the projections were made on the basis of appropriate data and assumptions or that the projections will prove correct.

The Company is under no obligation and does not intend to disseminate any updates to the information on the industry or the market presented in this Prospectus unless required to do so by applicable laws.

Forward-looking statements

This Prospectus contains forward-looking statements, which are all statements other than statements of historical facts, including any statements preceded by, followed by or including the words 'targets', 'believes', 'expects', 'aims', 'intends', 'will', 'may', 'anticipates', 'would', 'could' or similar expressions or the negative thereof. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond the control of the Group that could cause its actual results, prospects or development to differ materially from the future results, achievements or development expressed in or implied by the forward-looking statements. The forward-looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which it currently operates and will operate in the future. Among the important factors that could cause the Group's actual results, achievements or development to differ from those expressed in the forward-looking statements are those described in Sections '*Operating and financial review*', '*Risk factors*' and elsewhere in this Prospectus. The forward-looking statements speak only as at the Prospectus Date. The Company has no obligation to disseminate any updates or revisions to any forward-looking statements contained in this Prospectus to reflect any new information or events or other circumstances unless required to do so under applicable laws or the WSE Rules.

Investors should be aware that various important factors and risks may cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in forward-looking statements. These factors include:

- (i) *risks related to macroeconomic conditions and pertaining to the sector in which the Group operates, and in particular the risks related to the political environment, energy policy and uncertainty regarding its future shape;*
- (ii) *risks specific to the Group, in particular the risk related to non-performance or improper performance of contracts by the Group, risk related to non-payment or late payment under contracts performed by the Group, risk related to the execution of contracts with a high unit value and a limited group of customers for the Group's products and services, risk of higher operating expenses caused by higher prices of deliveries and services as well as by higher costs of employee benefits, risk of underestimation of project execution costs, risk related to the contract acquisition process, risk related to the execution of some projects as part of a consortium, risk related to the acquisition and execution of projects in cooperation with suppliers and subcontractors, risk related to failure to obtain financial guarantees required to win and perform contracts, risk related to failure to raise external financing in expected amounts and on expected terms;*
- (iii) *risks related to the shareholding structure, the Offering and the Shares, including in particular the risk of PBG losing control of the Company if it is placed in liquidation bankruptcy or enforcement action is taken by its non-arrangement creditors, the risk related to the creation of a registered pledge over the Shares, the risk of the Company failing to pay dividends in the future or paying lower-than-expected dividends, risk of failure to achieve the issue objectives, risk of change of the issue objectives, risk of unsuccessful Issue of the Offer Shares, risk related to the Placement Agreement containing standard terms and conditions entitling its parties to terminate the Placement Agreement, the risk of the Company or other persons acting on its behalf breaching the law when marketing the Offering, the risk of the Company or other persons acting on its behalf breaching the laws applicable to the Offering or the Admission, the risk of the Offering being cancelled or suspended, the risk of the PFSA prohibiting or suspending the Offering or suspending the admission to trading or commencement of the listing of the Offer Shares, the risk related to the Management Board's authorisation to define the final amount of share capital increase.*

The list of risks presented above is not exhaustive. When relying on forward-looking statements, investors should carefully consider the risk factors specified above and other uncertainties and future events, especially in light of the economic, social and legal environment in which the Group operates. Any forward-looking statements contained herein reflect the Company's current views on future events and are subject to the above and other risks, uncertainties and assumptions about the Group's operations, results, strategies and liquidity. Neither the Company nor the Joint Bookrunner represent, guarantee or ensure that the factors referred to in the forward-looking statements will actually occur, and each such statement is only one of the possible options, which should not be regarded the most probable or the most typical one.

This Prospectus does not contain any profit forecast or profit estimate, including any financial forecast within the meaning of Regulation No. 809/2004 as the Issuer does not publish any profit forecasts or profit estimates.

Exchange rates

The following tables set out, for the periods indicated, the average, high, low and period-end exchange rates quoted by the NBP for foreign exchange transactions between PLN and the specified currencies. The exchange rates used in preparation of the Consolidated Financial Statements, as well as in preparation of other data presented in the Prospectus, might have been different from the exchange rates presented in the tables below. The Company can give no assurance that the value of the złoty actually reflected or could reflect the value of a given currency shown below or that the złoty was translated or exchanged into a given currency at the rate specified below.

Unless indicated otherwise, the terms 'złoty', 'zł' and 'PLN' used in this Prospectus refer to the legal tender in Poland, the terms 'euro', and 'EUR' refer to the common currency introduced at the beginning of the third stage the European Economic and Monetary Union under the Treaty Establishing the European Community, and the term 'USD' or 'dollar' refers to the US dollar, the legal tender in the United States of America.

EUR/PLN exchange rate

	EUR/PLN exchange rate			
	Average exchange rate	High exchange rate	Low exchange rate	End of period
2012	4.185	4.514	4.047	4.088
2013	4.198	4.343	4.067	4.147
2014	4.185	4.314	4.100	4.262
January 2015	4.280	4.334	4.170	4.202
February 2015	4.178	4.202	4.150	4.150
March 2015	4.128	4.172	4.089	4.089
April 2015.....	4.027	4.089	3.982	4.034
May 2015.....	4.078	4.142	4.018	4.130

Source: NBP.

On June 22nd 2015, the average EUR/PLN exchange rate quoted by the NBP was PLN 4.172 for EUR 1.

USD/PLN exchange rate

	USD/PLN exchange rate			
	Average exchange rate	High exchange rate	Low exchange rate	End of period
2012	3.257	3.578	3.069	3.100
2013	3.161	3.372	3.011	3.012
2014	3.155	3.546	3.004	3.507
January 2015	3.674	3.769	3.573	3.722
February 2015	3.677	3.722	3.640	3.698
March 2015	3.814	3.926	3.705	3.813
April 2015.....	3.737	3.813	3.599	3.599
May 2015.....	3.652	3.791	3.555	3.767

Source: NBP.

On June 22nd 2015, the average USD/PLN exchange rate quoted by the NBP was PLN 3.680 for USD 1.

USE OF ISSUE PROCEEDS

The Company expects gross proceeds from the issue of the Offer Shares to amount to approximately PLN 100m. The final amount of the proceeds will depend on the final number of Offer Shares allotted to investors in the Offering and on their Issue Price.

Information on the actual gross and net proceeds from the issue of the Offer Shares and the actual costs of the Offering will be published by the Company in a current report, in accordance with Art. 56.1 of the Act on Public Offering.

The purpose of the issue of the Offer Shares and the Offering is to raise funds which the Group intends to use:

- to finance contractual security arrangements in building the Group's order book and to finance working capital requirements to enable the performance of contracts in the future. The Company plans to apply approximately 85-90% of the funds raised from the issue towards that purpose (see *Overview of the Group's business – Strategy – Optimisation of contract financing and contract performance security*).
- to increase its research and development spending with a view to advancing its technology portfolio and supplementing it with unique solutions that help improve product efficiency and reliability (see *Overview of the Group's business – Competitive advantages – Technological potential and Overview of the Group's business – Research and development*). The Group's key focus in its research and development work financed with the proceeds from the issue will be on environmental protection technologies. The Company plans to apply approximately 10-15% of the issue proceeds towards that purpose. The proceeds will be used to finance research and development projects until the end of 2016. The final allocation schedule will depend, inter alia, on results the R&D projects.

Insofar as financing contract bonds is concerned, the Company emphasises that the issue proceeds will only be applied towards securing future contracts. The Group expects prospective employers will issue requests for proposals and tender notices in the coming quarters. The Group estimates that the value of potential projects for which tenders will be held by the end of 2016, or of the requests for proposals to which the Group may respond, is approximately PLN 9bn; however, the choice of contracts to be supported using the issue proceeds will depend on: (i) the type of tenders and requests for proposals to be ultimately announced by the employers, (ii) which of such tenders or requests the Group decides to respond to, (iii) which of the Group's bids are selected as best bids by employers, and (iv) the availability of financing at the time of the Group's bid being selected as the best bid. In view of the above, it is not possible to clearly identify projects where contract bonds will be financed with the issue proceeds.

A key element in bids submitted by the Group will involve agreeing on what kind of financial security is to be provided for a given contract using various types of bonding instruments, including the obligations related to participation in tender procedures and implementation of a given project. The bids that the Group plans to submit will therefore entail the necessity to provide financial security of considerable value. As at the Prospectus Date, the Group had access to financing in the form of revolving guarantee facilities and a short-term credit facility for a total amount of PLN 295.9m, including: (i) PLN 200.0m available under the MPCF Agreement, of which PLN 150.0m was available under an overdraft facility and PLN 50.0m under a guarantee facility (see *Overview of the Group's business – Material agreements – Material agreements executed outside the Group's ordinary course of business – financing agreements – Multi-purpose credit facility agreement with PKO BP*); (ii) PLN 0.5m available under a working capital facility and (iii) PLN 55.0m available under guarantee limits granted by insurance institutions.

Apart from financial guarantees, the Group also offers other forms of securing contract performance, such as cash bonds or withholding by the employer of some of contract remuneration due to the Group. As at March 31st 2015, the value of cash bonds paid by Group Companies as security for contract performance was PLN 166.6m, while the value of long-term receivables withheld by the employer was PLN 37.7m.

Given its limited access to financing in the form of guarantee lines and credit facilities, the Group intends to allocate 85-90% of the issue proceeds towards providing security for future contracts. The value and schedule of using the issue proceeds as security will depend on the actual schedule of tender proceedings and requests for proposals, as well as whether prospective employers decide to award their contracts to the Group.

Before the issue proceeds are used to support its bidding activities, the Group intends to apply the proceeds towards financing of its working capital needs related to the performance of contracts (both current and future ones; however, the Group intends to give priority to the financing of new contracts), including financing of

purchases of the necessary products and services from subcontractors as well as raw materials and consumables. Having access to larger funds available for the purpose, the Group will be able to secure better commercial terms with its trading partners, which in turn will have a positive effect on profitability. Using own funds to finance such working capital requirements (i.e. purchases from subcontractors and suppliers) is due to the fact that contract-related costs are typically incurred before employers make payments for the work performed.

If the amount of proceeds is lower than expected, the Company intends to allocate the proceeds towards the issue objectives in such proportions as specified above.

Furthermore, investors are hereby advised that the Company may make discretionary transfer of funds within particular issue objectives.

Investors are hereby advised that the amounts specified above will be reduced by the cost of the Offering. For information on the estimated cost of the Offering, see *Additional information – Costs of the Offering*.

DIVIDENDS AND DIVIDEND POLICY

Historical data on dividend payments

The table below presents information on the Company's net profit, the total amount of dividend paid and the value of dividend per Share, for the years indicated.

	Year ended Dec 31		
	2014	2013	2012
	PLN '000		
	(audited)		
Company's net profit/(loss).....	23,515	(139,781)	7,137
Dividend amount (PLN '000).....	-	-	-
<u>Dividend per share (PLN)</u>	<u>-</u>	<u>-</u>	<u>-</u>

Source: the Company.

No dividend was paid for the financial years ended December 31st 2012, December 31st 2013 and December 31st 2014. In the financial year ended December 31st 2014, the Company reported a net profit of PLN 23.5m. On June 18th 2015, the Annual General Meeting passed Resolution No. 20 to distribute the Company's profit for the financial year January 1st-December 31st 2014, pursuant to which the Company's net profit for the year, amounting to PLN 23.5m, was allocated to reserve funds.

Dividend policy

In accordance with the assumptions effective as at the Prospectus Date, over the next two years the Management Board intends to recommend to the General Meeting that the net profit, if any, be allocated to the implementation of the Group's strategy and financing of its development. Moreover, certain agreements to which the Company is a party, including the Guarantee Agreement, the Surety Agreement and the MPCF Agreement (see *Overview of the Group's business – Material agreements – Material agreements executed in the ordinary course of the Group's business, particularly important to the Group's performance – Contracts and agreements related to the execution of the Jaworzno Project* and *Overview of the Group's business – Material agreements – Material agreements executed outside the Group's ordinary course of business – financing agreements - Multi-purpose credit facility agreement with PKO BP*) impose restrictions on payment of dividends and interim dividends by the Company. Therefore, the Company does not expect to pay any dividends over the next few years.

The dividend policy will be subject to periodic reviews by the Management Board.

Limitations on dividend and interim dividend payment

Payment of dividend by the Company is subject to various legal limitations. In particular, the amounts to be paid as dividend, as well as the date and manner of dividend payment, are defined in the Commercial Companies Code. Also, after the Company obtains the status of a public company, it will become subject to the CSDP regulations concerning dividend payment (see *Rights and obligations attached to the Shares. The General Meeting – Rights and obligations attached to the Shares – Dividend.*)

The Articles of Association do not provide for any limitations on dividend payment. Other than the limitations specified below, the agreements to which the Company and its Subsidiaries are parties do not provide for any limitations on dividend payment.

The agreement of April 16th 2014 on the provision of bank and insurance guarantees to E003B7 ("**Guarantee Agreement**") (see *Overview of the Group's business – Material agreements – Material agreements executed in the ordinary course of the Group's business, particularly important to the Group's performance – Contracts and agreements related to the execution of the Jaworzno Project – Agreement for bank and insurance guarantees*) provides for limitations on payment of dividend and interim dividend by the Company. Events of Default under the Guarantee Agreement include adoption of a resolution on dividend or interim dividend payment by E003B7 or by the Company (otherwise than as expressly permitted in the Jaworzno Project financial documentation) or taking any steps with a view to making such payment ("**Event of Default**"). At the request of E003B7 (containing a detailed explanation concerning the Event of Default), PKO BP, acting as the Guarantee Agent and with the consent of all the Guarantors, may notify E003B7 and the Company that the Guarantors waive the rights they are entitled to exercise if an Event of Default occurs (with the proviso that such notification may contain additional conditions). Also, when planning a dividend or interim dividend payment, E003B7 and the Company may request the Guarantors for a waiver letter, in which the Guarantors will agree not to exercise their rights in case of an Event of Default.

The overdraft facility agreement of February 7th 2012 between the Company and PKO BP, which under Annex 12 of April 29th 2014 was converted into a multipurpose credit facility agreement – the MPCF Agreement (see *Overview of the Group's business – Material agreements – Material agreements executed outside the Group's ordinary course of business – financing agreements*) provides for limitations on the payment of dividend by the Company by granting PKO BP the right to terminate the MPCF Agreement, terminate the individual facilities made available under the MPCF Agreement or reduce the facility limits or sublimits if in the opinion of PKO BP: (i) the dividend amount intended to be paid for any financial year (as specified in the Company Management Board's proposal to the General Meeting) puts at risk timely payment of liabilities to PKO BP; or (ii) the dividend amount actually paid will put at risk timely payment of liabilities to PKO BP under the MPCF Agreement.

Furthermore, adoption of a resolution to pay dividend or interim dividend from the Company's profits will constitute an event of default under the Surety Agreement (see *Overview of the Group's business – Material agreements – Material agreements executed in the ordinary course of the Group's business, particularly important to the Group's performance – Contracts and agreements related to the execution of the Jaworzno Project – Surety agreement securing liabilities under the Guarantee Agreement*), unless all of the following conditions are met: (i) distribution of the dividend or interim dividend is made not earlier than from the Company's profit for 2015; (ii) the financial covenants defined in the Surety Agreement are met; (iii) the Company has no outstanding financial liabilities which are more than 30 days past due; (iv) the Company has no outstanding trade payables which are more than 30 days past due, with the proviso that the Company's disputed payables may represent no more than 10% of total payables; (v) a periodic report drafted by an independent technical adviser confirms that the Jaworzno Project is executed on schedule and within budget; and (vi) no other event of default under the Surety Agreement has occurred.

For information on taxation of dividend income, see *Taxation – Overview of income tax regime*.

CAPITALISATION AND INDEBTEDNESS

The information presented in this section should be read in conjunction with the information presented in the 'Operating and financial review' Section, in the Consolidated Financial Statements and the accompanying notes, as well as other financial information presented in other sections of this Prospectus.

Working capital statement

The Management Board represents that in its opinion the level of the Group's working capital is sufficient to cover its day-to-day requirements and to finance its operations for at least twelve months after the Prospectus Date.

Capitalisation and indebtedness

The table below presents information on the Group's consolidated capitalisation and indebtedness as at March 31st 2015.

Capitalisation and indebtedness	The Group
	As at Mar 31 2015
	<i>(PLN '000)</i>
Current financial debt¹	106,159
Guaranteed	–
Secured*	106,077
Not guaranteed/not secured	82
Non-current financial debt²	2,911
Guaranteed	–
Secured*	2,822
Not guaranteed / not secured	89
Total equity	304,019
<i>including:</i>	
Share capital	139,200
Other capital reserves ³	123,930
Share capital paid up, unregistered	–
Retained earnings / (Accumulated losses)	40,116
Non-controlling interests	773
Total current and non-current financial debt and equity	413,089

Source: Consolidated Financial Statements, the Company.

¹ Current financial debt comprises: (i) current portion of interest-bearing borrowings, and (ii) finance lease liabilities.

² Non-current financial debt comprises finance lease liabilities.

³ Other capital reserves include: (i) share premium; (ii) statutory reserve funds; and (iii) exchange differences on translation of foreign operations (translation reserve).

* Secured financial debt comprises: (i) current portion of interest-bearing borrowings secured with promissory notes, mortgages and registered pledges, and (ii) finance lease liabilities secured with promissory notes.

	The Group
	As at Mar 31 2015
	<i>(PLN '000)</i>
A. Cash and cash equivalents	26,648
B. Liquidity (A)	26,648
C. Current portion of interest-bearing borrowings	105,137
D. Other financial liabilities and finance lease liabilities	1,022
E. Current financial debt (C+D)	106,159
F. Current financial debt, net (E-B)	79,511
G. Non-current financial liabilities under finance leases	2,911
H. Non-current financial debt (G)	2,911
I. Financial debt, net (F+H)	82,422

Source: Consolidated Financial Statements.

As at this Prospectus Date and since March 31st 2015, there have been no significant changes in the Group's capitalisation, indebtedness or liquidity.

Indirect and contingent debt

For information on indirect and contingent debt, see *Operating and financial review – Contingent and off-balance-sheet assets and liabilities*.

SELECTED HISTORICAL FINANCIAL INFORMATION

The information presented in this section should be read in conjunction with the information presented in the 'Operating and financial review' Section, in the Consolidated Financial Statements and the accompanying notes, as well as with other financial information presented in other sections of this Prospectus.

The Full-Year Consolidated Financial Statements include the financial data of the Group for the period from January 1st 2012 to December 31st 2012, from January 1st 2013 to December 31st 2013 and from January 1st 2014 to December 31st 2014. The independent auditor issued qualified opinions on the Full-Year Consolidated Financial Statements referred to above, as discussed in Important Information – Presentation of financial information and other data – Qualifications regarding the Consolidated Financial Statements.

The Full-Year Consolidated Financial Statements for 2014 present the financial data of the Group for the financial years ended December 31st 2014 and December 31st 2013, which comprise all of the historical results of the Group following the adjustment for 2013, consisting in the elimination of the financial results of FPM. The financial results of FPM have been eliminated from the financial results of the Group to enable a year-on-year comparison of the Group's performance. The financial data of the Group for the financial year ended December 2013 is restated data. The fact that the Full-Year Consolidated Financial Statements for 2013 have not been adjusted by eliminating the financial results of FPM renders difficult a period-to-period comparison and analysis of the operating and financial performance of the Group for the last three financial years. For this reason this Prospectus also presents the financial data disclosed in the Full-Year Consolidated Financial Statements for 2013 that contain comparative data for the financial year ended December 31st 2012, including the financial results of FPM. This means that a financial review of the 2014 and 2013 financial years is presented based on the data sourced from the Full-Year Consolidated Financial Statements for 2014 and in the case of the 2013 and 2012 financial years – based on the data sourced from the Full-Year Consolidated Financial Statements for 2013. Since the financial position data and the statement of cash flows data in the Full-Year Consolidated Financial Statements for 2014 and 2013 do not differ, the respective data presented in this Prospectus is disclosed as at December 31st 2014, December 31st 2013 and December 31st 2012 and the 12-month periods ended on these dates.

With respect to the data for Q1 2015, the Interim Consolidated Financial Statements are condensed financial statements and do not include all the information and disclosures required in full-year consolidated financial statements. The discussion of Q1 2015 presented in Operating and financial review contains references to items of the Interim Consolidated Financial Statements included in those statements.

The tables below set forth selected financial data for the three months ended March 31st 2015 and 2014, and for the three years ended December 31st 2014, 2013 and 2012, derived from the Consolidated Financial Statements.

Consolidated statement of comprehensive income

Interim condensed consolidated statement of comprehensive income for the three months ended March 31st 2015 and 2014

	3 months ended Mar 31		Change	Change
	2015	2014	2015/2014	2015/2014
	PLN '000		PLN '000	%
	(unaudited)	(unaudited, restated)		
Continuing operations				
Revenue	280,092	183,808	96,284	52.4
Revenue from sale of products.....	279,536	183,226	96,310	52.6
Revenue from sale of materials.....	556	582	(26)	(4.5)
Costs of sales	(256,865)	(165,812)	(91,053)	54.9
Gross profit/(loss)	23,227	17,996	5,231	29.1
Other income	1,340	1,703	(363)	(21.3)
Distribution costs	(6,808)	(8,114)	1,306	(16.1)
Administrative expenses.....	(9,706)	(8,795)	(911)	10.4
Other expenses	(305)	(281)	(24)	8.5
Profit/(loss) from continuing operations	7,748	2,509	5,239	208.8
Finance income	937	4,230	(3,293)	(77.8)
Finance costs	(2,346)	(2,442)	96	(3.9)

	3 months ended Mar 31		Change	Change
	2015	2014	2015/2014	2015/2014
	PLN '000		PLN '000	%
	(unaudited)	(unaudited, restated)		
Profit/(loss) before tax	6,339	4,297	2,042	47.5
Income tax	(4,052)	(975)	(3,077)	315.6
Net profit/(loss) from continuing operations	2,287	3,322	(1,035)	(31.2)
Discontinued operations				
Profit/(loss) from discontinued operations	(55)	154	(209)	(135.7)
Net profit for the year	2,232	3,476	(1,244)	(35.8)
Other comprehensive income for the period	(215)	222	(437)	(196.8)
<i>Items to be reclassified to profit/(loss) in subsequent reporting periods</i>				
Exchange differences on translating foreign operations	(79)	(23)	(56)	243.5
Exchange differences on translating foreign operations, attributable to non-controlling interests.....	(5)	–	(5)	–
Other net comprehensive income to be reclassified to profit/(loss) in subsequent reporting periods	(84)	(23)	(61)	265.2
<i>Items not subject to reclassification to profit/(loss) in subsequent reporting periods</i>				
Other comprehensive income	(162)	302	(464)	(153.6)
Tax on other comprehensive income.....	31	(57)	88	(154.4)
Other net comprehensive income not subject to reclassification to profit/(loss) in subsequent reporting periods	(131)	245	(376)	(153.5)
Total comprehensive income for the period	2,017	3,698	(1,681)	(45.5)
Net profit/(loss) attributable to:.....	2,232	3,476	(1,244)	(35.8)
Owners of the Parent.....	2,195	3,368	(1,173)	(34.8)
Non-controlling interests	37	108	(71)	(65.7)
Comprehensive income attributable to:.....	2,017	3,698	(1,681)	(45.5)
Owners of the Parent.....	1,985	3,590	(1,605)	(44.7)
Non-controlling interests	32	108	(76)	(70.4)
Earnings/(loss) per share:				
Basic earnings/(loss) per share, PLN	0.03	0.05	(0.02)	(40.0)

Source: Interim Consolidated Financial Statements.

Consolidated statement of comprehensive income for the years ended December 31st 2014 and 2013

	12 months ended Dec 31		Change	Change
	2014	2013	2014/2013	2014/2013
	PLN '000		PLN '000	%
	(audited)	(restated)		
Continuing operations				
Revenue	1,183,472	748,103	435,369	58.2
Revenue from sale of products.....	1,181,452	745,091	436,361	58.6
Revenue from sale of materials.....	2,020	3,012	(992)	(32.9)
Costs of sales	(1,063,363)	(705,134)	(358,229)	50.8
Gross profit/(loss)	120,109	42,969	77,140	179.5
Other income	5,342	4,703	639	13.6
Distribution costs	(31,483)	(39,014)	7,531	(19.3)
Administrative expenses.....	(45,189)	(34,908)	(10,281)	29.5
Other expenses	(11,060)	(3,470)	(7,590)	218.7
Profit/(loss) from continuing operations	37,719	(29,720)	67,439	–
Finance income	6,598	15,480	(8,882)	(57.4)
Finance costs	(9,900)	(31,909)	22,009	(69.0)

	12 months ended Dec 31		Change	Change
	2014	2013	2014/2013	2014/2013
	PLN '000		PLN '000	%
	(audited)	(restated)		
Effect of changes in estimates on valuation of receivables from related entities in arrangement bankruptcy	–	(94,205)	94,205	–
Profit/(loss) before tax	34,417	(140,354)	174,771	–
Income tax	(5,819)	1,971	(7,790)	–
Net profit/(loss) from continuing operations	28,598	(138,383)	166,981	–
Discontinued operations				
Profit/(loss) from discontinued operations.....	(4,814)	3,735	(8,549)	–
Net profit for the year	23,784	(134,648)	158,432	–
Other comprehensive income for the period	(4,004)	(764)	(3,240)	424.1
<i>Items to be reclassified to profit/(loss) in subsequent reporting periods.....</i>				
Exchange differences on translating foreign operations	56	(328)	384	–
Exchange differences on translating foreign operations, attributable to non-controlling interests.....	(5)	-	(5)	-
Other net comprehensive income to be reclassified to profit/(loss) in subsequent reporting periods	51	(328)	379	–
<i>Items not subject to reclassification to profit/(loss) in subsequent reporting periods.....</i>				
Other comprehensive income due to actuarial gains/(losses)	(5,005)	(537)	(4,468)	832.0
Tax on other comprehensive income.....	950	101	849	840.6
Other comprehensive income not subject to reclassification to profit/(loss) in subsequent reporting periods	(4,055)	(436)	(3,619)	830.0
Total comprehensive income for the period	19,780	(135,412)	155,192	–
Net profit/(loss) attributable to:.....	23,784	(134,648)	158,432	–
Owners of the Parent.....	22,583	(135,349)	157,932	–
Non-controlling interests	1,201	701	500	71.3
Comprehensive income attributable to:.....	19,780	(135,412)	155,192	–
Owners of the Parent.....	18,584	(136,113)	154,697	–
Non-controlling interests	1,196	701	495	70.6
Earnings/(loss) per share:				
Basic earnings/(loss) per share, PLN.....	0.32	(1.94)	2.26	–

Source: Full-Year Consolidated Financial Statements.

Consolidated statement of comprehensive income for the years ended December 31st 2013 and 2012

	12 months ended Dec 31		Change	Change
	2013	2012	2013/2012	2013/2012
	PLN '000		PLN '000	%
	(audited)	(audited)		
Continuing operations				
Revenue	836,015	1,291,391	(455,376)	(35.3)
Revenue from sale of products.....	806,617	1,270,509	(463,892)	(36.5)
Revenue from sale of materials.....	29,398	20,882	8,516	40.8
Costs of sales	(778,330)	(1,176,807)	398,477	(33.9)
Gross profit/(loss).....	57,685	114,584	(56,899)	(49.7)
Other income	4,732	18,847	(14,115)	(74.9)
Distribution costs	(40,991)	(27,451)	(13,540)	49.3
Administrative expenses.....	(43,536)	(53,928)	10,392	(19.3)
Other expenses	(3,586)	(37,006)	33,420	(90.3)
Profit/(loss) from continuing operations	(25,696)	15,046	(40,742)	–
Finance income	16,379	16,762	(383)	(2.3)
Finance costs	(32,150)	(34,683)	2,533	(7.3)

	12 months ended Dec 31		Change	Change
	2013	2012	2013/2012	2013/2012
	PLN '000		PLN '000	%
	(audited)	(audited)		
Result on loss of control of a subsidiary by owners of the Parent	–	1,955	(1,955)	–
Effect of changes in estimates on valuation of receivables from related entities in arrangement bankruptcy	(94,205)	–	(94,205)	–
Profit/(loss) before tax	(135,672)	(920)	(134,752)	14,647.0
Income tax	1,024	(26,379)	27,403	–
Net profit/(loss) from continuing operations	(134,648)	(27,299)	(107,349)	393.2
Other comprehensive income for the period	(816)	(161)	(655)	406.8
<i>Items to be reclassified to profit/(loss) in subsequent reporting periods</i>				
Exchange differences on translating foreign operations	(328)	(161)	(167)	103.7
Other net comprehensive income to be reclassified to	(328)	(161)	(167)	103.7
<i>Items not subject to reclassification to profit/(loss) in subsequent reporting periods</i>				
Other comprehensive income	(601)	–	(601)	–
Tax on other comprehensive income	113	–	113	–
Other comprehensive income not subject to reclassification to profit/(loss) in subsequent reporting periods	(488)	–	(488)	–
Total comprehensive income for the period	(135,464)	(27,460)	(108,004)	393.3
Net profit/(loss) attributable to:.....	(134,648)	(27,299)	(107,349)	393.2
Owners of the Parent.....	(135,349)	9,835	(145,184)	–
Non-controlling interests	701	(37,134)	37,835	–
Comprehensive income attributable to:.....	(135,464)	(27,460)	(108,004)	393.3
Owners of the Parent.....	(136,165)	9,687	(145,852)	–
Non-controlling interests	701	(37,147)	37,848	–
Earnings/(loss) per share:				
Basic earnings/(loss) per share, PLN	(1.94)	0.14	2.08	–

Source: Full-Year Consolidated Financial Statements.

Consolidated statement of financial position

	As at Mar 31		As at Dec 31	
	2015	2014	2013	2012
	PLN '000		PLN '000	
	(unaudited)	(audited)	(audited)	(audited)
ASSETS				
Non-current (long-term) assets				
Property, plant and equipment	171,776	172,199	197,927	201,859
Investment property	–	–	–	–
Intangible assets	8,910	9,310	11,831	13,373
Non-current trade receivables, other receivables and prepayments*	37,382	29,706	4,624	855
Non-current financial assets	35,403	33,770	32,650	120,093
Shares in other entities	341	388	338	366
Non-current loans advanced	37	38	–	–
Non-current deposits	–	–	905	1,444
Other non-current financial assets	35,025	33,344	31,407	118,283
Deferred tax asset.....	55,982	49,536	44,936	33,078
	309,453	294,521	291,968	369,258
Current (short-term) assets				
Inventories	21,015	21,730	26,884	29,115

	As at Mar 31		As at Dec 31	
	2015	2014	2013	2012
	PLN '000		PLN '000	
	(unaudited)	(audited)	(audited)	(audited)
Trade receivables, other receivables and prepayments	534,242	459,451	519,827	657,633
Trade receivables	304,101	248,399	144,199	288,916
Income tax receivable	13,115	13,852	13,587	21,510
Other receivables and prepayments	217,026	197,200	362,041	347,207
Gross amount due from customers for contract work and prepayments related to contract valuation.....	218,053	257,803	168,211	158,150
Current financial assets.....	26,702	38,919	57,490	85,663
Derivative instruments.....	-	-	15	53
Current deposits.....	-	-	892	6,367
Current loans advanced.....	54	70	-	-
Other current financial assets	-	-	1,863	10,500
Cash and cash equivalents	26,648	38,849	54,720	68,743
Other current non-financial assets	-	-	-	5,676
	800,012	777,903	772,412	936,237
Assets held for sale.....	954	74,138	1,022	916
TOTAL ASSETS.....	1,110,419	1,146,562	1,065,402	1,306,411
EQUITY AND LIABILITIES				
Equity (attributable to owners of the Parent)				
Share capital	139,200	139,200	139,200	139,200
Share premium	36,778	36,778	36,778	36,778
Reserve funds.....	87,041	114,393	252,821	243,011
Exchange differences on translating foreign operations	111	190	134	462
Retained earnings / (Accumulated losses).....	40,116	10,700	(145,980)	(333)
	303,246	301,261	282,953	419,118
Equity (attributable to non-controlling interests).....	773	12,193	11,136	10,435
Total equity	304,019	313,454	294,089	429,553
Non-current liabilities				
Interest-bearing borrowings	-	-	-	-
Finance lease liabilities.....	2,911	2,254	1,683	1,012
Deferred tax liability.....	98	397	3,067	2,640
Provision for employee benefits	25,117	24,907	22,119	22,223
Non-current trade and other payables.....	26,840	24,459	18,807	32,198
Trade payables.....	23,420	20,504	13,631	17,443
Capital commitments	1,472	1,762	2,132	2,861
Other liabilities	1,948	2,193	3,044	11,894
	54,966	52,017	45,676	58,073
Current liabilities				
Trade and other payables.....	353,075	394,443	269,477	287,368
Trade payables.....	253,527	304,226	206,992	240,523
Capital commitments	1,441	8,619	1,396	5,511
Income tax payable	67	901	45	53
Other liabilities	98,040	80,697	61,044	41,281
Current portion of interest-bearing borrowings	105,137	128,527	256,816	291,987

	As at Mar 31		As at Dec 31	
	2015	2014	2013	2012
	PLN '000		PLN '000	
	(unaudited)	(audited)	(audited)	(audited)
Other financial liabilities and finance lease liabilities	1,022	776	691	559
Provision for employee benefits	2,055	1,896	1,550	1,910
Amounts due to customers and provisions for construction contract work and deferred income	290,145	240,609	197,103	236,961
Amounts due to customers for construction contract work	259,848	207,271	110,646	140,040
Provisions for construction contract work	29,009	32,267	85,899	96,415
Grants	1,288	1,071	558	506
	751,434	766,251	725,637	818,785
Liabilities directly related to assets classified as held for sale	-	14,840	-	-
Total liabilities	806,400	833,108	771,313	876,858
TOTAL EQUITY AND LIABILITIES	1,110,419	1,146,562	1,065,402	1,306,411

Source: Consolidated Financial Statements.

* In the Interim Consolidated Financial Statements, the item is "Trade receivables".

Selected items from the consolidated statement of cash flows

Selected items from the condensed consolidated statement of cash flows for the three months ended March 31st 2015 and 2014

	As at Mar 31		Change	Change
	2015	2014	2015/2014	2015/2014
	PLN '000		PLN '000	%
	(unaudited)	(unaudited)		
Cash flows from operating activities				
Profit/(loss) before tax	6,273	4,485	1,788	39.9
Adjustments for:	(31,893)	88,989	(120,882)	(135.8)
Depreciation and amortisation	3,246	3,136	110	3.5
Foreign exchange gains/(losses)	34	26	8	30.8
Interest and dividends, net	1,248	1,843	(595)	(32.3)
(Gain)/loss from investing activities	(2,034)	(439)	(1,595)	363.3
Increase/(decrease) in financial liabilities/financial assets from valuation of derivative instruments	(89)	(9)	(80)	888.9
(Increase)/decrease in receivables	(85,307)	177,975	(263,282)	(147.9)
Change in inventories	1,206	(4,201)	5,407	(128.7)
Increase/(decrease) in employee benefit provisions and obligations, excluding borrowings	(29,638)	(24,471)	(5,167)	21.1
Change in accruals and deferrals under construction contracts	90,322	(60,639)	150,961	(249.0)
Income tax paid	(10,913)	(4,126)	(6,787)	164.5
Other	32	(106)	138	(130.2)
Net cash from operating activities	(25,620)	93,474	(119,094)	(127.4)
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment and intangible assets	709	456	253	55.5
Purchase of property, plant and equipment and intangible assets	(9,186)	(1,047)	(8,139)	777.4
Dividends and interest received	54	95	(41)	(43.2)
Loans advanced	-	(190)	190	100
Repayment of loans advanced	-	-	-	-
Interest on loans advanced	-	-	-	-
Sale of financial assets	21,430	506	20,924	4,135.2
Purchase of financial assets	-	(534)	534	100
Other	(1,440)	(3)	(1,437)	47,900.0

	As at Mar 31		Change	Change
	2015	2014	2015/2014	2015/2014
	PLN '000		PLN '000	%
	(unaudited)	(unaudited)		
Net cash from investing activities	11,567	(717)	12,284	(1,713.2)
Cash flows from financing activities				
Proceeds from issue of shares	-	190	(190)	(100)
Payment of finance lease liabilities	(418)	(229)	(189)	82.5
Proceeds from borrowings	-	-	-	-
Repayment of borrowings	(23,509)	(106,489)	82,980	(77.9)
Dividend paid to non-controlling interests	-	-	-	-
Interest paid	(1,122)	(2,429)	1,307	(53.8)
Bank fees	(50)	(320)	270	(84.4)
Other	11	305	(294)	(96.4)
Net cash from financing activities	(25,088)	(108,972)	83,884	(77.0)
Net increase/(decrease) in cash and cash equivalents	(39,141)	(16,215)	(22,926)	141.4
Net foreign exchange differences	(110)	(23)	(87)	378.3
Cash at the beginning of the period	65,899	54,720	11,179	20.4
Cash at the end of the period, of which:	26,648	38,482	(11,834)	(30.8)
- restricted cash	1,434	1,575	(141)	(9.0)

Source: Interim Consolidated Financial Statements.

Selected items from the consolidated statement of cash flows for 2014 and 2013

	As at Dec 31		Change	Change
	2014	2013	2014/2013	2014/2013
	PLN '000		PLN '000	%
	(audited)	(audited)		
Cash flows from operating activities				
Profit/(loss) before tax	30,543	(135,672)	166,215	-
Adjustments for:	123,562	175,640	(52,078)	(29.7)
Depreciation and amortisation	12,838	12,645	193	1.5
Foreign exchange gains/(losses)	(485)	(1)	(484)	48,400.0
Interest and dividends, net	7,092	5,501	1,591	28.9
(Gain)/loss from investing activities	(735)	15,236	(15,971)	-
Increase/(decrease) in financial liabilities/financial assets from valuation of derivative instruments	104	38	66	173.7
Effect of changes in estimates on valuation of receivables from related entities in arrangement bankruptcy	-	94,205	(94,205)	-
Impairment of assets held for sale	8,779	-	8,779	-
(Increase)/decrease in receivables	28,632	124,163	(95,531)	(76.9)
Change in inventories	(2,493)	2,231	(4,724)	-
Increase/(decrease) in employee benefit provisions and obligations, excluding borrowings	140,562	(25,441)	166,003	-
Change in accruals and deferrals under construction contracts	(51,955)	(49,971)	(1,984)	4.0
Income tax paid	(19,068)	(2,351)	(16,717)	711.1
Other	291	(615)	906	-
Net cash from operating activities	154,105	39,968	114,137	285.6
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment and intangible assets	1,523	1,502	21	1.4
Purchase of property, plant and equipment and intangible assets	(7,971)	(10,967)	2,996	(27.3)
Sale of financial assets	4,999	11,150	(6,151)	(55.2)

	As at Dec 31		Change	Change
	2014	2013	2014/2013	2014/2013
	PLN '000		PLN '000	%
	(audited)	(audited)		
Purchase of financial assets.....	(5,242)	(5,177)	(65)	1.3
Interest on loans advanced	216	–	216	–
Dividends and interest received.....	177	627	(450)	(71.8)
Loans advanced.....	(190)	–	(190)	–
Repayment of loans advanced.....	81	–	81	–
Other	408	–	408	–
Net cash from investing activities	(5,999)	(2,865)	(3,134)	109.4
Cash flows from financing activities				
Proceeds from disposal of shares and contribution to equity.....	190	–	190	–
Payment of finance lease liabilities	(1,735)	(1,140)	(595)	52.2
Proceeds from borrowings	800	10,064	(9,264)	(92.1)
Repayment of borrowings	(128,599)	(44,879)	(83,720)	186.5
Dividend paid to non-controlling interests.....	(605)	–	(605)	–
Interest paid.....	(6,648)	(13,558)	6,910	(51.0)
Bank fees	(1,127)	(1,795)	668	(37.2)
Other	695	586	109	18.6
Net cash from financing activities	(137,029)	(50,722)	(86,307)	170.2
Net increase/(decrease) in cash and cash equivalents	11,077	(13,619)	24,696	–
Net foreign exchange differences	102	(404)	506	–
Cash at the beginning of the period	54,720	68,743	(14,023)	(20.4)
Cash at the end of the period, of which:	65,899	54,720	11,179	20.4
- restricted cash	1,370	1,052	318	30.2

Source: Full-Year Consolidated Financial Statements.

Selected items from the consolidated statement of cash flows for 2013 and 2012

	As at Dec 31		Change	Change
	2013	2012	2013/2012	2013/2012
	PLN '000		PLN '000	%
	(audited)	(audited)		
Cash flows from operating activities				
Profit/(loss) before tax.....	(135,672)	(920)	(134,752)	14,647.0
Adjustments for:.....	175,640	(343,773)	519,413	–
Depreciation and amortisation	12,645	17,689	(5,044)	(28.5)
Foreign exchange gains/(losses).....	(1)	813	(814)	–
Interest and dividends, net.....	5,501	6,676	(1,175)	(17.6)
(Gain)/loss from investing activities.....	15,236	17,722	(2,486)	(14.0)
Increase/(decrease) in financial liabilities/financial assets from valuation of derivative instruments.....	38	(5,341)	5,379	–
Loss of control of a subsidiary.....	–	(1,955)	1,955	–
Effect of changes in estimates on valuation of receivables from related entities in arrangement bankruptcy.....	94,205	–	94,205	–
(Increase)/decrease in receivables	124,163	(292,466)	416,629	–
(Increase)/decrease in inventories.....	2,231	22,850	(20,619)	(90.2)
Increase/(decrease) in employee benefit provisions and obligations, excluding borrowings.....	(25,441)	80,702	(106,143)	–
Change in accruals and deferrals under construction contracts.....	(49,971)	(144,010)	94,039	(65.3)
Income tax paid.....	(2,351)	(43,736)	41,385	(94.6)
Other	(615)	(2,717)	2,102	(77.4)

	As at Dec 31		Change	Change
	2013	2012	2013/2012	2013/2012
	PLN '000		PLN '000	%
	(audited)	(audited)		
Net cash from operating activities	39,968	(344,693)	384,661	–
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment and intangible assets...	1,502	2,234	(732)	(32.8)
Purchase of property, plant and equipment and intangible assets	(10,967)	(44,382)	33,415	(75.3)
Sale of financial assets	11,150	28,531	(17,381)	(60.9)
Purchase of financial assets	(5,177)	(7,912)	2,735	(34.6)
Decrease in cash resulting from loss of control of a subsidiary	–	(4,547)	4,547	–
Change in cash related to acquisition of a subsidiary	–	532	532	–
Dividends and interest received	627	1,079	(452)	(41.9)
Loans advanced	–	(34,271)	34,271	–
Repayment of loans advanced	–	16	(16)	–
Other	–	(16,176)	16,176	–
Net cash from investing activities	(2,865)	(74,896)	72,031	(96.2)
Cash flows from financing activities				
Payment of finance lease liabilities	(1,140)	(6,712)	5,572	(83.0)
Proceeds from borrowings	10,064	310,886	(300,822)	(96.8)
Repayment of borrowings	(44,879)	(469)	(44,410)	9,469.1
Interest paid	(13,558)	(14,068)	510	(3.6)
Bank fees	(1,795)	(30)	(1,765)	5,883.3
Other	586	673	(87)	(12.9)
Net cash from financing activities	(50,722)	290,280	(341,002)	–
Net increase/(decrease) in cash and cash equivalents	(13,619)	(129,309)	115,690	(89.5)
Net foreign exchange differences	(404)	(551)	147	(26.7)
Cash at the beginning of the period	68,743	198,603	(129,860)	(65.4)
Cash at the end of the period, of which:	54,720	68,743	(14,023)	(20.4)
- restricted cash	1,052	872	180	20.6

Source: Full-Year Consolidated Financial Statements.

Selected financial ratios

The Management Board evaluates the Group's results based on key profit, margin, debt and liquidity ratios which were not sourced directly from the Consolidated Financial Statements, but were calculated based on the financial information included in the Consolidated Financial Statements. The table below presents key ratios used by the Management Board in the analysis of the Group's operations in the periods indicated.

Selected financial ratios for the three months ended March 31st 2015 and March 31st 2014

The table below presents key ratios used by the Management Board in the analysis of the Group's operations in the three months ended March 31st 2015. The ratio analysis presented below for 2015 and 2014 was performed on the basis of the Interim Consolidated Financial Statements. The Q1 2014 financial data presented in the Interim Consolidated Financial Statements has been restated to ensure comparability in connection with the sale of FPM and the adjustment made to eliminate the financial results of FPM.

	3 months ended March 31	
	2015	2014
Gross profit margin (%) ¹	8.3	9.8
Net profit margin (%) ²	2.4	0.6
Operating profit margin (%) ³	2.8	1.4
Margin before extraordinary items (%) ⁴	2.3	2.3
Net profit margin (%) ⁵	0.8	1.8
Return on assets (%) ⁶	0.2	0.4

	3 months ended March 31	
	2015	2014
Return on equity (%) ⁷	0.8	1.1
Current ratio ⁸	1.1	1.1
Quick ratio ⁹	1.0	1.0
Average collection period (in days) ¹⁰	98	73
Inventory turnover (in days) ¹¹	7	17
Average payment period (in days) ¹²	89	96
Gearing ratio (%) ¹³	265.9	219.1
Bank debt ratio (%) ¹⁴	34.7	52.3
Long-term funding ratio (%) ¹⁵	32.3	36.2
Share of equity in financing of assets (%) ¹⁶	27.3	31.0
Equity financing of non-current assets (%) ¹⁷	98.0	98.0
Debt to assets (%) ¹⁸	72.6	67.8

Source: the Company.

¹ The Company defines and calculates gross profit margin as gross profit to net revenue from sale of products and merchandise.

² The Company defines and calculates net profit margin as net profit on sales to net revenue from sale of products and merchandise.

³ The Company defines and calculates operating profit margin as operating profit to net revenue from sale of products and merchandise.

⁴ The Company defines and calculates margin before extraordinary items as profit before extraordinary items to net revenue from sale of products and merchandise.

⁵ The Company defines and calculates net profit margin as net profit attributable to owners of the parent to net revenue from sale of products and merchandise.

⁶ The Company defines and calculates return on assets as net profit attributable to owners of the parent to total assets.

⁷ The Company defines and calculates return on equity as net profit attributable to owners of the parent to equity attributable to controlling interests at the beginning of the period.

⁸ The Company defines and calculates current ratio as current assets to current liabilities.

⁹ The Company defines and calculates quick ratio as current assets less inventories to current liabilities.

¹⁰ The Company defines and calculates average collection period (in days) as current trade receivables x 90 to net revenue from sale of products and merchandise.

¹¹ The Company defines and calculates inventory turnover as inventory x 90 to cost of sales.

¹² The Company defines and calculates average payment period as current trade payables x 90 to cost of sales.

¹³ The Company defines and calculates gearing ratio as non-current liabilities plus current liabilities to equity attributable to controlling interests.

¹⁴ The Company defines and calculates bank debt ratio as current and non-current loans and borrowings to equity attributable to controlling interests.

¹⁵ The Company defines and calculates long-term funding ratio as equity plus non-current liabilities to total assets.

¹⁶ The Company defines and calculates share of equity in financing of assets as equity to total assets.

¹⁷ The Company defines and calculates equity financing of non-current assets as equity to total assets.

¹⁸ The Company defines and calculates debt to assets as non-current liabilities plus current liabilities to total assets.

Selected financial ratios for the years ended December 31st 2014, 2013 and 2012

The table below presents key ratios used by the Management Board in the analysis of the Group's operations in the years ended December 31st 2014, 2013 and 2012. The ratio analysis for 2013 and 2014 presented below has been performed on the basis of the Full-Year Consolidated Financial Statements for 2014 based on financial data, while the ratio analysis for 2012 was performed on the basis of financial data for 2012 as restated in connection with the sale of FPM and the introduction of an adjustment consisting in elimination of the financial results of FPM (see *Operating and financial review - Presentation and comparability of financial information*).

	Year ended Dec 31		
	2014	2013	2012
	(audited)	(audited - restated)	(unaudited - restated)
Gross profit margin (%) ¹	10.2	5.7	8.3
Net profit margin (%) ²	3.7	(4.1)	2.5
Operating profit margin (%) ³	3.2	(4.0)	1.0
Margin before extraordinary items (%) ⁴	2.9	(18.8)	(0.3)
Net profit margin (%) ⁵	1.9	(18.1)	0.8
Return on assets (%) ⁶	2.0	(12.7)	0.8
Return on equity (%) ⁷	8.0	(32.3)	2.4
Current ratio ⁸	1.0	1.1	1.1
Quick ratio ⁹	1.0	1.0	1.1
Average collection period (in days) ¹⁰	76	69	84

	Year ended Dec 31		
	2014	2013	2012
	(audited)	(audited - restated)	(unaudited - restated)
Inventory turnover (in days) ¹¹	7	14	9
Average payment period (in days) ¹²	103	106	76
Gearing ratio (%) ¹³	271.6	272.6	209.2
Bank debt ratio (%) ¹⁴	42.7	90.8	69.7
Long-term funding ratio (%) ¹⁵	30.8	30.9	36.5
Share of equity in financing of assets (%) ¹⁶	26.3	26.6	32.1
Equity financing of non-current assets (%) ¹⁷	102.3	96.9	113.5
Debt to assets (%) ¹⁸	71.4	72.4	67.1

Source: the Company, unaudited.

¹ The Company defines and calculates gross profit margin as gross profit to net revenue from sale of products and merchandise.

² The Company defines and calculates net profit margin as net profit on sales to net revenue from sale of products and merchandise.

³ The Company defines and calculates operating profit margin as operating profit to net revenue from sale of products and merchandise.

⁴ The Company defines and calculates margin before extraordinary items as profit before extraordinary items to net revenue from sale of products and merchandise.

⁵ The Company defines and calculates net profit margin as net profit attributable to owners of the parent to net revenue from sale of products and merchandise.

⁶ The Company defines and calculates return on assets as net profit attributable to owners of the parent to total assets.

⁷ The Company defines and calculates return on assets as net profit attributable to owners of the parent to equity attributable to controlling interests at beginning of period.

⁸ The Company defines and calculates current ratio as current assets to current liabilities.

⁹ The Company defines and calculates quick ratio as current assets less inventories to current liabilities.

¹⁰ The Company defines and calculates average collection period (in days) as (current trade receivables x 360) to net revenue from sale of products and merchandise.

¹¹ The Company defines and calculates inventory turnover as (inventory x 360) to cost of sales.

¹² The Company defines and calculates average payment period as (current trade payables x 360) to cost of sales.

¹³ The Company defines and calculates gearing ratio as non-current liabilities plus current liabilities to equity attributable to controlling interests.

¹⁴ The Company defines and calculates bank debt ratio as current and non-current loans and borrowings to equity attributable to controlling interests.

¹⁵ The Company defines and calculates long-term funding ratio as (equity plus non-current liabilities) to total assets.

¹⁶ The Company defines and calculates share of equity in financing of assets as equity to total assets.

¹⁷ The Company defines and calculates equity financing of non-current assets as equity to total assets.

¹⁸ The Company defines and calculates debt to assets as non-current liabilities plus current liabilities to total assets.

OPERATING AND FINANCIAL REVIEW

The following operating and financial review has been prepared based on the Group's consolidated statements of comprehensive income, consolidated statements of financial position and consolidated statements of cash flows for the three months ended March 31st 2015 and 2014 and as at March 31st 2015 and 2014, and for the three years ended December 31st 2014, 2013 and 2012 and as at March 31st 2014, 2013 and 2012, extracted from the Consolidated Financial Statements.

The Full-Year Consolidated Financial Statements include the financial data of the Group for the period from January 1st 2012 to December 31st 2012, from January 1st 2013 to December 31st 2013, and from January 1st 2014 to December 31st 2014. The independent auditor issued qualified opinions on the Full-Year Consolidated Financial Statements referred to above, as discussed in Important Information – Presentation of financial information and other data – Qualifications regarding the Consolidated Financial Statements.

The Full-Year Consolidated Financial Statements for 2014 present the financial data of the Group for the financial years ended December 31st 2014 and December 31st 2013, which comprise all of the historical results of the Group following the adjustment for 2013, consisting in the elimination of the financial results of FPM. The financial results of FPM have been eliminated from the financial results of the Group to enable a year-on-year comparison of the Group's performance. The financial data of the Group for the financial year ended December 2013 is restated data. The fact that the Full-Year Consolidated Financial Statements for 2013 have not been adjusted by eliminating the financial results of FPM renders difficult a period-to-period comparison and analysis of the operating and financial performance of the Group for the last three financial years. For this reason this Prospectus also presents the financial data disclosed in the Full-Year Consolidated Financial Statements for 2013 that contain comparative data for the financial year ended December 31st 2012, including the financial results of FPM. This means that a financial review of the 2014 and 2013 financial years is presented based on the data sourced from the Full-Year Consolidated Financial Statements for 2014 and in the case of the 2013 and 2012 financial years – based on the data sourced from the Full-Year Consolidated Financial Statements for 2013. Since the financial position data and the statement of cash flows data in the Full-Year Consolidated Financial Statements for 2014 and 2013 do not differ, the respective data presented in this Prospectus is disclosed as at December 31st 2014, December 31st 2013 and December 31st 2012 and the 12-month periods ended on these dates.

The following discussion of the Group's operating results, financial position, and cash flows should be read in conjunction with the Consolidated Financial Statements and other financial information contained in other sections of this Prospectus (see Important Information – Presentation of financial information and other data). The discussion contains forward-looking statements which reflect the current judgements and opinions of the Management Board and by their nature involve certain risks and uncertainty. The actual results of the Group may be materially different from the results presented in the forward-looking statements owing to the factors described in this Section and in other parts of this Prospectus, in particular Risk factors (see Important Information– Forward-looking statements).

Some of the information presented in the operating and financial review below is not part of the Consolidated Financial Statements and has been neither audited nor reviewed by auditors. This information is not indicative of either past or future operating performance of the Group, and should not be used for analysing the Group's business separately from the Consolidated Financial Statements and other financial information contained elsewhere in this Prospectus. This information has been included in this Prospectus because the Company believes that it may be useful for the investors' assessment of the Group's business.

With respect to data for Q1 2015, the Interim Consolidated Financial Statements are condensed financial statements and do not include all the information and disclosures required to be given or made in full-year consolidated financial statements. The discussion of Q1 2015 presented in Operating and financial review contains references to items of the Interim Consolidated Financial Statements included in those statements. For a summary of the material accounting policies and estimates based on which the Consolidated Financial Statements have been prepared, see Most significant accounting policies, estimates and judgements below.

General information

The Group is one of Poland's and Europe's leading suppliers of environment-friendly and modern technologies for the energy and industry sectors. It has more than 60 years of experience, supported by credentials, in the design, production, construction and maintenance of power and environmental protection facilities. Since inception, the Group has been active abroad, operating for more than 50 years on such markets as the Balkans, India, Turkey, and the Czech Republic.

The Group's portfolio includes:

- air protection systems, including dust extraction equipment, flue gas desulfurization units, and flue gas denitrification units;
- power generation units and steam generators, including complete power generation units and steam generators alone (by type of fuel used, for instance: (i) hard-coal steam generators, (ii) lignite steam generators, (iii) oil/gas steam generators, (iii) biomass steam generators, or (iv) waste boilers);
- subassemblies and parts of power machinery and equipment, and structures; and
- other products and services, including auxiliary services.

The Group delivers the above products and services in the EPC model (end-to-end project management including design, procurement, manufacture, assembly/construction, and commissioning) and in a non-EPC model (design, procurement, manufacture, assembly/construction of a given product in various configurations, with procurement and manufacture as mandatory elements).

The Group operates its own production plants, with the overall workforce of 988 as at May 31st 2015. The main plant is located in Racibórz, along with the plant management staff, the head office, design and technology offices, as well as five production plants where high-pressure equipment is mainly produced. Electrostatic precipitators and their components are manufactured in Wry. As at the Prospectus Date, the Group's total production capacity for 2015 exceeded 1.4 million man-hour per year, with the potential to be increased to more than 1.6 million man-hour per year. The Group is currently Poland's and EU's leader in terms of the production capacity for high-pressure equipment.

The RAFAKO Group is the leading supplier of power steam generators and utility steam generators for power and industrial customers in Poland. As at the Prospectus Date, 75-80% of all steam generators installed in Poland (in terms of steam generation capacity) were delivered by the Group (according to Company data based on information provided by Agencja Rynku Energii). The most important facilities which use steam generators delivered by the Group include power plants in Bełchatów, Opole, Turów, Dolna Odra (all owned by PGE), Rybnik (EDF), Pątnów-Adamów-Konin, Koźienice (Enea), and power plants owned by Tauron Wytwarzanie, as well as Warsaw CHP Plants – Elektrociepłownie Warszawskie (PGNiG Termika), Wrocław CHP Plants – Zespół Elektrociepłowni Wrocławskich Kogeneracja, Łódź CHP Plants – Zespół Elektrociepłowni Łódź (Dalkia), and Zielona Góra CHP Plant – Elektrociepłownia Zielona Góra (EDF). The Group also delivered circulating fluidised bed (CFB) steam generators to the Żerań CHP Plant and Bielsko-Biała II CHP Plant (Tauron Wytwarzanie), Siersza Power Plant (Tauron Wytwarzanie), and Zakłady Farmaceutyczne Polpharma Starogard Gdański.

As regards environmental protection systems, the Group's completed and pending projects include environmental protection systems for power plants in Jaworzno III, Bełchatów, Pątnów, Ostrołęka, Dolna Odra, Siersza, Skawina, Trzebowice (Dalkia Czechy), Koźienice and Połaniec, as well as CHP plants in Siekierki and Łódź.

As at the Prospectus Date, the Group's overall workforce comprised 2,347 employees.

The RAFAKO Group's strategy envisages further consolidation of the Group's leading position in Poland and solid market standing in foreign markets, mainly through: (i) development of the technologies applied by the Group, especially proprietary ones; (ii) expansion and enhancement of the current mix of products and services; (iii) development of export sales; (iv) further optimisation of internal process management.

General factors with a bearing on the Group's operating and financial performance

The Group's operating and financial performance is chiefly affected by: (i) domestic and global economic situation; (ii) situation in the domestic and global power industry; (iii) trends in the energy sector; (iv) competition on the market of equipment for the energy sector; (v) financial standing and market position of the Group's customers, consortium partners, subcontractors and suppliers; (vi) market prices of materials used by the Group in manufacturing, market prices of services, and cost of employee benefits; (vii) currency exchange rates.

The key factors with a bearing on the Group's operating and financial performance in the period covered by historical financial information are discussed below. The Management Board believes that the above general factors have had and will continue to have an effect on the Group's operations, operating and financial performance, as well as financial position and growth prospects.

In addition to the factors discussed below and other information contained in this Section as well as in the *Risk factors* section of this Prospectus, as at the Prospectus Date the Company was unaware of any trends, uncertainties, demands, liabilities or events which could be reasonably expected to have a material effect on the Group's prospects in the current financial year.

For a detailed analysis of the actual effect of the above factors on the individual items of the Group's consolidated statement of comprehensive income, consolidated statement of financial position, and consolidated statement of cash flows for the specified periods and as at the specified dates, see *Results of operations* and *Cash flows* in this section.

Domestic and global economic situation

Operating in Poland and abroad, the Group supplies its products to customers on the domestic market, as well as to those in other European countries and in Asia. The Group's business is therefore dependent on macroeconomic conditions in Poland and Europe, and to a certain extent also in Asia, including real GDP, GDP growth, industrial output, and investment levels.

A factor of key relevance to the Group's operating and financial performance is the macroeconomic situation on the Polish market, which accounted for 89.4% of the Group's revenue in Q1 2015. The Polish economy is one of the fastest growing in the EU. According to Eurostat data, Poland maintained a solid real GDP growth of 3.3% in 2014. The country ranked sixth in the European Union in terms of population (38 million in 2014). With GDP at EUR 412.1bn (according to Eurostat), Poland's was the seventh largest economy in the EU in 2014 (see *Market environment – Economic situation in the European Union*).

Apart from the Polish market, the Group also distributes its products abroad. Products and services sold on foreign markets accounted for 10.6% of the Group's total revenue in Q1 2015. As one of the European market's leading manufacturers of steam generators and steam generator parts, the Group supplies its products to customers operating in Europe, including in EU member states, Switzerland, Turkey and the Balkans. In 2014, some of the steam generator parts manufactured by the Group were also sold in Turkey and India.

Accounting for 28.3% of the Group's total sales, Tauron Wytwarzanie was the Group's key customer on the Polish market in Q1 2015, generating revenue of PLN 79.4m for the Group. Sales to this customer were chiefly connected with the Jaworzno Project.

With a share of 5.4% in the Group's total sales, Hitachi Zosen was the Group's key foreign customer in Q1 2015, accounting for PLN 15.1m in revenue. Sales to this customer included the delivery of a boiler for a municipal waste incineration facility located in Calvert, Buckinghamshire, UK.

As the Group also operates in other European countries, chiefly within the European Union, the macroeconomic conditions there have a bearing on the Group's business and financial performance (see *Market environment – Macroeconomic environment – Economic situation in the European Union*).

Situation in the domestic and global power industry

The Group's core customer group comprises chiefly domestic and foreign commercial and industrial power plants, as well as foreign and domestic suppliers of power engineering facilities. Therefore, conditions on the energy market (both electricity and heat generation), particularly in the countries which are the Group's core markets, have a bearing on the Group's production volumes and financial performance (see *Market environment – Macroeconomic environment – Economic situation in the European Union*).

The power sector is strongly regulated by Polish and EU law, especially as regards electricity generation and renewable energy sources. The main focus of these regulations is to protect the environment and reduce the share of energy from coal in the energy mix (see *Regulatory environment*). Recent years have seen changes, including the increasingly stringent environmental protection requirements, which have had a positive effect on the Company's operations, particularly in respect of its products and services related to air protection and environmental protection equipment, which is the largest contributor to the Company's revenue.

The Group is exposed to risks related to the impact of political decisions made by governments and public authorities on the markets where it operates, especially Poland, as well as by EU institutions. Political decisions may affect (i) the energy policy directions, (ii) changes in legal regulations, including those which have an impact on the power sector, aimed to implement them, and (iii) the rate of their implementation (see *Market environment*).

Recent years have seen changes in policy regarding investments in the electricity generation sector in the EU, including in Poland, and accompanying shifts in electricity market regulations.

The structure of electricity generation in individual countries primarily depends on its fuel resources and natural generation capacities. Most countries use coal (hard coal and lignite) as their main power-generating fuel. At the same time, the share of renewable energy in the mix has been growing steadily across Europe. The share of fossil fuels (coal, lignite, crude oil and natural gas) in domestic gross final energy consumption in the EU (28 states) declined slightly from 83% in 1990 to 74.6% in 2012. Meanwhile, the share of renewable energy in domestic gross final energy consumption increased from 4.3% in 1990 to 15% in 2013, with nuclear energy going up from 12.3% (1990) to 13.5% (2012). Nonetheless, the coal industry continues to have a major effect on the sector in which the Group operates.

In accordance with URE's data, electricity in Poland in 2013 was principally generated in coal-fired (52% of domestic production) and lignite-fired plants (35% of domestic production). In Poland, the share of wind and other renewable energy sources has been rising consistently, accounting for 11.3% of the total final consumption of energy in 2013 (up 0.4% on 2012). As at the Prospectus date, a series of legislative changes are planned in Poland which will have a direct effect on the operation and shape of the energy sector. This refers primarily to the Polish Nuclear Power Programme (under which at least two nuclear power plants are to be built) and the changes associated with the Act on Renewable Energy Sources of February 20th 2015 (designed to promote the development of renewable energy sources in Poland by replacing the green certificate system with an auction system), which became effective on May 4th 2015. However, the regulations on the change of the systems will take effect on January 1st 2016.

The structure of electricity production has a material effect on the demand for specific equipment and facilities in the energy sector – for products and services of the manufacturers of power machinery and equipment, such as the Group.

In Poland, recent years have seen some slowdown in the execution of power generation projects (due to, among other things, the economic downturn in late 2012/early 2013). As a result, a number of ongoing investment projects have been delayed by about 2 years, and some projects have been suspended (e.g. Elektrownia Północ and Elektrownia Cieczott power plants). In accordance with the Group's data, the cost of both development and replacement projects in the power segment until 2020 is estimated at about PLN 129bn. Delays in power generation projects affect the financial situation of the entities operating on the market, including the Group. Revenues decline, with the cost of projects remaining unchanged at specific levels, depending on project progress.

Since the energy sector plays a crucial role in ensuring the efficiency of national economies, individual countries create their own internal systems to secure an uninterrupted and stable supply of electricity to customers. To ensure energy security as well as efficient and reliable operation of the energy system, it is necessary to expand and upgrade the existing generation facilities and to pursue new projects. The strategic importance of the power sector is vital to the industry's further growth and the scale of investment projects.

Defining and implementing an energy policy is one of the priority objectives of the EU. In this respect, the EU concentrates primarily on building a uniform internal electricity market by expanding the network of cross-border interconnectors and developing internal industry infrastructures of individual countries, which is intended to increase the cross-country exchange of electricity.

As part of realising the idea of a uniform energy market in the EU, the European Commission maintains a list of 'Projects of common interest'. In accordance with Commission's assumptions, the list features projects aiming to develop the connections between EU member states, including projects in the gas and electricity sector pursued in Poland. These actions will definitely serve to boost investment projects in the energy sector.

In accordance with BP Energy Outlook 2035, the demand for electricity in Europe is expected to decline slightly over the long term, i.e. by 6% until 2035. In 2013, the EU generated a total of 3,261.07 TWh of electricity, with (i) Germany (633.15 TWh), (ii) France (572.05 TWh) and (iii) the United Kingdom (359.15 TWh) as the main contributors. In accordance with the International Energy Agency's data, electricity consumption in the EU in 2012 stood at 2,796.61 TWh, with Germany, France and the United Kingdom accounting for 525.8 TWh, 434.09 TWh and 317.5 TWh of that figure, respectively.

Energy policy is also a matter of priority importance in Poland, both in a short- and a long-term perspective. Key objectives of Poland's current energy policy are the following: better energy efficiency, improved fuel and energy supply security based on internal resources (chiefly hard coal and lignite), diversified electricity generation structure, and higher utilisation of renewable energy sources, including biofuels. This strategy is conducive to the development of the energy industry in Poland, particularly taking into account the forecast increase in demand for electricity and customers' need for supply security.

In accordance with the data presented by Polskie Sieci Elektroenergetyczne, energy consumption in Poland in 2014 stood at 158.73 TWh, which represented a 0.49% increase on 2013, when domestic electricity consumption was 157.98 TWh, having grown 0.62% on 2012. A gross total of 156.56 TWh of electricity was generated in Poland in 2014, a decline of 3.65% from 162.5 TWh in 2013, which was 1.66% higher than in 2012. The demand for electricity is expected to increase in the coming years, which will encourage power companies to expand their current generation capacities.

As at the Prospectus Date, apart from the projects pursued by the Group (i.e. the Opole and Jaworzno Projects), three most advanced projects to construct power generating units can be specifically mentioned: (i) construction of a 450 MW CCGT unit, with a 240 MW heating unit, in Stalowa Wola for Tauron/PGNiG by Spain's Abener Energia, valued at PLN 1.6bn (VAT exclusive) – the unit will be placed in service in 2015; (ii) construction of a 1,075 MW hard coal-fired unit at the Kozienice power plant for Enea by Polime in cooperation with Hitachi Power Systems Europe, valued at PLN 5.1bn (VAT exclusive), and (iii) construction of a 473 MWe gas-fired unit at the Włocławek power plant for PKN Orlen by the General Electric International and SNC-Lavalin Polska consortium, with a value estimated at about PLN 1.4bn (VAT exclusive).

Furthermore, a contract was executed in 2014 for the design and construction of a high-efficiency lignite-fired 450 MW unit at the Turów Power Plant in Bogatynia for PGE by Mitsubishi Hitachi Power Systems Europe, Budimex, MHPS Europe GmbH and Tecnicas Reunidas Energia, with a value of approximately PLN 4bn. A tender was also announced for the construction a 413 MWe CCGT unit with full infrastructure at the Łagisza Power Plant in Będzin for Tauron Wytwarzanie and Polskie Inwestycje Rozwojowe, with a value of about PLN 1.5bn.

Competition on the market on which the Group operates

Competition on the Polish and foreign power equipment markets has a significant bearing on the Group's revenue, margins and, consequently, financial performance.

Competition on the Group's market has increased in recent years on the back of lower demand for, and steady supply of, products and services for the power sector, such as steam generators and power generation units. The market has shrunk, both in terms of the number of entities putting out contracts to tender, who are the Group's natural customers, and in terms of the number of projects run. At the same time, the number of suppliers offering products and services for the power sector has remained unchanged. Additionally, fiercer competition on the Group's market can be traced to markets with lower operating costs, such as China.

Financial standing and market position of the Group's customers, consortium partners, subcontractors and suppliers

The Group's operations and financial standing in the period covered by the historical financial information were, and will continue to be, affected by the financial standing and market position of: (i) the customers for the Group's products and services, (ii) the partners in the Group's consortium, and (iii) the subcontractors providing services, including procurement services, to the Group.

Contracts for the Group's projects usually provide for a pre-defined remuneration payable to the Group, typically not subject to change in the course of contract performance. Contract settlement depends on individual contract terms. The Group may: (i) receive an advance payment for its work under the contract and then receive remuneration from customers for completing individual stages of the project; or (ii) receive a lump-sum remuneration after completing the project – only in the case of contracts with a duration of several months to one year. The final settlement of a contract may take place in instalments or may occur a long time after contract execution. During the contract's performance or in the time until its completion and full settlement the financial situation of the employer may change.

Furthermore, for the purposes of some projects, the Group forms consortia with other companies, which participate in performing a specific project and are responsible for its specific stages. In the majority of cases, the Group also partners with subcontractors providing procurement services which do not fall within the Group's business profile, but are needed to complete a given contract. The performance by these entities of their delegated tasks and their financial situation have a bearing on timely execution of the Group's projects and, consequently, the remuneration it receives under specific contracts and the contractual penalties it may have to pay if a project is not completed on time. The Group recognises provisions for contractual penalties for time overruns. The Group is faced with periodic increases in the cost of engaging subcontractors, including the cost of their remuneration, which may have an adverse effect on the prices offered by the Group Companies and, in consequence, the Group's margins.

Market prices of materials used by the Group in manufacturing, market prices of services, and cost of employee benefits

The key item of the Group's operating expenses is the cost of raw materials and consumables used to manufacture the Group's products, which includes the cost of equipment, materials and services. In Q1 2015, the cost of raw materials and consumables used was PLN 93.2m, accounting for 33.6% of total operating expenses. At PLN 125.1m, the cost of services represented 45.0% of total operating expenses. Employee benefit expenses are another major item of operating expenses, accounting for 19.0%, 16.0%, 19.2% and 19.8% of the Group's total expenses in the three months ended March 31st 2015 and the financial years ended December 31st 2014, 2013 and 2012, respectively (2013 and 2012 values based on restated data).

With respect to its production activities, the Group relies on external suppliers for pipes, metal sheets, shaped materials, welding materials and specialist equipment, as well as various services, including design work, delivery and assembly of machines and equipment, construction and installation services and transport. The range of purchases depends heavily on the nature and requirements of individual orders (customised production).

The actual level of the Group's expenses depends on factors beyond its control, such as availability of raw materials and services, and prices of raw materials procured from third parties (see *Risk factors – Risks specific to the Group – Risk of increased operating costs resulting from higher prices of supplies and services and increased employee benefit expenses.*)

Foreign exchange rates

In the period covered by the historical financial information, a significant portion of the Group's revenue was denominated in foreign currencies, primarily the euro. In Q1 2015 and in 2014, 2013 and 2012 some 8.5%, 16.5%, 35% and 50%, respectively, was denominated in foreign currencies. Therefore, changes in the rate of exchange of the zloty to other currencies, particularly the euro, have and will continue to have a bearing on the Group's financial and operating performance and its financial standing.

As at March 31st 2015, with the exchange rate of PLN/EUR at 4.0890 used for the measurement of open income and expense positions expressed in the euro, a PLN 0.01 change in the PLN/EUR exchange rate would result in a change of the zloty value of the Group's open expense item by about PLN 0.8m, while appreciation of the zloty against the euro will have a positive effect on the Group's result.

The strategy of currency risk management followed by the Group Companies is to use natural hedging to the largest possible extent. Therefore, the Group Companies strive to achieve the highest possible level of structural matching of income and expenses denominated in the same currency and related to running contracts. Apart from natural hedging, the Group can hedge between 30% and 70% of its net exposure to foreign exchange risk by means of approved derivative instruments (e.g. FX forwards) available on the market (see *Risk factors - Risks relating to macroeconomic conditions and the sector in which the Group operates - Currency risk*).

Special factors with a bearing on the Group's operating and financial performance

In the period under analysis, the following significant factors affected the Group's operating and financial performance: (i) financial standing of the main owner of the Group's Parent; (ii) the Group's limited ability to obtain guarantee facilities in view of PBG's arrangement proceedings; (iii) conclusion of material contracts by Group Companies, (iv) effect of the contract performance timetable on recognising revenue and expenses in the Group's Financial Statements and (v) corporate income tax paid on the Company's gain on disposal of shares in FPM.

The special factors with a bearing on the Group's operating and financial performance, discussed below, are specific to the Group and they affected the Group's operations in the period under analysis. However, in the Group's opinion, they are not extraordinary factors.

Financial standing of the main owner of the Group's Parent;

On June 13th 2012, PBG, the Parent of RAFAKO, declared itself insolvent in voluntary arrangement. The event materially affected the Group's structure as ENERGMONTAŻ-POŁUDNIE, acquired by RAFAKO from PBG in 2011, was deconsolidated and its results were excluded from the Group's financial statements for the year ended December 31st 2012.

The acquisition of shares in ENERGMONTAŻ-POŁUDNIE S.A. was disclosed in the Group's financial statements for the financial year ended December 31st 2011. As PBG was declared insolvent in voluntary arrangement, obtaining control of ENERGMONTAŻ-POŁUDNIE was found ineffective. Consequently, the Group concluded with PBG an agreement for the reverse transfer of ENERGMONTAŻ-POŁUDNIE shares and lost control of the company. The full amount of the claim under the reverse transfer, PLN 160.1m, has been included in the proof of the Company's claim to the bankruptcy estate of PBG and is on the list of claims acknowledged by the court supervisor. Following the loss of control of ENERGMONTAŻ-POŁUDNIE and

the reverse transfer of its shares, the Group recognised the related receivables in the Consolidated Financial Statements for 2012 and 2013. The Group measures the receivables based on the expected cash inflows to the Company. Given PBG's updated arrangement proposals and the expected date of the Company's receiving the first instalment of cash inflows, in line with the receivables measurement method adopted by the Company, as at March 31st 2015, the Company recognised receivables of PLN 29.1m (PLN 29.2m as at the Prospectus Date).

In the period covered by the historical financial information, the Group's operating and financial performance was also affected by the measurement of receivables from Hydrobudowa Polska, which is in liquidation bankruptcy as at the Prospectus Date. On January 10th 2012, the Company executed a loan agreement with Hydrobudowa Polska, under which RAFAKO granted Hydrobudowa Polska a cash loan of PLN 32m, repayable on January 9th 2013, to finance the company's day-to-day operations. On June 11th 2013, Hydrobudowa Polska was declared bankrupt by liquidation. In view of the above circumstances, on September 21st 2012 the Management Board filed a claim as part of the PBG bankruptcy arrangement proceedings in order to seek the return of the loan. The fair value of the recognised receivable was estimated based on the expected cash inflows to RAFAKO, assuming an 80% reduction of the receivables, and the expected date of RAFAKO receiving the first instalment of the receivables. Based on the assumptions described above, as at March 31st 2015 the receivables was measured at PLN 5.9m and remained unchanged as at the Prospectus Date.

The measurement of the receivables from PBG under the reverse transfer of shares and of the receivables from Hydrobudowa Polska under the loan agreement materially affected the Group's financial performance in 2012–2014 as well as in the three months ended March 31st 2015. In accordance with the relevant accounting policy, as at March 31st 2015 the Company measured total non-current receivables from PBG at PLN 35.1m (PLN 35.2m as at the Prospectus Date) (see *Risk Factors – Risks specific to the Group – PBG and Hydrobudowa Polska may fail to repay the Company's claims in full or in part*).

The Group's limited ability to obtain guarantee facilities in view of PBG's arrangement proceedings

As at the Prospectus Date, the Group had access to financing in the form of revolving guarantee facilities and a short-term credit facility in a total amount of PLN 295.9m, including: (i) PLN 200.0m available under the MPCF Agreement, of which PLN 150.0m was available as an overdraft facility and PLN 50.0m as a guarantee facility; (ii) PLN 0.5m available under a working capital facility and (iii) PLN 95.0m available under guarantee limits provided by insurance institutions.

Ability to obtain guarantee facilities in amounts enabling the Group to acquire and perform contracts materially affects the Group's operating and financial performance. Limitation, even if temporary, of the ability to obtain guarantee facilities (used by the Group as performance bonds issued by financial institutions at the Group's request) means that the Group has to commit its own funds in the form of cash deposits or that the employer may retain part of the remuneration due to the Group and hold the funds as direct security for the employer's benefit, and that the Group has to commit its own funds to finance project execution at the initial stage given the limited ability to obtain an advance payment due to the inability to provide an advanced payment guarantee. This might in turn adversely affect the Group's financial liquidity. Numerous factors may limit the ability to obtain guarantee facilities, including damage to or loss of the Group's or its related entities' reputation, as well as the financial standing of the Group Companies, in particular the Parent.

The PBG arrangement proceedings pending since 2012 have a material adverse effect on the Group's ability to obtain guarantee facilities, which adversely affects the Group's ability to acquire and perform contracts.

Conclusion and performance of material contracts by Group Companies

The Group's revenue to a significant extent depends on the Group Companies' concluding material contracts for the provision of services as part of the Group's core business. The revenue has an effect on the Group's operating and financial performance. The power industry, which is the main area of the Group's activity, is characterised by a limited number of investment projects, as well as a limited number of companies that operate in the industry and are potential customers for the Group. These factors determine the Group's ability to acquire new projects of significant value. Consequently, the number of orders executed in individual years may not be comparable and the value of projects executed by the Group may vary significantly, which has a bearing on the Group's revenue.

In the period covered by the historical financial information, the Group concluded a number of material contracts, including in particular: (i) the contract for the execution of the Opole Project, (ii) the contract for the execution of the Jaworzno Project, (iii) the contracts concluded with EDF Polska Group companies for the execution of various projects for individual companies of the EDF Group (see *Overview of the Group's business – Material agreements*). In 2012–2013, the Group's order book did not change significantly, and materially increased in 2014.

As at March 31st 2015, the value of the Group's order book was approximately PLN 5.5bn. The largest contract in the Group's order book is for the construction of a generating unit at the Jaworzno Power Plant (see *Overview*

of the Group's business – Material agreements – Material agreements executed in the ordinary course of the Group's business, particularly important to the Group's performance – Contracts and agreements related to the execution of the Jaworzno Project), with a value of approximately PLN 4.4bn. Of that figure, about PLN 0.4bn is the value of the work to be executed by the Company and about PLN 4.0bn is the value of the work to be executed through E003B7, the SPV established for the purposes of the Jaworzno Project and subcontracted by the Company to perform approximately 90% of Project's scope of work.

Between 2012 and Q1 2015, the share of large contracts (i.e. contracts with a unit value of PLN 5m or more) in total revenue from products and services exceeded 93.0%, and the margin realised on those contracts was approximately 5.5pp higher than the margin planned in the initial budgets of individual contracts. In the period under analysis, the Group had 63 such large contracts in its order book.

The Group takes steps designed to acquire further material contracts (see *Overview of the Group's business – Contracting and project execution processes*). The steps taken include participation in numerous tender proceedings for the construction of generating units and supply of power generation equipment, as well as intensification of marketing efforts addressed to a defined customer group.

Effect of the contract performance timetable on recognising revenue and expenses in the Group's Financial Statements

In the period covered by the historical financial information, the Group was performing contracts whose execution is planned for several years. These contracts are accounted for using the percentage of completion method. Each large contract executed by the Group typically includes schedules of payments for individual project milestones. However, a contract may be rescheduled, for reasons not necessarily attributable to the Group. Differences between the original schedule and the actual cost structure result in a shift in revenue timing. Consequently, the Group records deviations of revenue and expenses from the planned structure, which affects the Group's financial performance.

Corporate income tax paid on the Company's gain on disposal of shares in FPM

On December 30th 2014, the Company concluded with TDJ a preliminary agreement for the sale of 1,376,508 shares in FPM, conferring the right to 1,376,508 votes at the general meeting of FPM (82.19% of total vote). Under the preliminary agreement, the Company agreed to sell the shares in FPM to TDJ S.A. for PLN 48m. The preliminary agreement was concluded under the following conditions precedent: (i) TDJ obtaining clearance for the business concentration from the President of the Office of Competition and Consumer Protection (President of UOKiK); or TDJ's request for clearance being returned following President of UOKiK's declaration that there was no obligation to request such clearance; or the expiry of the deadline for the clearance without any decision on business concentration issued by the President of UOKiK; and (ii) the Company obtaining the Supervisory Board's approval for the sale of FPM shares. Once the conditions precedent were fulfilled, the final agreement was executed on February 23rd 2015 and 1,376,508 FPM shares were sold for PLN 48m. Following the transaction, the Company holds no FPM shares. The Group's financial data for the year ended December 31st 2014, presented in the Consolidated Financial Statements for 2014, include an adjustment consisting in the elimination of the financial results of FPM as discontinued operations following the sale of FPM. The financial data for the year ended December 31st 2013, presented in the Annual Consolidated Financial Statements, was restated after the recognition of discontinued operations following the sale of FPM (see *Operating and financial review – Presentation and comparability of financial information*).

In the Interim Consolidated Financial Statements, in the data for Q1 2015 the Group disclosed income tax of PLN 4.1m, which included, among other components, PLN 2.2m of income tax related to the sale of FPM shares, a non-recurring event, unrelated to the Group's operating activity, which had a negative effect on the Group's financial result. In the Management Board's opinion, without this payment, the Group's net profit for the three months ended March 31st 2015 would be PLN 4.4m, up by 33.3% year on year.

Important events subsequent to March 31st 2015

On April 30th 2015, an annex to the MPCF Agreement was signed. Under the annex, the period of availability and repayment of the overdraft facility and the availability period of bank guarantees issued by PKO BP were extended.

On May 13th 2015, acting under Art. 444, Art. 446 and Art. 447 of the Commercial Companies Code and Art. 7a of the Company's Articles of Association, the Management Board adopted the following resolutions to increase the Company's share capital within the limit of authorised share capital by no less than PLN 2 and no more than PLN 30,663,996, through the issue of no fewer than 1 (one) and no more than 15,331,998 Series J ordinary bearer shares with a par value of PLN 2 per share ("Series J Shares"): (i) Management Board's Resolution No. 47 to increase the Company's share capital within the limit of authorised share capital through the issue of Series J ordinary bearer shares, disapply all pre-emptive rights with respect to Series J Shares, and amend the Company's Articles of Association ("**Private Placement Resolution**"), and (ii) Management Board's

Resolution No. 48 to increase the Company's share capital within the limit of authorised share capital through the issue of Series J ordinary bearer shares, disapply all pre-emptive rights with respect to Series J shares, amend the Company's Articles of Association, and seek admission and introduction of Company Series J Shares to trading on the regulated market operated by the Warsaw Stock Exchange, and to convert Series J Shares into book-entry form (see *Appendices*) ("**Open Subscription Resolution**") (jointly "**Management Board Resolutions**"). Following the adoption of the Management Board Resolutions, the Management Board resolved that it was in the best interest of the Company that the pre-emptive rights of the then existing shareholders with respect to series J Shares should be fully disapplied. In the opinions of the Management Board concerning both Resolutions of the Management Board, the Management Board indicated that the full disapplication of the pre-emptive rights of the Company's existing shareholders to Series J Shares will enable the Company to raise necessary financing in a quick and flexible manner.

On May 13th 2015, the Supervisory Board passed a resolution to approve the disapplication, under the Management Board Resolutions, of the existing shareholders' pre-emptive rights with respect to Series J ordinary bearer Shares issued within the limit of authorised share capital.

Under the Private Placement Resolution, in accordance with the obligation set forth in Section 5 of the EGM Resolution, the Management Board decided to offer no fewer than 1 and no more than 15,331,998 Series J Shares with a par value of PLN 2 per share ("**Pre-Emptive Right**") to the Company's shareholders holding directly at least 10% of Company shares on the date of adoption of the EGM Resolution ("**Entitled Shareholders**") in a private placement within the meaning of Art. 431.2.1 of the Commercial Companies Code, and to disapply the pre-emptive rights of the Company's existing shareholders ("**Private Placement**"). Pursuant to the Private Placement Resolution, the Entitled Shareholders may exercise the Pre-Emptive Right within 30 days as of the date of the Private Placement Resolution.

In the Open Subscription Resolution, provided that all or part of Series J Shares are not acquired by the Eligible Shareholders by the deadline defined for the execution of the Pre-Emptive Right, that is within 30 days as of the date of the Private Placement Resolution, the Management Board resolved to offer no fewer than one and no more than 15,331,998 Series J Shares (which are not acquired in the Private Placement) by way of an open subscription within the meaning of Art. 431.2.2 of the Commercial Companies Code, with the pre-emptive rights of the existing shareholders disapplied, carried out as a public offering within the meaning of Art. 3.3 of the Public Offering Act.

On June 9th 2015, the Management Board received, from each of the Eligible Shareholders, that is from PBG and Multaros, statements in which each of the Eligible Shareholders separately declared that it did not intend to exercise its Pre-Emptive Right or participate in the Private Placement, irrespective of the final terms and conditions of the Private Placement. The Eligible Shareholders also represented to the Company that they waived all of their rights and claims with respect to the Private Placement. Following the receipt by the Management Board of the aforementioned statements from PBG and Multaros, taking any further steps relating to the Private Placement became irrelevant as at the Prospectus Date.

On May 29th 2015, an annex to the MPCF Agreement was signed. Under the annex, the period of availability and repayment of the overdraft facility and the availability period of guarantees issued by PKO BP under the MPCF Agreement were extended until May 31st 2016. Under the annex, the Company also undertook to amend a joint contractual mortgage by covering with the mortgage the claims arising in connection with disbursements made under bank guarantees issued under the MPCF Agreement. The annex also provides for additional security for the facility repayment, in the form of the Company's representation on submission to enforcement, made in the form of a notary deed under Art. 777 of the Code of Civil Procedure.

Financial projections

In the period covered by the historical financial information, the Company did not publish financial projections or estimates. As at the Prospectus Date, the current Management Board does not intend to publish financial projections or estimates.

Pro forma information

This Prospectus does not contain pro forma financial information.

This Prospectus does not contain any pro forma financial information as there exist no reasons for presenting such information as defined in Art. 4a of Regulation No. 809/2004 and Regulation No. 211/2007, nor did there arise any circumstances resulting in a significant gross change in the Issuer's situation within the meaning of Regulation No. 809/2004 or Regulation No. 211/2007.

Presentation and comparability of financial information

With respect to the data for Q1 2015, the Interim Consolidated Financial Statements contain the Group's financial information for the three months ended March 31st 2015 and 2014, including all of the Group's historical results after the adjustment made with respect to the financial data for Q1 2014, which consisted in eliminating the financial data of FPM as discontinued operations following the sale of FPM (see *Overview of the Group's business – Material agreements – Material agreements executed outside the Group's ordinary course of business – sale of shares in FPM*).

The table below presents the most important presentation adjustments to the Q1 2014 data, made with respect to the statement of comprehensive income for Q1 2014.

	3 months ended Mar 31 2014	Adjustment	3 months ended Mar 31 2014
	(unaudited)		(restated)
	PLN '000		
Continuing operations			
Revenue	202,392	(18,584)	183,808
Revenue from sale of products.....	196,851	(13,625)	183,226
Revenue from sale of materials.....	5,541	(4,959)	582
Costs of sales	(181,913)	16,101	(165,812)
Gross profit/(loss)	20,479	(2,483)	17,996
Other income	1,715	(12)	1,703
Distribution costs	(8,467)	353	(8,114)
Administrative expenses.....	(10,833)	2,038	(8,795)
Other expenses	(292)	11	(281)
Profit/(loss) from continuing operations	2,602	(93)	2,509
Finance income	4,387	(157)	4,230
Finance costs	(2,504)	62	(2,442)
Profit/(loss) before tax	4,485	(188)	4,297
Income tax	(1,009)	34	(975)
Net profit/(loss) from continuing operations	3,476	(154)	3,322
Discontinued operations			
Pre-tax (loss) for the financial year from discontinued operations.....	–	188	188
Income tax – discontinued operations	–	(34)	(34)
(Loss) for the financial year from discontinued operations	–	154	154
Net profit/(loss), including:	3,476	0	3,476
Net profit/(loss) attributable to owners of the Parent	3,368	0	3,368
Net profit/(loss) attributable to non-controlling interests.....	108	0	108
Other comprehensive income for the period	222	0	222
Exchange differences on translating foreign operations	(23)	0	(23)
Actuarial gains/(losses)	302	0	302
Income tax on other comprehensive income.....	(57)	0	(57)
Total comprehensive income, including:	3,698	0	3,698
Owners of the Parent.....	3,590	0	3,590
Non-controlling interests.....	108	0	108

Source: the Company.

The Full-Year Consolidated Financial Statements for 2014 contain the Group's financial data for the financial years ended December 31st 2014 and 2013, including all of the Group's historical results after the adjustment made with respect to the financial data for 2013, which consisted in eliminating the financial data of FPM as discontinued operations following the sale of FPM (see *Overview of the Group's business – Material agreements – Material agreements executed outside the Group's ordinary course of business – sale of shares in FPM*). The fact that the Full-Year Consolidated Financial Statements for 2013 have not been adjusted by eliminating the financial results of FPM renders difficult a period-to-period comparison and analysis of the operating and financial performance of the Group for the last three financial years. For this reason this Prospectus also presents the financial data disclosed in the Full-Year Consolidated Financial Statements for 2013 that contain comparative data for the financial year ended December 31st 2012, including the financial results of FPM. The

table below sets forth the most important presentation adjustments to the data for the financial year 2013, made with respect to the statement of comprehensive income for 2013.

	12 months ended Dec 31 2013	Adjustment	12 months ended Dec 31 2013
	<i>(audited)</i>		<i>(restated)</i>
	<i>PLN '000</i>		
Continuing operations			
Revenue	836,015	(87,912)	748,103
Revenue from sale of goods	806,617	(61,526)	745,091
Revenue from sale of materials.....	29,398	(26,386)	3,012
Costs of sales	(778,330)	73,196	(705,134)
Gross profit/(loss).....	57,685	(14,716)	42,969
Other income	4,732	(29)	4,703
Distribution costs	(40,991)	1,977	(39,014)
Administrative expenses.....	(43,536)	8,628	(34,908)
Other expenses	(3,586)	116	(3,470)
Profit/(loss) from continuing operations	(25,696)	(4,024)	(29,720)
Finance income	16,379	(899)	15,480
Finance costs	(32,150)	241	(31,909)
Effect of changes in estimates on valuation of receivables from related entities in arrangement bankruptcy	(94,205)	0	(94,205)
Profit/(loss) before tax	(135,672)	(4,682)	(140,354)
Income tax	1,024	947	1,971
Net profit/(loss) from continuing operations	(134,648)	(3,735)	(138,383)
Discontinued operations			
Profit/(loss) from discontinued operations	–	3,735	3,735
Net profit for the year	(134,648)	0	(134,648)
Other comprehensive income for the period	(816)	52	(764)
<i>Items to be reclassified to profit/(loss) in subsequent reporting periods</i>			
Exchange differences on translating foreign operations	(328)	0	(328)
Other net comprehensive income to be reclassified to profit/(loss) in subsequent reporting periods	(328)	0	(328)
<i>Items not subject to reclassification to profit/(loss) in subsequent reporting periods</i>			
Other comprehensive income due to actuarial gains/(losses)	(601)	64	(537)
Tax on other comprehensive income.....	113	(12)	101
Other comprehensive income not subject to reclassification to profit/(loss) in subsequent reporting periods	(488)	52	(436)
Comprehensive income attributable to:	(135,464)	52	(135,412)
Owners of the Parent.....	(136,165)	52	(136,113)
Non-controlling interests	701	0	701

Source: the Company.

The table below sets forth the most important presentation adjustments to the data for the financial year 2012, made with respect to the statement of comprehensive income for 2012.

	12 months ended Dec 31 2012	Adjustment	12 months ended Dec 31 2012
	<i>(audited)</i>		<i>(restated)</i>
	<i>PLN '000</i>		
Continuing operations			
Revenue	1,291,391	(56,188)	1,235,203
Revenue from sale of products.....	1,270,509	(52,358)	1,218,151
Revenue from sale of materials.....	20,882	(3,830)	17,052
Costs of sales	(1,176,807)	44,026	(1,132,781)
Gross profit	114,584	(12,162)	102,422
Other income	18,847	(122)	18,725
Distribution costs	(27,451)	1,733	(25,718)
Administrative expenses.....	(53,928)	8,265	(45,663)
Other expenses	(37,006)	135	(36,871)
Profit from continuing operations	15,046	(2,151)	12,895
Finance income	16,762	(1,336)	15,426
Finance costs	(34,683)	844	(33,839)
Result on loss of control of a subsidiary by owners of the Parent.....	1,955	0	1,955
Profit/(loss) before tax	(920)	(2,643)	(3,563)
Income tax	(26,379)	550	(25,829)
Net profit/(loss) from continuing operations	(27,299)	(2,093)	(29,392)
Profit/(loss) before tax from discontinued operations	-	2,643	2,643
Income tax – discontinued operations	-	(550)	(550)
Profit/(loss) from discontinued operations	-	2,093	2,093

Source: the Company.

The table below sets forth the most important presentation adjustments to the data for the financial year 2012, made with respect to the income tax in 2012.

	12 months ended Dec 31 2012	Adjustment	12 months ended Dec 31 2012
	<i>(audited)</i>		<i>(restated)</i>
	<i>PLN '000</i>		
Continuing operations			
<i>Current income tax</i>	(1,284)	502	(782)
Current income tax expense	(1,284)	502	(782)
Adjustments to current income tax from previous years.....	-	-	-
<i>Deferred tax</i>	(25,095)	48	(25,047)
Related to recognition and reversal of temporary differences	(25,095)	48	(25,047)
Adjustments to deferred tax from previous years	-	-	-
Income tax expense in the consolidated statement of profit or loss	(26,379)	550	(25,829)
<i>Deferred tax on other comprehensive income</i>	-	-	-
Related to recognition and reversal of temporary differences	-	-	-
Income tax expense recognised in other comprehensive income ...	-	-	-
Discontinued operations			
<i>Current income tax</i>	-	(502)	(502)
Current income tax expense	-	(502)	(502)
Adjustments to current income tax from previous years.....	-	-	-

	12 months ended Dec 31 2012	Adjustment	12 months ended Dec 31 2012
	(audited)		(restated)
	PLN '000		
Deferred tax.....	–	(48)	(48)
Related to recognition and reversal of temporary differences	–	(48)	(48)
Adjustments to deferred tax from previous years	–	–	–
Income tax expense in the consolidated statement of profit or loss	–	(550)	(550)
Deferred tax on other comprehensive income	–	–	–
Related to recognition and reversal of temporary differences	–	–	–
Income tax expense recognised in other comprehensive income ...	–	–	–

Source: the Company.

Business segments

According to the Consolidated Financial Statements, the Group operated in the following business segments: (i) power and environmental protection facilities; (ii) furnaces and mills (operations discontinued as at the Prospectus Date), and (iii) other segments.

The Group's power and environmental protection facilities segment offers power generating units, stoker-fired boilers, pulverised fuel boilers, stationary and circulating fluidised bed boilers; heat recovery steam generators; systems and facilities ancillary to power boilers; wet, semi-dry and dry flue gas desulfurization systems; flue gas denitrification technologies; dust extraction equipment, including electrostatic precipitators and bag filters, as well as industrial and municipal waste incineration systems. The Group is a supplier to both commercial and industrial power plants.

Other segments are made up of those segments which do not meet the quantitative thresholds set out in IFRS 8, including property management and design services provided by other Group Companies.

The Management Board monitors the segments' operating performance to make decisions on allocation of resources and evaluate the results of the allocation as well as the results of operations. Results of operations are evaluated based on operating profit or loss.

As part of its operations in the furnaces and mills segment, the Group offered lignite and hard coal mills, automatic stokers and extension grates, slag traps used in heat and power generating machinery and equipment, as well as spare parts. The segment's core customers included mostly power plants and CHP plants. The power and environmental protection facilities segment was an important intra-group customer for the products of the furnaces and mills segment. As at the Prospectus Date, the Group's operations in this segment were discontinued following the sale of FPM (see *Overview of the Group's business – Material agreements – Material agreements executed outside the Group's ordinary course of business – sale of shares in FPM*).

The table below presents information on the Group's financial results generated in the individual operating segments in the three months ended March 31st 2015. (Interim Consolidated Financial Statements with respect to data for Q1 2015)

3 months ended March 31st 2015 or as at March 31st 2015 (unaudited)	Continuing operations					
	Power and environmental protection facilities	Other segments	Segments – total	Furnaces and mills – discontinued operations	Eliminations and unallocated items	Total
	PLN '000					
Revenue						
Sales to external customers	274,249	1,799	276,048	8,542	(4,498)	280,092
Inter-segment sales.....	156	3,933	4,089	–	(4,089)	–
Total revenue	274,405	5,732	280,137	8,542	(8,587)	280,092
Costs of sales	(246,522)	(4,651)	(251,173)	(7,023)	1,331	(256,865)
Total						
Gross profit (loss)	27,883	1,081	28,964	1,519	(7,256)	23,227
Other income (expenses)	(14,577)	(912)	(15,489)	(1,594)	1,604	(15,479)
Operating profit (loss).....	13,306	169	13,475	(75)	(5,652)	7,748

3 months ended March 31st 2015 or as at March 31st 2015 (unaudited)	Continuing operations					
	Power and environmental protection facilities	Other segments	Segments – total	Furnaces and mills – discontinued operations	Eliminations and unallocated items	Total
	PLN '000					
Finance income (costs)	(883)	81	(802)	(57)	(550)	(1,409)
Profit (loss) before tax	12,423	250	12,673	(132)	(6,202)	6,339
Income tax	(5,161)	(121)	(5,282)	11	1,219	(4,052)
Net profit (loss) from continuing operations	7,262	129	7,391	(121)	(4,983)	2,287
Depreciation and amortisation	2,745	255	3,000	265	(19)	3,246
Share of profit of associates	–	–	–	–	–	–
Assets and liabilities as at Mar 31 2015 (unaudited)						
Assets	1,100,220	48,310	1,148,530	–	(38,111)	1,110,419
Liabilities	803,896	11,980	815,876	–	(9,476)	806,400
Other information						
Investments in associates	–	–	–	–	–	–
Capital expenditure	5,132	55	5,187	–	–	5,187

Source: Interim Consolidated Financial Statements.

The table below presents information on the Group's financial results generated in the individual operating segments in the three months ended March 31st 2014. (Interim Consolidated Financial Statements with respect to data for Q1 2015)

3 months ended March 31st 2014 or as at March 31st 2014 (unaudited, restated)	Continuing operations					
	Power and environmental protection facilities	Other segments	Segments – total	Furnaces and mills – discontinued operations	Eliminations and unallocated items	Total
	PLN '000					
Revenue						
Sales to external customers	182,127	3,483	185,610	16,782	(18,584)	183,808
Inter-segment sales	313	4,604	4,917	1,803	(6,720)	–
Total revenue	182,440	8,087	190,527	18,585	(25,304)	183,808
Costs of sales	(165,531)	(6,886)	(172,417)	(16,101)	22,706	(165,812)
Total						
Gross profit (loss)	16,909	1,201	18,110	2,484	(2,598)	17,996
Other income (expenses)	(14,777)	(720)	(15,497)	(2,389)	2,399	(15,487)
Operating profit (loss)	2,132	481	2,613	95	(199)	2,509
Finance income (costs)	1,744	40	1,784	95	(91)	1,788
Profit (loss) before tax	3,876	521	4,397	190	(290)	4,297
Income tax	(993)	(3)	(996)	(34)	55	(975)
Net profit (loss) from continuing operations	2,883	518	3,401	156	(235)	3,322
Depreciation and amortisation	2,553	211	2,764	391	(19)	3,136
Share of profit of associates	–	–	–	–	–	–
Assets and liabilities as at Mar 31 2014 (unaudited)						
Assets	1,127,771	47,494	1,175,265	79,170	(328,603)	925,832
Liabilities	867,698	12,101	879,799	15,110	(267,054)	627,855
Other information						

3 months ended March 31st 2014 or as at March 31st 2014 <i>(unaudited, restated)</i>	Continuing operations					Total
	Power and environmental protection facilities	Other segments	Segments – total	Furnaces and mills – discontinued operations	Eliminations and unallocated items	
	PLN '000					
Investments in associates.....	–	–	–	–	–	–
Capital expenditure.....	1,387	66	1,453	118	–	1,571

Source: Interim Consolidated Financial Statements.

The table below presents information on the Group's financial results generated in the individual operating segments in the year ended December 31st 2014. (Full-Year Consolidated Financial Statements for the financial year 2014).

12 months ended Dec 31 2014 or as at Dec 31 2014 <i>(audited)</i>	Continuing operations					Total
	Power and environmental protection facilities	Other segments	Segments – total	Furnaces and mills – discontinued operations	Eliminations and unallocated items	
	PLN '000					
Revenue						
Sales to external customers	1,175,898	9,754	1,185,652	71,191	(73,371)	1,183,472
Inter-segment sales.....	778	25,811	26,589	-	(26,589)	-
Total revenue	1,176,676	35,565	1,212,241	71,191	(99,960)	1,183,472
Costs of sales	(1,070,062)	(29,372)	(1,099,434)	(56,758)	92,829	(1,063,363)
Total						
Gross profit (loss).....	106,614	6,193	112,807	14,433	(7,131)	120,109
Other income (expenses)	(77,598)	(4,783)	(82,381)	(9,756)	9,747	(82,390)
Operating profit (loss).....	29,016	1,410	30,426	4,677	2,616	37,719
Finance income (costs)	(530)	164	(366)	228	(3,164)	(3,302)
Profit (loss) before tax	28,486	1,574	30,060	4,905	(548)	34,417
Income tax	(4,125)	(409)	(4,534)	(940)	(345)	(5,819)
Net profit (loss) from continuing operations	24,361	1,165	25,526	3,965	(893)	28,598
Depreciation and amortisation	10,422	920	11,342	1,572	(76)	12,838
Share of profit of associates	-	-	-	-	-	-
Assets and liabilities as at Dec 31 2014						
Assets	1,099,636	51,256	1,150,892	72,907	(77,237)	1,146,562
Liabilities	821,898	15,242	837,140	14,874	(18,906)	833,108
Other information						
Investments in associates.....	-	-	-	-	-	-
Capital expenditure	16,197	1,233	17,430	1,243	(118)	18,555

Source: Full-Year Consolidated Financial Statements.

The table below presents information on the Group's financial results generated in its individual operating segments in the year ended December 31st 2013. (Full-Year Consolidated Financial Statements for the financial year 2013).

12 months ended Dec 31 2013 or as at Dec 31 2013 (restated)	Continuing operations					Total
	Power and environmental protection facilities	Other segments	Segments – total	Furnaces and mills – discontinued operations	Eliminations and unallocated items	
PLN '000						
Revenue						
Sales to external customers	739,333	10,971	750,304	85,711	(87,912)	748,103
Inter-segment sales.....	256	9,854	10,110	2,201	(12,311)	–
Total revenue	739,589	20,825	760,414	87,912	(100,223)	748,103
Costs of sales	(700,564)	(16,864)	(717,428)	(73,196)	85,490	(705,134)
Total						
Gross profit (loss).....	39,025	3,961	42,986	14,716	(14,733)	42,969
Other income (expenses)	(70,298)	(2,413)	(72,711)	(10,692)	10,714	(72,689)
Operating profit (loss).....	(31,273)	1,548	(29,725)	4,024	(4,019)	(29,720)
Finance income (costs)	(16,554)	108	(16,446)	658	(641)	(16,429)
Result on loss of control of a subsidiary.....	(94,205)	–	(94,205)	–	–	(94,205)
Profit (loss) before tax	(142,032)	1,656	(140,376)	4,682	(4,660)	(140,354)
Income tax	2,249	(274)	1,975	(947)	943	1,971
Net profit (loss) from continuing operations	(139,783)	1,382	(138,401)	3,735	(3,717)	(138,383)
Depreciation and amortisation	10,243	789	11,032	1,688	(75)	12,645
Share of profit of associates	–	–	–	–	–	–
Assets and liabilities as at Dec 31 2013						
Assets	1,008,360	44,888	1,053,248	80,694	(68,540)	1,065,402
Liabilities	751,407	10,190	761,597	16,788	(7,072)	771,313
Other information						
Investments in associates.....	–	–	–	–	–	–
Capital expenditure	4,049	906	4,955	3,257	(118)	8,094

Source: Full-Year Consolidated Financial Statements.

The table below presents information on the Group's financial results generated in its individual operating segments in the year ended December 31st 2013. (Full-Year Consolidated Financial Statements for the financial year 2013).

12 months ended Dec 31 2013 or as at Dec 31 2013 (audited)	Continuing operations					Total
	Power and environmental protection facilities	Other segments	Furnaces and mills	Eliminations and unallocated items		
PLN '000						
Revenue						
Sales to external customers	739,333	10,971	85,711	–	–	836,015
Inter-segment sales.....	256	9,854	2,201	(12,311)	–	–
Total revenue	739,589	20,825	87,912	(12,311)	–	836,015
Costs of sales	(700,564)	(16,864)	(73,196)	12,294	–	(778,330)
Total						
Gross profit (loss)	39,025	3,961	14,716	(17)	–	57,685
Other income (expenses)	(70,298)	(2,413)	(10,692)	22	–	(83,381)
Operating profit (loss).....	(31,273)	1,548	4,024	5	–	(25,696)

12 months ended Dec 31 2013 or as at Dec 31 2013 (audited)	Continuing operations				
	Power and environmental protection facilities	Other segments	Furnaces and mills	Eliminations and unallocated items	Total
	PLN '000				
Finance income (costs)	(16,554)	108	658	17	(15,771)
Effect of changes in estimates on valuation of receivables from related entities in arrangement bankruptcy	(94,205)	-	-	-	(94,205)
Profit (loss) before tax	(142,032)	1,656	4,682	22	(135,672)
Income tax	2,249	(274)	(947)	(4)	1,024
Net profit (loss) from continuing operations	(139,783)	1,382	3,735	18	(134,648)
Depreciation and amortisation	10,243	789	1,688	(75)	12,645
Share of profit of associates	-	-	-	-	-
Assets and liabilities as at Dec 31 2013					
Assets	1,008,361	44,887	80,694	(68,540)	1,065,402
Liabilities	751,407	10,190	16,788	(7,072)	771,313
Other information					
Investments in associates	-	-	-	-	-
Capital expenditure	4,049	906	3,257	(118)	8,094

Source: Full-Year Consolidated Financial Statements.

The table below presents information on the Group's financial results generated in its individual operating segments in the year ended December 31st 2012. (Full-Year Consolidated Financial Statements for the financial year 2013).

12 months ended Dec 31 2012 or as at Dec 31 2012 (audited)	Continuing operations				
	Power and environmental protection facilities	Furnaces and mills	Other segments	Eliminations and unallocated items	Total
	PLN '000				
Revenue					
Sales to external customers	1,218,438	55,476	17,477	-	1,291,391
Inter-segment sales	12,077	712	4,220	(17,009)	-
Total revenue	1,230,515	56,188	21,697	(17,009)	1,291,391
Costs of sales	(1,129,821)	(44,026)	(20,161)	17,201	(1,176,807)
Total					
Gross profit (loss)	100,694	12,162	1,536	192	114,584
Other income (expenses)	(88,467)	(10,011)	(1,059)	(1)	(99,538)
Operating profit (loss)	12,227	2,151	477	191	15,046
Finance income (costs)	(18,499)	491	146	(59)	(17,921)
Result on loss of control of a subsidiary	1,955	-	-	-	1,955
Profit (loss) before tax	(4,317)	2,642	623	131	(920)
Income tax	(25,650)	(550)	(161)	(18)	(26,379)
Net profit (loss) from continuing operations	(29,967)	2,092	462	113	(27,299)
Depreciation and amortisation	15,447	1,846	471	(75)	17,689
Share of profit of associates	-	-	-	-	-
Assets and liabilities as at Dec 31 2012					
Assets	1,247,699	79,548	45,458	(66,294)	1,306,411
Liabilities	850,208	19,326	11,204	(3,880)	876,858
Other information					

12 months ended Dec 31 2012 or as at Dec 31 2012 (audited)	Continuing operations				
	Power and environmental protection facilities	Furnaces and mills	Other segments	Eliminations and unallocated items	Total
	PLN '000				
Investments in associates.....	–	–	–	–	–
Capital expenditure	23,551	3,833	19,842	–	47,226

Source: Full-Year Consolidated Financial Statements.

Overview of selected items of the consolidated statement of comprehensive income

The discussion below presents selected items of the Consolidated Financial Statements. For more information on accounting policies used by the Group in the preparation of its historical financial information, see *Most significant accounting policies, estimates and judgements* and Notes to the Consolidated Financial Statements. The Consolidated Financial Statements were prepared in accordance with the International Financial Reporting Standards as endorsed by the EU.

Revenue comprises: (i) revenue from sale of products and services, and (ii) revenue from sale of materials.

Revenue from sale of goods and services includes: (i) net revenue (including from related entities) from sale of products; (ii) net revenue (including from related entities) from sale of services; (iii) net revenue (including from related entities) from sale of other products; (iv) gain/(loss) on realisation of derivative instruments; (v) gain (loss) on measurement of derivative instruments; (vi) contractual penalties; (vii) realised foreign exchange differences on trade receivables; and (viii) foreign exchange differences concerning valuation of trade receivables.

Other income comprises mostly (i) income from contractual penalties; (ii) compensations received, and (iii) subsidies. However, the share of the above items in other income varied depending on the financial year.

Cost of sales comprised mostly: (i) cost of services; (ii) raw materials and consumables used; (iii) salaries and wages; and (iv) social security and other benefits.

Corporate income tax on profit or loss for the financial year comprises current and deferred income tax. Current tax is the expected tax on taxable income for a given year, determined using tax rates effective or substantially effective as at the reporting date, and any changes to income tax payable in respect of previous years' income. Current income tax is mainly dependent on the amount of gross profit reported for the period.

Results of operations

Overview of the three-month periods ended March 31st 2015 and 2014

The table below presents the Group's consolidated statements of comprehensive income for the periods indicated.

	3 months ended March 31st		Difference	Change
	2015	2014	2015/2014	2015/2014
	PLN '000		PLN '000	%
	(unaudited)	(unaudited, restated)		
Continuing operations				
Revenue	280,092	183,808	96,284	52.4
Revenue from sale of products.....	279,536	183,226	96,310	52.6
Revenue from sale of materials.....	556	582	(26)	(4.5)
Costs of sales	(256,865)	(165,812)	(91,053)	54.9
Gross profit/(loss)	23,227	17,996	5,231	29.1
Other income	1,340	1,703	(363)	(21.3)
Distribution costs	(6,808)	(8,114)	1,306	(16.1)
Administrative expenses.....	(9,706)	(8,795)	(911)	10.4
Other expenses	(305)	(281)	(24)	8.5
Profit/(loss) from continuing operations	7,748	2,509	5,239	208.8
Finance income	937	4,230	(3,293)	(77.8)
Finance costs	(2,346)	(2,442)	96	(3.9)
Profit/(loss) before tax	6,339	4,297	2,042	47.5

	3 months ended March 31st		Difference	Change
	2015	2014	2015/2014	2015/2014
	PLN '000		PLN '000	%
	(unaudited)	(unaudited, restated)		
Income tax	(4,052)	(975)	(3,077)	315.6
Net profit/(loss) from continuing operations	2,287	3,322	(1,035)	(31.2)
Discontinued operations				
Profit/(loss) from discontinued operations.....	(55)	154	(209)	(135.7)
Net profit for the year	2,232	3,476	(1,244)	(35.8)
Other comprehensive income for the period.....	(215)	222	(437)	(196.8)
<i>Items to be reclassified to profit/(loss) in subsequent reporting periods</i>				
Exchange differences on translating foreign operations	(79)	(23)	(56)	243.5
Exchange differences on translating foreign operations attributable to non-controlling interests.....	(5)	–	(5)	–
Other net comprehensive income to be reclassified to profit/(loss) in subsequent reporting periods	(84)	(23)	(61)	265.2
<i>Items not subject to reclassification to profit/(loss) in subsequent reporting periods.....</i>				
Other comprehensive income due to actuarial gains/(losses)	(162)	302	(464)	(153.6)
Tax on other comprehensive income.....	31	(57)	88	(154.4)
Other net comprehensive income not subject to reclassification to profit/(loss) in subsequent reporting periods	(131)	245	(376)	(153.5)
Total comprehensive income for the period.....	2,017	3,698	(1,681)	(45.5)
Net profit/(loss) attributable to:.....	2,232	3,476	(1,244)	(35.8)
Owners of the Parent.....	2,195	3,368	(1,173)	(34.8)
Non-controlling interests	37	108	(71)	(65.7)
Comprehensive income attributable to:.....	2,017	3,698	(1,681)	(45.5)
Owners of the Parent.....	1,985	3,590	(1,605)	(44.7)
Non-controlling interests	32	108	(76)	(70.4)
Earnings/(loss) per share:				
Basic earnings/(loss) per share, PLN	0.03	0.05	(0.02)	(40.0)

Source: Interim Consolidated Financial Statements.

Revenue from sale of products and materials in Q1 2015 reached PLN 280.1m, up by 52.4% (PLN 96.3m) on Q1 2014 (PLN 183.8m). The increase in revenue from sale of products in Q1 2015 was attributable mostly to: (i) greater (year on year) progress of running contracts, primarily due to the different progress of contracts in the RAFAKO order book as at March 31st 2014 and March 31st 2015; and (ii) a positive adjustment to the sales figure following reversal of provisions for contractual penalties.

Cost of sales in Q1 2015 reached PLN 256.9m, up by 54.9% (PLN 91.1m) on Q1 2014 (PLN 165.8m). Higher cost of sales reported in Q1 2015 was attributable mostly to: (i) higher cost exposure to running contracts in 2015, with gross margin on ongoing contracts slightly higher than in Q1 2014; and (ii) the positive effect of change in provisions for contractual penalties on gross profit.

Other income in Q1 2015 was PLN 1.3m, down by 21.3% (PLN 0.4m) on the corresponding period of the previous year (Q1 2014: PLN 1.7m). In Q1 2015, other income was determined mostly by income from contractual penalties and compensations received of PLN 0.5m (Q1 2014: PLN 0.6m), and gain on sale of property, plant and equipment of PLN 0.2m.

Other expenses in Q1 2015 amounted to PLN 0.31m, up by 0.02m (8.5%) on the corresponding period of the previous year (Q1 2014: PLN 0.28m). Other expenses chiefly included donations and subsidies, worth PLN 0.2m.

Finance income in Q1 2015 was PLN 0.9m, down by 77.8% (PLN 3.3m) on the corresponding period of the previous year (Q1 2014: PLN 4.2m). The decrease in finance income in Q1 2015 was attributable to lower year-on-year interest received on financial instruments, which in Q1 2015 amounted to PLN 0.6m, compared with PLN 2.9m in the corresponding period of 2014.

Finance costs in Q1 2015 were PLN 2.3m, down by 3.9% (PLN 0.1m) on the corresponding period of the previous year (Q1 2014: PLN 2.4m). Lower finance costs in Q1 2015 were mostly due to lower debt levels, resulting in lower interest expense on financial instruments.

Income tax in Q1 2015 was PLN 4.1m, up by 315.6% (PLN 3.1m) on the same period of the previous year (PLN 1.0m in Q1 2014). This sharp rise was due to a non-recurring event, unrelated to the Group's operating activity, consisting in payment of income tax on the gain generated by the Company in connection with the sale of shares in FPM. In the Interim Consolidated Financial Statements, the Group disclosed income tax of PLN 4.1m, which, among other components, included PLN 2.2m of income tax related to the sale of FPM shares. The sale was a non-recurring event, unrelated to the Group's operating activity, which had a negative effect on the Group's financial performance (see *Operating and financial review – Special factors with a bearing on the Group's operating and financial performance – Corporate income tax paid on the Company's gain on disposal of shares in FPM*).

In the periods ended March 31st 2015 and March 31st 2014, key items of income tax were as follows:

	3 months ended March 31st		Difference	Change
	2015	2014	2015/2014	2015/2014
	PLN '000		PLN '000	%
	(unaudited)	(unaudited, restated)		
Continuing operations				
Consolidated statement of profit or loss.....				
Current income tax	(10,767)	(1,788)	(8,979)	502.18%
Current income tax expense	(10,767)	(1,788)	(8,979)	502.18%
Adjustments to current income tax from previous years.....	-	-	-	-
Deferred tax.....	6,715	813	5,902	725.95
Related to recognition and reversal of temporary differences	6,715	813	5,902	725.95
Adjustments to deferred tax from previous years.....	-	-	-	-
Income tax expense in the consolidated statement of profit or loss	(4,052)	(975)	(3,077)	315.59
Deferred tax on other comprehensive income	31	(57)	88	(154.39)
Related to recognition and reversal of temporary differences	31	(57)	88	(154.39)
Income tax expense recognised in other comprehensive income	31	(57)	88	(154.39)

Source: Interim Consolidated Financial Statements.

	3 months ended March 31st		Difference	Change
	2015	2014	2015/2014	2015/2014
	PLN '000		PLN '000	%
	(unaudited)	(unaudited, restated)		
Discontinued operations				
Consolidated statement of profit or loss.....				
Current income tax	(20)	(68)	48	(70.59)
Current income tax expense	(20)	(68)	48	(70.59)
Adjustments to current income tax from previous years.....	-	-	-	-
Deferred tax.....	31	34	(3)	(8.82)
Related to recognition and reversal of temporary differences	31	34	(3)	(8.82)
Adjustments to deferred tax from previous years.....	-	-	-	-
Income tax expense in the consolidated statement of profit or loss	11	(34)	45	(132.35)
Deferred tax on other comprehensive income	-	-	-	-
Related to recognition and reversal of temporary differences	-	-	-	-
Income tax expense recognised in other comprehensive income	-	-	-	-

Source: Interim Consolidated Financial Statements.

Profit from continuing operations for the three months ended March 31st 2015

In Q1 2015, the Group's pre-tax profit from continuing operations was PLN 6.3m and was higher by 47.5% (PLN 2.0m) compared with the corresponding period of 2014. The Group's net profit for Q1 2015 was PLN 2.3m. In the Interim Consolidated Financial Statements, in the data for Q1 2015 the Group disclosed income tax of PLN 4.1m, which included, among other components, PLN 2.2m of income tax related to the sale of FPM shares, a non-recurring event, unrelated to the Group's operating activity, which had a negative effect on the Group's financial result. In the Management Board's opinion, without this payment, the Group's net profit for the three months ended March 31st 2015 would be PLN 4.4m, up by 33.3% year on year.

Overview of the financial years ended December 31st 2014 and 2013

The table below presents the Group's consolidated statement of comprehensive income for the periods indicated.

	12 months ended Dec 31		Difference	Change
	2014	2013	2014/2013	2014/2013
	PLN '000		PLN '000	%
	(audited)	(restated)		
Continuing operations				
Revenue	1,183,472	748,103	435,369	58.2
Revenue from sale of products.....	1,181,452	745,091	436,361	58.6
Revenue from sale of materials.....	2,020	3,012	(992)	(32.9)
Costs of sales	(1,063,363)	(705,134)	(358,229)	50.8
Gross profit/(loss)	120,109	42,969	77,140	179.5
Other income	5,342	4,703	639	13.6
Distribution costs	(31,483)	(39,014)	7,531	(19.3)
Administrative expenses.....	(45,189)	(34,908)	(10,281)	29.5
Other expenses	(11,060)	(3,470)	(7,590)	218.7
Profit/(loss) from continuing operations	37,719	(29,720)	67,439	-
Finance income	6,598	15,480	(8,882)	(57.4)
Finance costs	(9,900)	(31,909)	22,009	(69.0)
Effect of changes in estimates on valuation of receivables from related entities in arrangement bankruptcy	-	(94,205)	94,205	-
Profit/(loss) before tax	34,417	(140,354)	174,771	-
Income tax	(5,819)	1,971	(7,790)	-
Net profit/(loss) from continuing operations	28,598	(138,383)	166,981	-
Discontinued operations				
Profit/(loss) from discontinued operations	(4,814)	3,735	(8,549)	-
Net profit for the year	23,784	(134,648)	158,432	-
Other comprehensive income for the period	(4,004)	(764)	(3,240)	424.1
<i>Items to be reclassified to profit/(loss) in subsequent reporting periods</i>				
Exchange differences on translating foreign operations	56	(328)	384	-
Exchange differences on translating foreign operations attributable to non-controlling interests.....	(5)	-	(5)	-
Other net comprehensive income to be reclassified to profit/(loss) in subsequent reporting periods	51	(328)	379	-
<i>Items not subject to reclassification to profit/(loss) in subsequent reporting periods</i>				
Other comprehensive income due to actuarial gains/(losses)	(5,005)	(537)	(4,468)	832.0
Tax on other comprehensive income.....	950	101	849	840.6
Other comprehensive income not subject to reclassification to profit/(loss) in subsequent reporting periods	(4,055)	(436)	(3,619)	830.0
Total comprehensive income for the period	19,780	(135,412)	155,192	-
Net profit/(loss) attributable to:.....	23,784	(134,648)	158,432	-
Owners of the Parent.....	22,583	(135,349)	157,932	-
Non-controlling interests.....	1,201	701	500	71.3
Comprehensive income attributable to:.....	19,780	(135,412)	155,192	-
Owners of the Parent.....	18,584	(136,113)	154,697	-

	12 months ended Dec 31		Difference	Change
	2014	2013	2014/2013	2014/2013
	PLN '000		PLN '000	%
	(audited)	(restated)		
Non-controlling interests	1,196	701	495	70.6
Earnings/(loss) per share:				
Basic earnings/(loss) per share, PLN	0.32	(1.94)	2.26	-

Source: Full-Year Consolidated Financial Statements.

Revenue from sale of products and services was PLN 1,181.5m in the year ended December 31st 2014, and was higher by 58.6% (PLN 436.4m) than in the year ended December 31st 2013 (PLN 745.1m). Higher revenue from sale of goods in 2014 was attributable mostly to: (i) greater progress of contract performance relative to 2013; and (ii) higher weighted average margin accounted for on contracts in 2014 compared with the margin reported in 2013.

In the years ended December 31st 2014 and 2013, revenue from sale of goods and services comprised:

	12 months ended Dec 31		Difference	Change
	2014	2013	2014/2013	2014/2013
	PLN '000		PLN '000	%
	(audited)	(restated)		
Net revenue from sale of products	1,130,694	698,618	432,076	61.8
including: from related entities	-	12,365	(12,365)	-
Net revenue from sale of services	63,606	54,461	9,145	16.8
including: from related entities	-	(14)	14	-
Net revenue from sale of other products	-	-	-	-
including: from related entities	-	-	-	-
Gain /(loss) on realisation of derivatives	-	(33)	33	-
Gain /(loss) on valuation of derivatives	-	(53)	53	-
Contractual penalties	(13,445)	(7,477)	(5,968)	79.8
Realised exchange differences on trade receivables	(753)	(2,769)	2,016	(72.8)
Exchange differences on valuation of trade receivables	1,350	2,344	(994)	(42.4)
Net revenue from sale of goods and services, total	1,181,452	745,091	436,361	58.6
including: from related entities	-	12,351	(12,351)	-

Source: Full-Year Consolidated Financial Statements.

Cost of sales was PLN 1,063.4m in the year ended December 31st 2014, and was higher by 50.8% (PLN 358.3m) than in the year ended December 31st 2013 (PLN 705.1m). Higher cost of sales reported in 2014 was attributable mostly to higher costs incurred under ongoing contracts compared with 2013, which was reflected in higher revenue generated in 2014.

In the years ended December 31st 2014 and 2013, cost of sales comprised:

	12 months ended Dec 31		Difference	Change
	2014	2013	2014/2013	2014/2013
	PLN '000		PLN '000	%
	(audited)	(restated)		
Depreciation and amortisation	12,838	10,957	1,881	17.2
Raw materials and consumables used	534,072	250,666	283,406	113.1
Services	406,660	335,819	70,841	21.1
Taxes and duties	6,565	7,520	(955)	(12.7)
Salaries and wages	151,808	119,792	32,016	26.7
Social security and other benefits	33,715	27,518	6,197	22.5
Business travel expenses	6,985	6,663	322	4.8
Advertising expenses	3,719	2,395	1,324	55.3
Unrealised exchange differences	1,457	786	671	85.4

	12 months ended Dec 31		Difference	Change
	2014	2013	2014/2013	2014/2013
	PLN '000		PLN '000	%
	(audited)	(restated)		
Realised exchange differences	264	156	108	69.2
Other expenses	1,912	2,995	(1,083)	(36.2)
Total expenses by nature	1,159,995	765,267	394,728	51.6
Change in inventories, provisions, prepayments and accruals (including the adjustment required under IAS 11)	(21,237)	11,880	(33,117)	-
Work performed by entity and capitalised	(743)	(1,670)	927	(55.5)
Distribution costs (negative value)	(31,483)	(39,014)	7,531	(19.3)
Administrative expenses (negative value).....	(45,189)	(34,908)	(10,281)	29.5
Cost of products sold	1,061,343	701,555	359,788	51.3
Cost of materials sold	2,020	3,579	(1,559)	(43.6)
Costs of sales	1,063,363	705,134	358,229	50.8

Source: Full-Year Consolidated Financial Statements.

Other income was PLN 5.3m in the year ended December 31st 2014, and was higher by 13.6% (PLN 0.6m) than in the year ended December 31st 2013 (PLN 4.7m). The increase in other income in 2014 was attributable mostly to (i) higher income from contractual penalties received in 2014 compared with 2013, and (ii) reversal of the provision for amounts due to the state budget.

In the years ended December 31st 2014 and 2013, other income comprised:

	12 months ended Dec 31		Difference	Change
	2014	2013	2014/2013	2014/2013
	PLN '000		PLN '000	%
	(audited)	(restated)		
Income from contractual penalties.....	1,539	610	929	152.3
Gain on sale of property, plant and equipment	790	981	(191)	(19.5)
Grants.....	174	515	(341)	(66.2)
Compensation received	244	1,313	(1,069)	(81.4)
Reversal of provision for amounts due to the state budget	990	-	990	-
Reversal of impairment loss on property, plant and equipment	-	55	(55)	-
Income from free-of-charge acquisition of property, plant and equipment.....	-	98	(98)	-
Reimbursed cost of training of juvenile workers.....	553	471	82	17.4
Lease	-	-	-	-
Income from cancelled liabilities.....	960	138	822	595.7
Other	92	522	(430)	(82.4)
Other income	5,342	4,703	639	13.6

Source: Full-Year Consolidated Financial Statements.

Other expenses were PLN 11.1m in the year ended December 31st 2014, and were higher by 218.7% (PLN 7.6m) than in the year ended December 31st 2013 (PLN 3.5m). In 2014, the increase in other expenses was due mostly to: (i) recognition of provisions for the cost of disputed claims and disputes with the Group's selected trading partners; and (ii) recognition of an impairment loss on receivables.

In the years ended December 31st 2014 and 2013, other expenses comprised:

	12 months ended Dec 31		Difference	Change
	2014	2013	2014/2013	2014/2013
	PLN '000		PLN '000	%
	(audited)	(restated)		
Loss on scraping of tangible assets.....	256	363	(107)	(29.5)
Loss on disposal of tangible assets.....	89	-	89	-
Donations and grants.....	500	357	143	40.1
Recognition of impairment loss on receivables.....	1,768	-	1,768	-
Repairs of property, plant and equipment.....	102	177	(75)	(42.4)
Scrapping of materials.....	38	212	(174)	(82.1)
Impairment of property, plant and equipment.....	419	-	419	-
Legal costs.....	119	343	(224)	(65.3)
Bailiff costs.....	-	579	(579)	-
Power Engineer's Day organisation cost.....	332	380	(48)	(12.6)
Past-due, cancelled and uncollectible receivables written off.....	20	103	(83)	(80.6)
Recognition of provision for cost of litigation and disputed claims.....	5,014	500	4,514	902.8
Compensations paid.....	1,790	-	1,790	-
Other.....	613	456	157	34.4
Other expenses	11,060	3,470	7,590	218.7

Source: Full-Year Consolidated Financial Statements.

Other income was PLN 6.6m in the year ended December 31st 2014, and was lower by 57.4% (PLN 8.9m) than in the year ended December 31st 2013 (PLN 15.5m). The drop in finance income in 2014 was due to the lack of income from the discount (non-current accounts receivable and payable) associated with receivables from related entities in arrangement bankruptcy. In 2013, the Group recognised PLN 8.6m of income from such discount, after PBG presented in 2013 its arrangement proposals to its creditors as part of the PBG arrangement proceedings. Since in 2014 these arrangement proposals did not change, in 2014 the Group recognised no income from the discount (non-current accounts receivable and payable) (see *Overview of the Group's business – History*).

In the years ended December 31st 2014 and 2013, finance income comprised:

	12 months ended Dec 31		Difference	Change
	2014	2013	2014/2013	2014/2013
	PLN '000		PLN '000	%
	(audited)	(restated)		
Interest on financial instruments.....	125	185	(60)	(32.4)
Interest on security deposits provided.....	5,333	6,517	(1,184)	(18.2)
Other interest.....	430	81	349	430.9
Measurement of financial instruments.....	-	43	(43)	-
Foreign exchange gains.....	497	48	449	935.4
Reversal of impairment loss on interest.....	55	-	55	-
Dividends.....	14	15	(1)	(6.7)
Discount (long-term accounts receivable and payable).....	-	8,564	(8,564)	-
Other income.....	144	27	117	433.3
Finance income	6,598	15,480	(8,882)	(57.4)

Source: Full-Year Consolidated Financial Statements.

Finance income was PLN 9.9m in the year ended December 31st 2014, and was lower by 69.0% (PLN 22m) than in the year ended December 31st 2013 (PLN 31.9m). Lower finance costs in 2014 were mostly due to: (i) lower debt levels, and the resultant lower interest expense on financial instruments, (ii) the fact that there was no need to recognise impairment losses on other financial receivables in 2014.

In the years ended December 31st 2014 and 2013, finance costs comprised:

	12 months ended Dec 31		Difference	Change
	2014	2013	2014/2013	2014/2013
	PLN '000		PLN '000	%
	(audited)	(restated)		
Interest on financial instruments	6,159	13,352	(7,193)	(53.9)
Other interest	990	748	242	32.4
Commission on bank borrowings	1,246	1,445	(199)	(13.8)
Cost of financial instruments measurement	-	71	(71)	-
Net foreign exchange losses	156	-	156	-
Discount (long-term accounts receivable and payable)	1,246	-	1,246	-
Recognition of provision for finance cost	-	12	(12)	-
Recognition of impairment loss on other financial receivables	-	16,176	(16,176)	-
Other finance costs	103	105	(2)	(1.9)
Finance costs	9,900	31,909	(22,009)	(69.0)

Source: Consolidated Financial Statements.

Income tax. In the years ended December 31st 2014 and 2013, key items of the income tax were as follows:

	12 months ended Dec 31		Difference	Change
	2014	2013	2014/2013	2014/2013
	PLN '000		PLN '000	%
	(audited)	(restated)		
Continuing operations				
Consolidated statement of profit or loss				
Current income tax	(9,218)	(9,786)	568	(5.8)
Current income tax expense	(12,765)	(9,786)	(2,979)	30.4
Adjustments to current income tax from previous years	3,547	-	3,547	-
Deferred tax	3,399	11,757	(8,358)	(71.1)
Related to recognition and reversal of temporary differences	3,399	11,757	(8,358)	(71.1)
Adjustments to deferred tax from previous years	-	-	-	-
Income tax expense in the consolidated statement of profit or loss	(5,819)	1,971	(7,790)	-
Deferred tax on other comprehensive income	950	101	849	840.6
Related to recognition and reversal of temporary differences	950	101	849	840.6
Income tax expense recognised in other comprehensive income	950	101	849	840.6

Source: Consolidated Financial Statements.

	12 months ended Dec 31		Difference	Change
	2014	2013	2014/2013	2014/2013
	PLN '000		PLN '000	%
	(audited)	(restated)		
Discontinued operations				
Consolidated statement of profit or loss				
Current income tax	(1,312)	(508)	(804)	(158.3)
Current income tax expense	(1,312)	(508)	(804)	(158.3)
Adjustments to current income tax from previous years	-	-	-	-
Deferred tax	372	(439)	811	-
Related to recognition and reversal of temporary differences	372	(439)	811	-
Adjustments to deferred tax from previous years	-	-	-	-
Income tax expense in the consolidated statement of profit or loss	(940)	(947)	7	0.7
Deferred tax on other comprehensive income	8	12	(4)	(33.3)
Related to recognition and reversal of temporary differences	8	12	(4)	(33.3)

	12 months ended Dec 31		Difference	Change
	2014	2013	2014/2013	2014/2013
	PLN '000		PLN '000	%
	(audited)	(restated)		
Income tax expense recognised in other comprehensive income	8	12	(4)	(33.3)

Source: Consolidated Financial Statements.

Profit from continuing operations for the years ended December 31st 2014 and 2013

As a result of the factors discussed above, the Group's pre-tax profit from continuing operations for the year ended December 31st 2014 amounted to PLN 34.4m. In 2013, the Group reported pre-tax loss from continuing operations of PLN 140.4m. For the year ended December 31st 2014, the Group's net profit was PLN 23.8m. In 2014, the Group's gross profit (gross profit on core operations of PLN 43.4m) was the main source of the Group's net profit (which was by PLN 74.4m higher than in 2013). The increase in net profit was attributable chiefly to: (i) higher sales in 2014 (up 58.2% year on year); (ii) higher weighted average margin realised on ongoing contracts in 2014 compared with the margin recognised in 2013.

Gross profit margin improved year on year, to 10.2% (2013: 5.7%).

Overview of the financial years ended December 31st 2013 and 2012

The table below presents the Group's consolidated statements of comprehensive income for the periods indicated.

	12 months ended Dec 31		Difference	Change
	2013	2012	2013/2012	2013/2012
	PLN '000		PLN '000	%
	(audited)	(audited)		
Continuing operations				
Revenue	836,015	1,291,391	(455,376)	(35.3)
Revenue from sale of products.....	806,617	1,270,509	(463,892)	(36.5)
Revenue from sale of materials.....	29,398	20,882	8,516	40.8
Costs of sales.....	(778,330)	(1,176,807)	398,477	(33.9)
Gross profit/(loss).....	57,685	114,584	(56,899)	(49.7)
Other income.....	4,732	18,847	(14,115)	(74.9)
Distribution costs.....	(40,991)	(27,451)	(13,540)	49.3
Administrative expenses.....	(43,536)	(53,928)	10,392	(19.3)
Other expenses.....	(3,586)	(37,006)	33,420	(90.3)
Profit/(loss) from continuing operations	(25,696)	15,046	(40,742)	-
Finance income.....	16,379	16,762	(383)	(2.3)
Finance costs.....	(32,150)	(34,683)	2,533	(7.3)
Result on loss of control of a subsidiary by owners of the Parent.....	-	1,955	(1,955)	-
Effect of changes in estimates on valuation of receivables from related entities in arrangement bankruptcy.....	(94,205)	-	(94,205)	-
Profit/(loss) before tax	(135,672)	(920)	(134,752)	14,647.0
Income tax.....	1,024	(26,379)	27,403	-
Net profit/(loss) from continuing operations	(134,648)	(27,299)	(107,349)	393.2
Other comprehensive income for the period	(816)	(161)	(655)	406.8
<i>Items to be reclassified to profit/(loss) in subsequent reporting periods</i>				
Exchange differences on translating foreign operations.....	(328)	(161)	(167)	103.7
Other net comprehensive income to be reclassified to	(328)	(161)	(167)	103.7
<i>Items not subject to reclassification to profit/(loss) in subsequent reporting periods</i>				
Other comprehensive income.....	(601)	-	(601)	-
Tax on other comprehensive income.....	113	-	113	-
Other comprehensive income not subject to reclassification to profit/(loss) in subsequent reporting periods	(488)	-	(488)	-
Total comprehensive income for the period	(135,464)	(27,460)	(108,004)	393.3

	12 months ended Dec 31		Difference	Change
	2013	2012	2013/2012	2013/2012
	PLN '000		PLN '000	%
	(audited)	(audited)		
Net profit/(loss) attributable to:.....	(134,648)	(27,299)	(107,349)	393.2
Owners of the Parent.....	(135,349)	9,835	(145,184)	(1,476.2)
Non-controlling interests.....	701	(37,134)	37,835	(101.9)
Comprehensive income attributable to:.....	(135,464)	(27,460)	(108,004)	393.3
Owners of the Parent.....	(136,165)	9,687	(145,852)	(1,505.6)
Non-controlling interests.....	701	(37,147)	37,848	(101.9)
Earnings/(loss) per share:				
Basic earnings/(loss) per share, PLN.....	(1.94)	0.14	(2.08)	(1,485.7)

Source: Full-Year Consolidated Financial Statements.

Revenue from sale of goods and services amounted to PLN 806.6m in the year ended December 31st 2013, and was down by 36.5% (PLN 463.9m) compared with the year ended December 31st 2012 (PLN 1,270.5m). The drop in revenue in 2013 was attributable mostly to: (i) less advanced progress of work under running contracts compared with 2012; (ii) significantly lower weighted average margin realised on contracts in 2013 compared with the margin recognised in 2012; and (iii) postponement of the effective date of the Opole Project contract and delayed commencement of the Jaworzno Project. The portfolios of orders implemented by the Group in 2012-2013 were comparable, but the differences in contract performance statuses resulted in lower revenue recognition in 2013 compared with 2012 (see *Risk factors – Risks specific to the Group – Risk relating to performance of high value contracts and limited number of customers*).

In the years ended December 31st 2013 and 2012, revenue from sale of products and services comprised:

	12 months ended Dec 31		Difference	Change
	2013	2012	2013/2012	2013/2012
	PLN '000		PLN '000	%
	(audited)	(audited)		
Net revenue from sale of products.....	750,857	1,090,492	(339,635)	(31.1)
including: from related entities.....	12,383	40	12,343	30,857.5
Net revenue from sale of services.....	62,139	204,646	(142,507)	(69.6)
including: from related entities.....	-	-	-	-
Net revenue from sale of other products.....	1,676	1,552	124	8.0
including: from related entities.....	-	-	-	-
Gain/(loss) on realisation of derivatives.....	460	(1,948)	2,408	-
Gain/(loss) on valuation of derivatives.....	(38)	5,853	(5,891)	-
Contractual penalties.....	(7,477)	(21,134)	13,657	(64.6)
Realised exchange differences on trade receivables.....	(3,338)	(1,204)	(2,134)	177.2
Exchange differences on valuation of trade receivables.....	2,338	(7,748)	10,086	-
Net revenue from sale of goods and services, total.....	806,617	1,270,509	(463,892)	(36.5)
including: from related entities.....	12,383	40	12,343	30,857.5

Source: Full-Year Consolidated Financial Statements.

Cost of sales was PLN 778.3m in the year ended December 31st 2013, and was lower by 33.9% (PLN 398.5m) than in the year ended December 31st 2012 (PLN 1,176.8m). The drop in cost of sales in 2013 was attributable mostly to lower cost exposure to running contracts, as well as postponement of the effective date of the Opole Project contract and delayed commencement of the Jaworzno Project, as mentioned above.

In the years ended December 31st 2013 and 2012, cost of sales comprised:

	12 months ended Dec 31		Difference	Change
	2013	2012	2013/2012	2013/2012
	PLN '000		PLN '000	%
	(audited)	(audited)		
Depreciation and amortisation	12,645	17,689	(5,044)	(28.5)
Raw materials and consumables used	282,595	481,706	(199,111)	(41.3)
Services.....	344,874	515,545	(170,671)	(33.1)
Taxes and duties.....	8,553	8,578	(25)	(0.3)
Salaries and wages	133,171	212,987	(79,816)	(37.5)
Social security and other benefits	30,485	50,649	(20,164)	(39.8)
Business travel expenses	6,663	8,066	(1,403)	(17.4)
Advertising expenses	2,395	4,601	(2,206)	(47.9)
Unrealised exchange differences	858	(2,588)	3,446	(133.2)
Realised exchange differences	96	(1,920)	2,016	(105.0)
Other expenses	3,549	15,006	(11,457)	(76.3)
Gain/(loss) on valuation of derivatives.....	–	157	(157)	–
Total expenses by nature	825,884	1,310,476	(484,592)	(37.0)
Change in inventories, provisions, prepayments and accruals (including the adjustment required under IAS 11)	9,535	(56,334)	65,869	(116.9)
Work performed by entity and capitalised	(1,670)	(3,376)	1,706	(50.5)
Distribution costs (negative value).....	(40,991)	(27,451)	(13,540)	49.3
Administrative expenses (negative value).....	(43,536)	(53,928)	10,392	(19.3)
Cost of products sold	749,222	1,169,387	(420,165)	(35.9)
Cost of materials sold	29,108	7,420	21,688	292.3
Costs of sales	778,330	1,176,807	(398,477)	(33.9)

Source: Full-Year Consolidated Financial Statements.

Other income was PLN 4.7m in the year ended December 31st 2013, and was down by 74.9% (PLN 14.1m) on the year ended December 31st 2012 (PLN 18.8m). The drop in other income in 2013 was mostly due to (i) lower income from contractual penalties and compensations received, (ii) lack of lease/rental income, and (iii) the fact that no provisions for amounts due to the state budget were reversed in 2013.

In the years ended December 31st 2013 and 2012, other income comprised:

	12 months ended		Difference	Change
	Dec 31			
	2013	2012	2013/2012	2013/2012
	PLN '000	PLN '000	PLN '000	%
	(audited)	(audited)		
Income from contractual penalties.....	610	4,974	(4,364)	(87.7)
Gain on sale of property, plant and equipment	981	1,160	(179)	(15.4)
Grants.....	526	444	82	18.5
Compensation received	1,313	2,717	(1,404)	(51.7)
Gain on sale of CO ₂	0	329	(329)	–
Reversal of impairment loss on property, plant and equipment ...	55	–	55	–
Income from free-of-charge acquisition of property, plant and equipment	98	–	98	–
Reimbursed cost of training of juvenile workers.....	471	817	(346)	(42.4)
Lease	–	3,635	(3,635)	–
Income from cancelled liabilities.....	138	–	138	–
Reversal of provision for amounts due to the state budget	–	3,237	(3,237)	–
Stock-taking surplus	–	267	(267)	–
Other	540	1,267	(727)	(57.4)
Other income	4,732	18,847	(14,115)	(74.9)

Source: Full-Year Consolidated Financial Statements.

Other expenses were PLN 3.6m in the year ended December 31st 2013, down by 90.3% (PLN 33.4m) from in the year ended December 31st 2012 (PLN 37.0m). Higher other expenses in 2012 were attributable mostly to the recognition the loss on disposal of non-financial non-current assets, which amounted to PLN 26.3m.

In the years ended December 31st 2013 and 2012, other expenses comprised:

	12 months ended		Difference	Change
	Dec 31			
	2013	2012	2013/2012	2013/2012
	PLN '000	PLN '000	PLN '000	%
	(audited)	(audited)		
Loss on disposal of non-financial non-current assets.....	–	26,254	(26,254)	–
Running costs of investments.....	–	759	(759)	–
Donations and grants	383	350	33	9.4
Compensation.....	–	127	(127)	–
Remuneration for invention proposals	–	896	(896)	–
Change in fair value of property	–	1,832	(1,832)	–
Repairs of property, plant and equipment	177	–	177	–
Scraping of property, plant and equipment	383	–	383	–
Scraping of materials	212	548	(336)	(61.3)
Impairment of property, plant and equipment	–	54	(54)	–
Legal costs.....	370	949	(579)	(61.0)
Bailiff costs	579	–	579	–
Power Engineer's Day organisation cost.....	380	418	(38)	(9.1)
Past-due, cancelled and uncollectible receivables written off	103	77	26	33.8
Recognition of provision for future costs	500	–	500	–
Other	499	4,742	(4,243)	(89.5)
Other expenses	3,586	37,006	(33,420)	(90.3)

Source: Full-Year Consolidated Financial Statements.

Finance income was PLN 16.4m in the year ended December 31st 2013, and was lower by 2.3% (PLN 0.4m) than in the year ended December 31st 2012 (PLN 16.8m). In 2013 and 2012, the Group's finance income was relatively stable.

In the years ended December 31st 2013 and 2012, finance income comprised:

	12 months ended		Difference	Change
	Dec 31			
	2013	2012	2013/2012	2013/2012
	PLN '000		PLN '000	%
	(audited)	(audited)		
Interest on financial instruments	976	2,571	(1,595)	(62.0)
Interest on security deposits provided	6,517	6,826	(309)	(4.5)
Other interest	121	191	(70)	(36.6)
Gains on sale of financial instruments	–	125	(125)	–
Measurement of financial instruments	43	650	(607)	(93.4)
Realisation of financial instruments	–	218	(218)	–
Reversal of provision for finance cost	–	952	(952)	–
Foreign exchange gains	287	–	287	–
Reversal of impairment loss on interest	–	76	(76)	–
Dividends	15	23	(8)	(34.8)
Discount (long-term accounts receivable and payable)	8,389	4,947	3,442	69.6
Other income	31	183	(152)	(83.1)
Finance income	16,379	16,762	(383)	(2.3)

Source: Full-Year Consolidated Financial Statements.

Finance costs were PLN 32.2m in the year ended December 31st 2013, and were down by 7.3% (PLN 2.5m) from the year ended December 31st 2012 (PLN 34.7m). In 2013 and 2012, the Group's finance costs remained relatively stable.

In the years ended December 31st 2013 and 2012, finance costs comprised:

	12 months ended		Difference	Change
	Dec 31			
	2013	2012	2013/2012	2013/2012
	PLN '000		PLN '000	%
	(audited)	(audited)		
Interest on financial instruments	13,352	17,204	(3,852)	(22.4)
Other interest	914	46	868	1,887.0
Commission on bank borrowings	1,513	687	826	120.2
Acquisition costs	–	6	(6)	–
Cost of financial instruments measurement	71	144	(73)	(50.7)
Net foreign exchange losses	–	2,453	(2,453)	–
Recognition of impairment loss on disputed financial receivables	–	27	(27)	–
Recognition of impairment loss on financial assets	10,500	13,426	(2,926)	(21.8)
Recognition of impairment loss on non-financial assets	5,676	–	5,676	–
Other finance costs	124	690	(566)	(82.0)
Finance costs	32,150	34,683	(2,533)	(7.3)

Source: Full-Year Consolidated Financial Statements.

Income tax. In the years ended December 31st 2013 and 2012, key items of income tax were as follows:

	12 months ended		Difference	Change
	Dec 31			
	2013	2012	2013/2012	2013/2012
	PLN '000		PLN '000	%
	(audited)	(audited)		
Consolidated statement of profit or loss				
Current income tax	(10,294)	(1,284)	(9,010)	701.7
Current income tax expense	(10,294)	(1,284)	(9,010)	701.7
Adjustments to current income tax from previous years.....	–	–	–	–
Deferred tax.....	11,318	(25,095)	36,413	–
Related to recognition and reversal of temporary differences	11,318	(25,095)	36,413	–
Adjustments to deferred tax from previous years	–	–	–	–
Income tax expense in the consolidated statement of profit or loss	1,024	(26,379)	27,403	(103.9)
Deferred tax on other comprehensive income	113	–	113	–
Related to recognition and reversal of temporary differences	113	–	113	–
Income tax expense recognised in other comprehensive income	113	–	113	–

Source: Full-Year Consolidated Financial Statements.

Profit/(loss) from continuing operations for the years ended December 31st 2013 and 2012

As a result of the factors discussed above, the Group's pre-tax loss from continuing operations for the year ended December 31st 2013 amounted to PLN 135.7m. In 2012, the Group reported a pre-tax loss from continuing operations of PLN 0.9m. For the year ended December 31st 2013, the Group reported a net loss of PLN 134.6m, and for 2012 the Group's net loss was PLN 27.3m. The net loss for 2013 was mainly attributable to reduced revenue (down by 35.3%).

As a result of postponement of revenue recognition and the erosion of margins on several contracts in 2013, the Group failed to fully cover its fixed costs, which largely contributed to a loss on continuing operations.

Gross profit margin fell year on year, to 5.7%.

Financial position

The discussion below presents selected items of the Consolidated Financial Statements. For more information on accounting policies used by the Group in the preparation of its historical financial information, see *Most significant accounting policies, estimates and judgements* below and Notes to the Consolidated Financial Statements.

Assets

The table below presents the Group's assets as at March 31st 2015 and as at December 31st 2014, 2013 and 2012.

	As at Mar 31		As at Dec 31	
	2015	2014	2013	2012
	PLN '000		PLN '000	
	(unaudited)	(audited)	(audited)	(audited)
ASSETS				
Non-current (long-term) assets				
Property, plant and equipment	171,776	172,199	197,927	201,859
Investment property	-	-	-	-
Intangible assets	8,910	9,310	11,831	13,373
Trade receivables	37,382	29,706	4,624	855
Non-current financial assets	35,403	33,770	32,650	120,093
Shares in other entities	341	388	338	366
Non-current loans advanced	37	38	-	-
Non-current deposits	-	-	905	1,444
Other non-current financial assets	35,025	33,344	31,407	118,283
Deferred tax asset	55,982	49,536	44,936	33,078
	309,453	294,521	291,968	369,258
Current (short-term) assets				
Inventories	21,015	21,730	26,884	29,115
Trade receivables, other receivables and prepayments	534,242	459,451	519,827	657,633
Trade receivables	304,101	248,399	144,199	288,916
Income tax receivable	13,115	13,852	13,587	21,510
Other receivables and prepayments	217,026	197,200	362,041	347,207
Gross amount due from customers for contract work and prepayments related to contract valuation	218,053	257,803	168,211	158,150
Current financial assets	26,702	38,919	57,490	85,663
Derivative instruments	-	-	15	53
Current deposits	-	-	892	6,367
Current loans advanced	54	70	-	-
Other current financial assets	-	-	1,863	10,500
Cash and cash equivalents	26,648	38,849	54,720	68,743
Other current non-financial assets	-	-	-	5,676
	800,012	777,903	772,412	936,237
Assets held for sale	954	74,138	1,022	916
TOTAL ASSETS	1,110,419	1,146,562	1,065,402	1,306,411

Source: Consolidated Financial Statements.

In the period covered by the historical financial information, the Group's key assets included: (i) trade receivables, (ii) property, plant and equipment, and (iii) gross amount due from customers for contract work and prepayments related to contract valuation, which at March 31st 2015 represented respectively 51.5%, 15.5% and 19.6% of the Group's total assets, as at December 31st 2014 respectively 42.7%, 15.0% and 22.5% of the Group's total assets, as at December 31st 2013 respectively 49.2%, 18.6% and 15.8% of the Group's total assets, and respectively 50.4%, 15.5% and 12.1% of the Group's total assets as at December 31st 2012.

Equity and liabilities

The table below presents the Group's equity and liabilities as at March 31st 2015 and as at December 31st 2014, 2013 and 2012.

	As at Mar 31		As at Dec 31	
	2015	2014	2013	2012
	PLN '000	PLN '000	PLN '000	PLN '000
	(unaudited)	(audited)	(audited)	(audited)
EQUITY AND LIABILITIES				
Equity (attributable to owners of the Parent)				
Share capital	139,200	139,200	139,200	139,200
Share premium	36,778	36,778	36,778	36,778
Reserve funds	87,041	114,393	252,821	243,011
Exchange differences on translating foreign operations	111	190	134	462
Retained earnings / (Accumulated losses).....	40,116	10,700	(145,980)	(333)
	303,246	301,261	282,953	419,118
Equity (attributable to non-controlling interests).....	773	12,193	11,136	10,435
Total equity	304,019	313,454	294,089	429,553
Non-current liabilities				
Interest-bearing borrowings	-	-	-	-
Finance lease liabilities.....	2,911	2,254	1,683	1,012
Deferred tax liability	98	397	3,067	2,640
Provision for employee benefits	25,117	24,907	22,119	22,223
Non-current trade and other payables.....	26,840	24,459	18,807	32,198
Trade payables.....	23,420	20,504	13,631	17,443
Capital commitments	1,472	1,762	2,132	2,861
Other liabilities	1,948	2,193	3,044	11,894
	54,966	52,017	45,676	58,073
Current liabilities				
Trade and other payables.....	353,075	394,443	269,477	287,368
Trade payables.....	253,527	304,226	206,992	240,523
Capital commitments	1,441	8,619	1,396	5,511
Income tax payable	67	901	45	53
Other liabilities	98,040	80,697	61,044	41,281
Current portion of interest-bearing borrowings	105,137	128,527	256,816	291,987
Other financial liabilities and finance lease liabilities	1,022	776	691	559
Provision for employee benefits	2,055	1,896	1,550	1,910
Amounts due to customers and provisions for construction contract work and deferred income	290,145	240,609	197,103	236,961
Amounts due to customers for construction contract work.....	259,848	207,271	110,646	140,040
Provisions for construction contract work.....	29,009	32,267	85,899	96,415
Grants.....	1,288	1,071	558	506
	751,434	766,251	725,637	818,785
Liabilities directly related to assets classified as held for sale.....	-	14,840	-	-
Total liabilities	806,400	833,108	771,313	876,858
TOTAL EQUITY AND LIABILITIES	1,110,419	1,146,562	1,065,402	1,306,411

Source: Consolidated Financial Statements.

In the period covered by the historical financial information, key items of the Group's equity and liabilities included: (i) current and non-current trade and other payables, (ii) current portion of interest-bearing borrowings,

and (iii) amounts due to customers and provisions for construction contract work and deferred income, which represented, respectively, 34.2%, 9.5% and 26.1% of the Group's total equity and liabilities as at March 31st 2015, respectively 36.5%, 11.2% and 21% of the Group's total equity and liabilities as at March 31st 2014, respectively 27.1%, 24.1% and 18.5% of the Group's total equity and liabilities as at December 31st 2013, and respectively 24.5%, 22.4% and 18.1% of the Group's total equity and liabilities as at December 31st 2012.

As at the Prospectus Date, besides the MPCF Agreement, the Group also incurred interest towards third parties under a PLN 90.5m working capital facility, a PLN 0.4m loan, and finance leases.

Contingent and off-balance-sheet assets and liabilities

The Group's contingent and off-balance-sheet assets and liabilities as at March 31st 2015 are described in Note 22 to the Interim Consolidated Financial Statements.

Limitations or constraints with respect to the use of capital resources

Limitations on the use of capital resources provided for in the law

The Company is a joint-stock company, established and operating in accordance with Polish law. The equity of a joint-stock company includes share capital, statutory reserve funds, capital reserves, and net profit for a given financial year and for previous years. Rules governing the creation and use of capital by a joint-stock company are defined by law, and specifically by the Commercial Companies Code. In accordance with Art. 396 of the Commercial Companies Code, statutory reserve funds are set up to secure the capital necessary for covering losses. At least 8% of profit for each financial year is transferred to statutory reserve funds until the statutory reserve funds are equal to one third of the share capital. Up to its value equalling one third of the share capital, statutory reserve funds may be used exclusively for covering losses disclosed in the financial statements. Decisions as to the allocation of statutory reserve funds and capital reserves are made by the General Meeting.

In accordance with Art. 396 of the Commercial Companies Code, all share premiums are contributed to statutory reserve funds and other components of equity after covering the costs of the issue. Moreover, any additional contributions to equity made by shareholders in exchange for special rights are also transferred to statutory reserve funds, but may not be used for covering any extraordinary write-offs or losses. Pursuant to Art. 344 of the Commercial Companies Code, while the company is in existence, no payments for shares made by shareholders may be returned either in whole or in part, unless in cases provided for in the Commercial Companies Code.

Other than specified above, there are no other limitations on the use of the available capital resources by the Company or other Group Entities, which have had or could have a direct or indirect material effect on the use of capital resources by the Group in its operations.

Limitations on the use of capital resources under credit facility and loan agreements

For a discussion of the obligations restricting the Group's use of capital resources, see *Overview of the Group's business – Material agreements*.

Liquidity and capital resources

In the period covered by the historical financial information and at present, the Group's main sources of liquidity were and continue to be as follows: (i) cash provided by operating activities, and (ii) credit facilities.

Cash flows

The table below presents data from the statements of cash flows for the three months ended March 31st 2015 and 2014, and the years ended December 31st 2014, 2013 and 2012, derived from the Consolidated Financial Statements.

	3 months ended		As at Dec 31		
	Mar 31		2014	2013	2012
	2015	2014	PLN '000		
	PLN '000		PLN '000		
	(unaudited)	(unaudited, restated)	(audited)		
Net cash from operating activities	(25,620)	93,474	154,105	39,968	(344,693)
Net cash from investing activities	11,567	(717)	(5,999)	(2,865)	(74,896)
Net cash from financing activities	(25,088)	(108,972)	(137,029)	(50,722)	290,280
Net increase/(decrease) in cash and cash equivalents	(39,141)	(16,215)	11,077	(13,619)	(129,309)
Net foreign exchange differences	(110)	(23)	102	(404)	(551)
Cash at the beginning of the period	65,899	54,720	54,720	68,743	198,603

	3 months ended		As at Dec 31		
	Mar 31		2014	2013	2012
	2015	2014	PLN '000		
	PLN '000		PLN '000		
	(unaudited)	(unaudited, restated)	(audited)		
Cash at the end of the period, of which:	26,648	38,482	65,899	54,720	68,743
- restricted cash	1,434	1,575	1,370	1,052	872

Source: Consolidated Financial Statements.

Overview of key items of the consolidated statement of cash flows

Key items of the consolidated statement of cash flows are discussed below. The following analysis of cash flows is based on financial information presented in (i) the Interim Consolidated Financial Statements – with respect to the data for the three months ended March 31st 2015; (ii) the Full-Year Consolidated Financial Statements for 2014 – with respect to data for the twelve months ended December 31st 2014; (iii) the Full-Year Consolidated Financial Statements for 2013 – with respect to data for the twelve months ended December 31st 2013; and (iv) the Full-Year Consolidated Financial Statements for 2012 – with respect to data for the twelve months ended December 31st 2012.

Net cash from operating activities

The Group generates operating cash flows in the course of its business activities. In accordance with IAS 7 Statement of Cash Flows, the Company calculates its cash flows from operating activities using the indirect method. Accordingly, cash flows from operating activities are calculated by applying appropriate adjustments to the pre-tax profit (loss) from operations. Such adjustments include the following items: foreign exchange gains/(losses), interest and share in profit (dividends), gain/(loss) from investing activities, increase/(decrease) in receivables, increase/(decrease) in employee benefit provisions and obligations excluding borrowings, and change in prepayments and accruals for construction contracts. The balance of the gross amount due from customers for contract work and gross amount due to customers for contract work depends on the value structure in the given period of invoiced sales, advances received and costs incurred in connection with a given contract and the full portfolio of contracts performed by the Group. At the end of contract performance, the balance of gross amount due from customers for contract work and gross amount due to customers for contract work is zero, whereas in the course of contract performance and at the end of project implementation there may be an excess of one or the other. At the end of 2014, gross amount due from customers for contract work and prepayments related to contract valuation were PLN 257.8m, while gross amount due to customers for contract work was PLN 207.3m (at the end of 2014 the excess of gross amount due from customers for contract work over gross amount due to customers for contract work was PLN 50.5m). At the end of 2013, gross amount due from customers for contract work and prepayments related to contract valuation were PLN 168.2m, while gross amount due to customers for contract work was PLN 110.6m (at the end of 2013, the excess of gross amount due from customers for contract work over gross amount due to customers for contract work was PLN 57.6m).

Net cash flows from investing activities

Cash flows from investing activities comprise primarily change in the Group's cash arising in connection with its capital expenditure on property, plant and equipment, intangible assets, and financial assets.

Net cash flows from financing activities

Cash flows from financing activities are affected by proceeds from borrowings, repayment of borrowings, interest paid, and payment of finance lease liabilities.

Cash and cash equivalents

Cash and short-term deposits comprise cash at banks and cash in hand as well as short-term deposits with original maturities of up to three months. The cash and cash equivalents **in the statement of cash flows/shown in the consolidated statement of financial position** comprises the same cash and cash equivalent items. Cash equivalents are highly liquid assets, which may be converted into a specific cash amount at any time. Group Companies carry restricted cash, including cash from subsidiaries (held in separate bank accounts), which may be used to make payments under current contracts.

Cash flows from operating activities

Three months ended Mar 31 2015 (unaudited)

In the three months ended March 31st 2015, operating activities generated negative net cash of PLN 25.6m. The negative net cash from operating activities was attributable mainly to the PLN 85.3m increase in receivables, including in particular trade receivables (PLN 63.4m).

Year ended December 31st 2014 (audited)

In 2014, net cash from operating activities was positive at PLN 154.1m. Positive net cash from operating activities was attributable mostly to: (i) the PLN 140.6m increase in employee benefit provisions and obligations excluding borrowings, and (ii) PLN 28.6m decrease in receivables.

Year ended December 31st 2013 (audited)

In 2013, net cash from operating activities was positive at PLN 40.0m. The positive net cash from operating activities was mainly a result of: (i) the effect of change in estimates on the valuation of receivables from related entities under arrangement proceedings (PLN 94.2m), and (ii) decrease in receivables (PLN 124.2m).

Year ended December 31st 2012 (audited)

In 2012, net cash from operating activities was negative at PLN 344.7m. The negative net cash from operating activities was attributable mostly to (i) a PLN 292.5m increase in receivables, including mainly a PLN 29.1 increase in trade receivables, PLN 191.2m increase in receivables related to deposits paid by the Group, PLN 49.6m increase in receivables related to loss of control of a subsidiary, and a PLN 17.9m increase in prepayments related to bank and insurance guarantees, and (ii) negative cash flows attributable to the PLN 144.0m increase in uninvoiced future receivables under construction contracts in progress (contracts performed by the Group are accounted for as construction contracts in accordance with IAS 11).

The deposits referred to above, of PLN 191m, represent one of the forms of security provided with respect to contracts performed by the Group, which is used in connection with limited access to guarantee facilities. The deposits that were paid by the Group related mainly to the Opole Project (see *Overview of the Group's business – Material agreements - Material agreements executed in the ordinary course of the Group's business, particularly important to the Group's performance - Contracts and agreements related to the execution of the Opole Project*) and projects performed for the EDF Group companies (see *Material agreements – Material agreements executed in the ordinary course of the Group's business, particularly important to the Group's performance – Contracts with EDF Polska Group Companies*).

Cash flows from investing activities

3 months ended March 31st 2015 (unaudited)

In the three months ended March 31st 2015, net cash from investing activities was positive at PLN 11.6m. The positive net cash from investing activities was attributable mostly to the sale of financial assets for PLN 21.4m (the amount was recognised as a result of accounting for the sale of a Company's subsidiary) (see *Capital expenditure* below).

Year ended December 31st 2014 (audited)

In 2014, net cash from investing activities was negative at PLN 6.0m. Negative net cash from investing activities was attributable mostly to the acquisition of intangible assets and property, plant and equipment for PLN 8.0m, and of financial assets for 5.2m (see *Capital expenditure* below).

Year ended December 31st 2013 (audited)

In 2013, net cash from investing activities was negative at PLN 2.9m. Negative net cash from investing activities was attributable mostly to the acquisition of intangible assets and property, plant and equipment for PLN 11.0m, and of financial assets for 5.2m (see *Capital expenditure* below).

Year ended December 31st 2012 (audited)

In 2012, net cash from investing activities was negative at PLN 74.9m. Negative net cash from investing activities was attributable mostly to the acquisition of intangible assets and property, plant and equipment for PLN 44.4m, and PLN 34.3m of loans advanced (see *Capital expenditure* below).

Cash flows from financing activities

As at the Prospectus Date, the Group did not plan to contract any facilities in addition to its existing credit facilities (which are used to various extents depending on the Group's current needs).

3 months ended March 31st 2015 (unaudited)

In the three months ended March 31st 2015, financing activities generated negative net cash of PLN 25.1m. The negative net cash from financing activities was attributable primarily to repayment of borrowings (PLN 23.5m), including in particular repayment of amounts outstanding under the multi-purpose credit facility granted by PKO BP on the basis of the MPCF Agreement.

Year ended December 31st 2014 (audited)

In 2014, net cash from financing activities was negative at PLN 137.0m. The negative net cash from financing activities was attributable primarily to repayment of borrowings in the amount of PLN 128.6m.

Year ended December 31st 2013 (audited)

In 2013, net cash from financing activities was negative at PLN 50.7m. The negative net cash from financing activities was attributable primarily to repayment of borrowings in the amount of PLN 44.9m.

Year ended December 31st 2012 (audited)

In 2012, net cash from financing activities was positive at PLN 290.3m. The positive net cash from financing activities was attributable primarily to PLN 310.9m of proceeds from borrowings.

Ratio analysis

The Management Board evaluates the Group's results based on key profit, margin, debt and liquidity ratios which were not sourced directly from the Consolidated Financial Statements, but were calculated based on the financial information included in the Consolidated Financial Statements.

The tables below presents key ratios used by the Management Board in the analysis of the Group's operations in the three months ended March 31st 2015 and in the years ended December 31st 2014, 2013 and 2012. For Q1 2015 and Q1 2014, the ratio analysis presented below was performed on the basis of the Interim Consolidated Financial Statements. The Q1 2014 financial data presented in the Interim Consolidated Financial Statements has been restated to ensure comparability in connection with the sale of FPM and the adjustment made to eliminate the financial results of FPM.

The ratio analysis for 2013 and 2014 was performed on the basis of the Full-Year Consolidated Financial Statements for 2014 based on financial data, while the ratio analysis for 2012 was performed on the basis of financial data for 2012 as restated in connection with the sale of FPM and the introduction of an adjustment consisting in elimination of the financial results of FPM (see *Operating and financial review - Presentation and comparability of financial information*).

The tables below presents key ratios used by the Management Board in the analysis of the Group's operations in the three months ended March 31st 2015 and three months ended March 31st 2014, and in the years ended December 31st 2014, 2013 and 2012.

	For the three months ended Mar 31	
	2015	2014
Gross profit margin (%) ¹	8.3	9.8
Net profit margin (%) ²	2.4	0.6
Operating profit margin (%) ³	2.8	1.4
Margin before extraordinary items (%) ⁴	2.3	2.3
Net profit margin (%) ⁵	0.8	1.8
Return on assets (%) ⁶	0.2	0.4
Return on equity (%) ⁷	0.8	1.1
Current ratio ⁸	1.1	1.1
Quick ratio ⁹	1.0	1.0
Average collection period (in days) ¹⁰	98	73
Inventory turnover (in days) ¹¹	7	17
Average payment period (in days) ¹²	89	96
Gearing ratio (%) ¹³	265.9	219.1
Bank debt ratio (%) ¹⁴	34.7	52.3
Long-term funding ratio (%) ¹⁵	32.3	36.2

	For the three months ended Mar 31	
	2015	2014
Share of equity in financing of assets (%) ¹⁶	27.3	31.0
Equity financing of non-current assets (%) ¹⁷	98.0	98.0
Debt to assets (%) ¹⁸	72.6	67.8

Source: the Company.

¹ The Company defines and calculates gross profit margin as gross profit to net revenue from sale of products and merchandise.

² The Company defines and calculates net profit margin as net profit on sales to net revenue from sale of products and merchandise.

³ The Company defines and calculates operating profit margin as operating profit to net revenue from sale of products and merchandise.

⁴ The Company defines and calculates margin before extraordinary items as profit before extraordinary items to net revenue from sale of products and merchandise.

⁵ The Company defines and calculates net profit margin as net profit attributable to owners of the parent to net revenue from sale of products and merchandise.

⁶ The Company defines and calculates return on assets as net profit attributable to owners of the parent to total assets.

⁷ The Company defines and calculates return on assets as net profit attributable to owners of the parent to equity attributable to controlling interests at beginning of period.

⁸ The Company defines and calculates current ratio as current assets to current liabilities.

⁹ The Company defines and calculates quick ratio as current assets less inventories to current liabilities.

¹⁰ The Company defines and calculates average collection period (in days) as (current trade receivables x 90) to net revenue from sale of products and merchandise.

¹¹ The Company defines and calculates inventory turnover as (inventory x 90) to cost of sales.

¹² The Company defines and calculates average payment period as (current trade payables x 90) to cost of sales.

¹³ The Company defines and calculates gearing ratio as (non-current liabilities plus current liabilities) to equity attributable to controlling interests.

¹⁴ The Company defines and calculates bank debt ratio as current and non-current loans and borrowings to equity attributable to controlling interests.

¹⁵ The Company defines and calculates long-term funding ratio as (equity plus non-current liabilities) to total assets.

¹⁶ The Company defines and calculates share of equity in financing of assets as equity to total assets.

¹⁷ The Company defines and calculates equity financing of non-current assets as equity to total assets.

¹⁸ The Company defines and calculates debt to assets as (non-current liabilities plus current liabilities) to total assets.

	Year ended Dec 31		
	2014	2013	2012
Gross profit margin (%) ¹	10.2	5.7	8.3
Net profit margin (%) ²	3.7	(4.1)	2.5
Operating profit margin (%) ³	3.2	(4.0)	1.0
Margin before extraordinary items (%) ⁴	2.9	(18.8)	(0.3)
Net profit margin (%) ⁵	1.9	(18.1)	0.8
Return on assets (%) ⁶	2.0	(12.7)	0.8
Return on equity (%) ⁷	8.0	(32.3)	2.4
Current ratio ⁸	1.0	1.1	1.1
Quick ratio ⁹	1.0	1.0	1.1
Average collection period (in days) ¹⁰	76	69	84
Inventory turnover (in days) ¹¹	7	14	9
Average payment period (in days) ¹²	103	106	76
Gearing ratio (%) ¹³	271.6	272.6	209.2
Bank debt ratio (%) ¹⁴	42.7	90.8	69.7
Long-term funding ratio (%) ¹⁵	30.8	30.9	36.5
Share of equity in financing of assets (%) ¹⁶	26.3	26.6	32.1
Equity financing of non-current assets (%) ¹⁷	102.3	96.9	113.5
Debt to assets (%) ¹⁸	71.4	72.4	67.1

Source: the Company, unaudited.

¹ The Company defines and calculates gross profit margin as gross profit to net revenue from sale of products and merchandise.

² The Company defines and calculates net profit margin as net profit on sales to net revenue from sale of products and merchandise.

³ The Company defines and calculates operating profit margin as operating profit to net revenue from sale of products and merchandise.

⁴ The Company defines and calculates margin before extraordinary items as profit before extraordinary items to net revenue from sale of products and merchandise.

⁵ The Company defines and calculates net profit margin as net profit attributable to owners of the parent to net revenue from sale of products and merchandise.

⁶ The Company defines and calculates return on assets as net profit attributable to owners of the parent to total assets.

⁷ The Company defines and calculates return on assets as net profit attributable to owners of the parent to equity attributable to controlling interests at beginning of period.

⁸ The Company defines and calculates current ratio as current assets to current liabilities.

⁹ The Company defines and calculates quick ratio as current assets less inventories to current liabilities.

¹⁰ The Company defines and calculates average collection period (in days) as (current trade receivables x 360) to net revenue from sale of products and merchandise.

¹¹ The Company defines and calculates inventory turnover as (inventory x 360) to cost of sales.

¹² The Company defines and calculates average payment period as (current trade payables x 360) to cost of sales.

¹³ The Company defines and calculates gearing ratio as non-current liabilities plus current liabilities to equity attributable to controlling interests.

¹⁴ The Company defines and calculates bank debt ratio as current and non-current loans and borrowings to equity attributable to controlling interests.

¹⁵ The Company defines and calculates long-term funding ratio as (equity plus non-current liabilities) to total assets.

¹⁶ The Company defines and calculates share of equity in financing of assets as equity to total assets.

¹⁷ The Company defines and calculates equity financing of non-current assets as equity to total assets.

¹⁸ The Company defines and calculates debt to assets as (non-current liabilities plus current liabilities) to total assets.

Capital expenditure

The Group makes capital expenditure on intangible assets and property, plant and equipment.

As at March 31st 2015, the Group companies had commitments related to purchase of property, plant and equipment and intangible assets of PLN 2.9m. As at March 31st 2015, the Group also had signed agreements for capital expenditure to be made in 2015, not disclosed in the accounting books at the end of the reporting period, for a total of PLN 8.0m.

As at December 31st 2014, the Group companies had commitments related to purchase of property, plant and equipment of PLN 10.4m. As at December 31st 2014, the Group also had signed agreements for capital expenditure to be made in 2015, not disclosed in the accounting books at the end of the reporting period, for a total of PLN 1.1m. Key capital expenditure made by the Group in 2014 included: (i) purchase of software and IT equipment (PLN 3.3m), (ii) purchase of transport vehicles (PLN 2.8m), and (iii) expenditure related to the construction of a finished goods paint shop (PLN 1.3m).

As at December 31st 2013, the Group companies had commitments related to purchase of property, plant and equipment of PLN 3.5m. Group companies had no signed agreements envisaging any capital expenditure to be made in 2014 and not disclosed in the accounting books at the end of the reporting period. In 2013, the main

investment expenditure was the purchase of an organised part of business of ENERGOMONTAŻ-POŁUDNIE (PLN 0.9m).

As at December 31st 2012, the Group companies had commitments related to purchase of property, plant and equipment of PLN 8.4m. The Group companies also had signed agreements regarding capital expenditure to be made in 2013 which was not disclosed in the accounting books at the end of the reporting period for a total of PLN 0.5m. The agreements related mainly to capital expenditure on a subsidiary's production plant and equipment. In 2012, the Group made expenditure mainly on: (i) purchase of software and IT equipment (PLN 4.3m), (ii) expenditure on expansion and modernisation of a production plant (including approximately PLN 4.7m expenditure on reorganisation of production plant units, purchase of a collecting electrode mill and modernisation of a milling and boring machine), and (iii) purchase, through PGL DOM Sp. z o.o. of Racibórz, of investment property with an area of 1.7ha (PLN 15.6m).

Current and planned capital expenditure

Current capital expenditure incurred by the Group is mainly related to purchase of property, plant and equipment and intangible assets. From April 1st 2015 to the Prospectus Date, capital expenditure incurred by the Group was approximately PLN 2.5m. At present, the largest project implemented by the Group is the construction of a paint shop for production units. The investment is necessary for RAFAKO S.A. due to environmental protection requirements concerning emissions of volatile organic compounds. The project, with a total value estimated at PLN 8.6m, is scheduled for completion in November 2015. The project is financed with the Issuer's own funds and is implemented at the Issuer's headquarters. Part of the capex plans may be financed with lease.

By December 31st 2015, the Company plans to spend approximately PLN 28.5m mainly on: (i) purchase of property, plant and equipment and (ii) intangible assets, in particular technologies.

The most significant investment projects related to property, plant and equipment, planned to be completed in 2015 (for a total of PLN 25.0m), include:

- completion of the construction of a paint shop for the Issuer's production plant;
- purchase of a CNC tube bending machine, increasing the capacity and improving the quality at the Issuer's production plant;
- purchase of a CNC water jet cutter enabling precise cutting of small elements without using heat, thus reducing the scope of labour-intensive and costly machining at the Issuer's production plant;
- purchase of IT equipment (including a plotter, graphics and office stations, laptop computers);
- purchase of welding equipment for the Issuer's production plant.

The most significant investment projects related to intangible assets planned to be completed in 2015 (for a total of PLN 3.5m) include:

- purchase of a system for project budget planning, supporting project managers in budget development and monitoring;
- purchase of software, including CAD/CAM software.

The Group intends to finance current capital expenditure with its own funds and, if possible, with funds obtained from third parties, such as lease of selected assets. With respect to financing sources, the Group uses services provided by trusted and reliable partners who are able to offer favourable financing terms. As at the Prospectus Date, the Group had no commitments to make significant capital expenditure.

The Group raises funds for capex projects on an ongoing basis, depending on the Group's needs in a given period. In particular, the Group enters into lease contracts to finance the purchase of vehicles used in its operations. The Group issues regular requests for proposal to potential lessors to finance the purchase of property, plant and equipment. As at the Prospectus Date, no binding terms were agreed upon regarding the financing terms for assets to be purchased in future.

The table below presents information on the Group's total capital expenditure in the period from April 1st 2015 to the Prospectus Date and the value of capex plans.

	From Apr 1 2015 to the Prospectus Date	Planned
	<i>PLN '000</i>	<i>PLN '000</i>
Property, plant and equipment	4,001	21,096
Intangible assets	65	3,212
Equity investments.....	0	0
Environmental protection.....	0	0
Total	4,066	24,308

Source: the Company.

Most significant accounting policies, estimates and judgements

Fair value measurement

The Group measures financial instruments, such as instruments available for sale and derivative instruments, at fair value at the end of each reporting period.

Fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in a transaction carried out on typical terms of sale of the asset between market participants at the measurement date in the current market conditions. A fair value measurement assumes that the transaction to sell an asset or transfer a liability occurs either:

- on the principal market for the asset or liability, or
- in the absence of a principal market – on most advantageous market for the asset or liability.

Both the principal and the most advantageous markets must be available to the Group.

The fair value of the asset or liability is measured on the assumption that market participants when determining the price of an asset or liability act in their best economic interest.

In the valuation of a non-financial asset at fair value the ability of a market participant to generate economic benefits by making maximum and optimal use of the asset or by selling it to another market participant who would make maximum and optimal use of the asset is taken into account.

The Group applies valuation methods that are appropriate given the circumstances and for which sufficient information is available to determine the fair value, whereby as many relevant observable inputs as possible are used and as little as possible non-observable inputs are used.

All assets and liabilities that are measured at fair value or whose fair value is disclosed in the financial statements are classified in the fair value hierarchy as described below based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: inputs for the asset or liability are quoted (unadjusted) market prices on an active market for identical assets or liabilities;
- Level 2: inputs for the asset or liability that are based on directly or indirectly observable market data;
- Level 3: inputs for the asset or liability that are not based on observable market data.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines at the end of each reporting period whether, due to a reassessment, a change has occurred in the level classification of the hierarchy (based on the input of the lowest level that is significant for the whole valuation).

The application of IFRS 13 had no effect on the Group's consolidated financial standing, performance or the scope of disclosures in the financial statements.

Summary of significant accounting policies concerning fair value measurement

The Parent's Management Board determines the rules and procedures for systematic fair value measurement of such assets as investment property or unlisted financial assets, as well as non-recurring measurements such as assets held for sale in discontinued operations.

For the purposes of the disclosure of the results of measurement to fair value the Group has established classes of assets and liabilities based on the nature, characteristics and risks of the various components of assets and liabilities and the level in the fair value hierarchy as described above.

Basis of consolidation

RAFAKO S.A. is the Parent of the Group and it prepares consolidated financial statements.

The consolidated financial statements incorporate the financial statements of the Parent and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting period as the financial statements of the Parent, using uniform accounting policies, and with accounting policies consistently applied to economic events and transactions of a similar nature. Adjustments are made in order to eliminate any discrepancies in the application of accounting principles.

All significant balances and transactions between Group companies, including unrealised gains from intra-Group transactions, have been fully eliminated. Unrealised losses are eliminated unless they are indicative of impairment.

Subsidiaries are consolidated from the date when the Group obtains control of them and cease to be consolidated when the control is lost. The parent controls a subsidiary if it holds, directly or indirectly through its subsidiaries, more than half of voting rights in a given company, unless it is possible to demonstrate that the ownership of more than half of voting rights does not constitute control. The parent controls an entity also if it is able to control its financial and operational policies.

Changes in the parent's ownership interest that do not result in loss of control of a subsidiary are accounted for as equity transactions. In order to reflect such changes in ownership, the Group makes adjustments to the carrying amounts of controlling and non-controlling interests. Any differences between the amount of an adjustment to non-controlling interests and the fair value of the consideration paid or received are charged to equity and attributed to owners of the parent.

Participation in joint venture

In the reporting periods covered by these consolidated financial statements, Group companies did not take part in any joint ventures with other business entities.

Business combinations under common control

Assuming that a transaction has an economic substance, business combinations under common control are accounted for with the acquisition method in accordance with IFRS 3.

Foreign currency translation

The Polish zloty is the functional and presentation currency of these consolidated financial statements.

Transactions denominated in currencies other than Polish zloty are translated into the Polish zloty at the rate of exchange prevailing on the transaction date.

As at the end of the reporting period, cash assets and liabilities denominated in currencies other than the Polish zloty are translated into the Polish zloty at the relevant mid rate quoted by the National Bank of Poland for a given currency, effective as at the end of the reporting period. Exchange differences resulting from currency translations are recognised as finance income (costs); realised and unrealised exchange differences on trade receivables – as revenue; realised and unrealised exchange differences on trade payables – as production cost, or are capitalised in the cost of the assets where so required under the applied accounting policies. Non-monetary assets and liabilities recognised at historical cost in a foreign currency are disclosed at the historical exchange rate from the transaction date. Non-monetary assets and liabilities recognised at fair value in a foreign currency are translated at the exchange rate effective on the date of determining the fair value.

Exchange rates used to determine carrying amounts:

	As at Mar 31	As at Dec 31		
	2015	2014	2013	2012
USD	3.8125	3.5072	3.0120	3.0996
EUR	4.0890	4.2623	4.1472	4.0882
GBP.....	5.6295	5.4648	4.9828	5.0119
CHF.....	3.9110	3.5447	3.3816	3.3868
SEK.....	0.4410	0.4532	0.4694	0.4757
TRY	1.4571	1.5070	1.4122	1.7357

Source: Consolidated Financial Statements.

The functional currencies of the foreign subsidiaries are the Serbian dinar (RSD) and the Hungarian forint (HUF). At the end of a reporting period, assets and liabilities of the foreign subsidiaries are translated into the

Group's presentation currency at the exchange rate prevailing at the end of the reporting period, and their statements of comprehensive income are translated at the weighted average exchange rate for a given financial period. Foreign currency differences on such translation are recognised in other comprehensive income and accumulated in a separate item of equity. Upon disposal of a foreign operation, accumulated deferred foreign exchange differences attributable to that operation and disclosed under equity are recognised in profit or loss.

The weighted average exchange rates for the respective financial periods were as follows:

	As at Dec 31		
	2014	2013	2012
RSD.....	0.0352	0.0372	0.0368
HUF	0.0135	0.0141	0.0144

Source: Consolidated Financial Statements.

Property, plant and equipment

Property, plant and equipment are non-current assets:

- which are not investment property, and which are held by the Group in order to be used in the production process, in supply of goods or provision of services, for administrative purposes, or to be rented to other entities (under contract),
- which are expected to be used for more than one year,
- which may possibly bring future economic benefits to the entity,
- the cost of which can be measured reliably.

Property, plant and equipment are disclosed at cost less depreciation charges and impairment losses. Initial value of an item of property, plant and equipment comprises its cost plus any costs directly related to its acquisition and bringing it to working condition for its intended use.

The cost also includes the cost of replacing component parts of plant and equipment, which is recognised when incurred, if relevant recognition criteria are fulfilled. Costs incurred after an item of property, plant and equipment has been placed in service, such as costs of maintenance or repair, are charged to the profit or loss when incurred.

All material components of a given asset (which vary in terms of their useful lives) are recognised as at the date of acquisition of the asset. General overhauls also represent asset components.

The Group measured a part of the property, plant and equipment at fair value and recognised the fair value as deemed cost as at January 1st 2004, which is the date of transition to IFRSs.

Depreciation is charged on the cost of the fixed asset less its residual value. Depreciation commences when the asset is placed in service. Depreciation is based on the depreciation schedule, which specifies the expected useful life of a given asset. The applied depreciation method reflects the pattern in which the asset's economic benefits are consumed by the enterprise.

Depreciation is charged using the straight-line method over the estimated useful life of an asset, as detailed below.

Type	Depreciation rate	Period
Land (perpetual usufruct rights).....	–	–
Buildings and structures	from 1.54% to 50.00%	from 2 to 65 years
Plant and equipment	from 3.33% to 50.00%	from 2 to 30 years
Office equipment	from 10.00% to 50.00%	from 2 to 10 years
Vehicles	from 6.67% to 50.00%	from 2 to 15 years
Computers	from 14.29% to 50.00%	from 2 to 7 years

Source: Consolidated Financial Statements.

The right of perpetual usufruct of land is classified by the Group as an item of property, plant and equipment. Due to the lack of premises indicating the withdrawal of or inability to renew the right of perpetual usufruct of plots of land located mainly within the area of the companies' production facilities, a decision was made to classify the rights as an item of non-depreciable property, plant and equipment, as in the case of land.

If at the time of preparing the consolidated financial statements there are any circumstances indicating that the carrying amount of property, plant and equipment may not be recoverable, such assets are reviewed for potential impairment. If any indications of impairment are identified and the carrying amount exceeds the estimated recoverable amount, then the carrying amount of such assets or cash-generating units to which such assets belong is written down to the recoverable amount. The recoverable amount is equal to the higher of the fair value less cost to sell or the value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. If an asset does not generate recognisable separate cash inflows, the recoverable amount is assessed for the cash-generating unit to which that asset belongs. Impairment losses are recognised in the statement of profit or loss as cost in the category that corresponds to the function of a given asset.

An item of property, plant and equipment may be removed from the statement of financial position if it is sold or if the company does not expect to realise any economic benefits from its further use. Any gains or losses on removal of an asset from the statement of financial position (calculated as the difference between net proceeds from its sale, if any, and the carrying amount of the asset) are charged to profit or loss for the period when the item was derecognised.

Property, plant and equipment under construction include assets in the course of construction or assembly, and are measured at cost less any impairment losses. Assets under construction are not depreciated until completed and made available for use.

At the end of each financial year the Group performs a review of its property, plant and equipment for potential impairment, of the adopted economic useful lives and depreciation methods applied and, if necessary, makes appropriate accounting adjustments affecting the current or future periods. The cost of overhauling a fixed asset that meets the capitalisation criteria is recognised as an item of property, plant and equipment.

Intangible assets

The Group initially recognises intangible assets at cost. Cost of intangible assets acquired in a business combination is equivalent to their fair value as at the date of the combination. Following initial recognition, intangible assets are measured at cost less accumulated amortisation and impairment losses, if any. Expenditures incurred for internally generated intangible assets, excluding capitalised development costs, are not capitalised and are charged against profits in the period in which they are incurred.

As at January 1st 2004 the Group measured a part of its intangible assets at fair value and recognised the fair value as deemed cost for IFRS 1 purposes.

The useful lives of intangible assets are assessed by the Group to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a definite useful life are reviewed at the end of each financial year or more frequently. Changes in the expected useful life or pattern of consumption of the future economic benefits embodied in an asset are reflected by changing the amortisation period or amortisation method, as appropriate, and are treated as changes in accounting estimates. Amortisation charges on intangible assets with definite useful lives are recognised in profit or loss in the category that corresponds to the function of a given intangible asset.

Except for the development costs, internally generated intangible assets are not recognised in the statement of financial position; all expenditure incurred on internally generated intangible assets is recognised in the statement of profit or loss for the year in which it was incurred.

Intangible assets with indefinite useful lives and those that are not in use are tested for impairment annually, either individually or at the level of cash-generating units. For the remaining intangible assets, the Company annually assesses if there are any impairment indicators. Useful lives are also reviewed each year, and, if required, they are adjusted with effect from the beginning of the financial year.

Intangible assets with definite useful lives are amortised on a straight-line basis.

Intangible assets are amortised over periods from 2 to 10 years.

Any gains or losses arising on derecognition of intangible assets are measured as the difference between net proceeds from the sale of a given asset and its carrying amount, and are recognised in profit or loss upon derecognition of the asset.

Research and development work

Expenditure on research activities is recognised in the statement of profit or loss as incurred. Expenditure on development work performed as part of a given project is carried forward if it is expected to be recovered in the

future. After initial recognition of expenditure on development work, the historical cost model is applied, which requires that assets be disclosed at cost less accumulated depreciation/amortisation and impairment. Any expenditure carried forward is amortised throughout the period during which revenue is expected to be generated under a given project.

The carrying amount of development costs is reviewed for impairment annually when the asset is not yet in use or more frequently when an indication of impairment has been identified during the reporting period, which may suggest that the carrying amount may not be recoverable.

A summary of the policies applied to the Group's intangible assets is present below:

	<u>Patents and licenses</u>	<u>Software</u>
Useful lives	In the case of patents and licenses used under an agreement concluded for a definite term, it is assumed that the term together with an additional period for which the agreement may be extended represents the useful life.	2–5 years
Method	Amortised throughout the agreement term (5–10 years) using the straight-line method	Amortised using the straight-line method
Internally generated or acquired	Acquired	Acquired
Review for impairment / determination of the recoverable amount	Annual assessment of whether there are any indications of impairment	Annual assessment of whether there are any indications of impairment

Source: Consolidated Financial Statements.

Investment property

Investment property is initially measured at cost, including transaction costs. The carrying amount of investment property includes the cost of replacement of component parts of the investment property at the moment it is incurred if the recognition criteria are met, and does not include day-to-day maintenance costs of the property.

After initial recognition, investment property is recognised at fair value. Gains or losses arising from changes in the fair value of investment property are recognised in profit or loss for the period in which they arise.

An investment property is eliminated from the statement of financial position on disposal or when the investment property is permanently withdrawn from use and no future economic benefits from its disposal are expected. Any gains or losses arising from the elimination of investment property from the statement of financial position are recognised in profit or loss in the period of the elimination.

Assets are reclassified as investment property only when there is a change in use, evidenced by the end of owner-occupation or execution of an operating lease agreement. If owner-occupied property (where the owner is the Company) becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. For a transfer from inventories to investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in profit or loss.

For a transfer from investment property to owner-occupied property or inventories, the property's deemed cost for subsequent accounting for under a different category is its fair value at the date of change in use.

Leases

Finance leases, which transfer to the Group all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and the reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. The finance charge is recognised directly in profit or loss, unless the capitalisation criteria are met.

Property, plant and equipment used under finance leases are depreciated over the shorter of their estimated useful life and the lease term.

Leases where the lessor retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Lease payments under operating leases are recognised as operating expenses in profit or loss on a straight-line basis throughout the lease term.

Contingent lease payments are expensed in the period in which they become due.

Impairment of non-financial long-term assets

An assessment is made at the end of the reporting period to determine whether there is any indication that any of non-financial long-term assets may be impaired. If such indication exists, or in case an annual impairment testing is required, the Group makes an estimate of the recoverable amount of that asset or the asset's cash-generating unit.

The recoverable amount of an asset or cash-generating unit is the higher of the asset's or cash-generating unit's fair value less costs to sell and its value in use. The recoverable amount is determined for individual assets, unless a given asset does not generate separate cash flows largely independent from those generated by other assets or asset groups. If the carrying amount of an asset is higher than its recoverable amount, the value of the asset is impaired and an impairment loss is recognised up to the established recoverable amount. In assessing value in use, the projected cash flows are discounted to their present value using a pre-tax discount rate which reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the expense categories consistent with the function of the impaired asset.

The Group assesses at the end of the reporting period whether there is an indication that previously recognised impairment losses on a given asset no longer exist or should be reduced. If such indication exists, the Group estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. In such a case, the carrying amount of the asset is increased up to its recoverable amount. The increased value may not exceed the carrying amount of the asset that would have been determined (after accumulated amortisation/depreciation) if no impairment losses had been recognised on that asset in the previous years. Reversal of an asset impairment loss is immediately recognised as income in profit or loss. Following reversal of an impairment loss, in the subsequent periods the amortisation/depreciation charge related to a given asset is adjusted so that its revised carrying amount, less residual value, can be regularly written off over the remaining useful life of the asset.

Borrowing costs

Borrowing costs that are directly attributable to acquisition, construction or production of an asset are part of the cost of such asset. Other borrowing costs are recognised as finance cost for the period.

Recoverable amount of long-term assets

At the end of the reporting period the Group makes an assessment to determine whether there is any indication that its assets may be impaired. If such indications exist, a formal estimate of the recoverable amounts of such assets is made.

If the carrying amount of a given asset or a cash-generating unit exceeds its recoverable amount, an impairment loss is recognised and the carrying amount of the asset is reduced to its recoverable amount. The recoverable amount of an asset or cash-generating unit is the higher of the asset's or cash-generating unit's fair value less costs to sell and its value in use. Goodwill and intangible assets with indefinite useful lives and yet to be placed in service are tested for impairment.

Financial assets

Financial assets are classified into the following categories:

- financial assets held to maturity,
- financial assets at fair value through profit or loss,
- loans and receivables,
- financial assets available for sale.

Financial assets held to maturity are non-derivative financial assets with fixed or determinable payments and fixed maturities, quoted in an active market, which the Group has the positive intention and ability to hold until maturity, other than:

- those that upon initial recognition are designated as at fair value through profit or loss,
- those designated as available for sale,
- those qualifying as loans and receivables.

Financial assets held to maturity are measured at amortised cost using effective interest. Financial assets held to maturity are classified as non-current assets if they mature more than 12 months after the end of the reporting period.

A financial asset at fair value through profit or loss is a financial asset that meets either of the following conditions:

- (i) it is classified as held for trading. Financial assets are classified as held for trading if they:
 - have been acquired principally for the purpose of being sold in the near future,
 - are part of a portfolio of identified financial instruments that are managed together and for which there is probability of profit-taking in the near future,
 - are derivatives (except for those which are part of hedge accounting or financial guarantee contracts),
- (ii) upon initial recognition it was designated at fair value through profit and loss in accordance with IAS 39.

Financial assets at fair value through profit or loss are measured at fair value, based on their market value as at the end of the reporting period, without reflecting costs to sell. Any changes in the value of such instruments are recognised in the statement of comprehensive income as finance income or costs. If a contract contains one or more embedded derivatives, the entire contract can be designated as a financial asset at fair value through profit or loss. The above does not apply when an embedded derivative has no significant impact on the cash flows generated under the contract or when it is clear, without an analysis or following a short analysis, that if a similar hybrid instrument was first considered, separation of the embedded derivative would be prohibited. Financial assets may be designated upon initial recognition at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment in the area of measurement or recognition (accounting mismatch), or (ii) the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy, or (iii) the financial asset contains an embedded derivative that would need to be separately recorded. As at March 31st 2015, the Group recognised shares in listed companies and derivative instruments in the category of financial assets measured at fair value through profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets provided their maturity does not exceed 12 months after the end of the reporting period. Loans and receivables with a maturity exceeding 12 months from the end of the reporting period are classified as non-current assets.

Financial assets available for sale are financial assets which are not derivative instruments, and have been classified as available for sale, or which do not belong to any of the previous three categories. Financial assets available for sale are recognised at fair value increased by the transaction costs which may be directly attributed to the acquisition or issue of the financial asset. If quoted market prices from an active market are not available and the fair value cannot be reliably measured using alternative methods, available-for-sale financial assets are measured at cost less impairment losses, if any. The positive or negative differences between the fair value of available-for-sale financial assets (if they have a market price derived from an active market or their fair value can be established in any other reliable manner) and their cost are recognised net of deferred tax in other comprehensive income. Impairment losses on available-for-sale financial assets are recognised in finance costs.

Any purchase or sale of financial assets is recognised at the transaction date. Initially, a financial asset is recognised at its fair value, plus, for financial assets other than classified as financial assets at fair value through profit and loss, transaction costs which are directly attributable to the purchase.

Financial assets are derecognised if the Group loses control of contractual rights attached to those assets, which usually takes place upon sale of the asset or where all cash flows attributed to the given asset are transferred to an independent third party.

Impairment of financial assets

The Group assesses at the end of the reporting period whether there is any objective evidence that a financial asset or a group of assets is impaired.

Assets recognised at amortised cost

If there is an objective indication that the value of loans and receivables measured at amortised cost has been impaired, the impairment loss is recognised in the amount equal to the difference between the carrying amount of the financial asset and the present value of estimated future cash flows (excluding future losses relating to irrecoverable receivables, which have not yet been incurred), discounted using the initial effective interest rate (i.e. the interest rate used at the time of initial recognition). The carrying amount of an asset is reduced by recognising an impairment loss. The amount of the loss is recognised in profit or loss for the period.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually

significant. If the analysis shows that there is no objective evidence of impairment for an individually assessed financial asset, regardless of whether it is significant or not, the Group includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses their impairment. Assets that are individually reviewed for impairment and for which an impairment loss has been recognised or it has been concluded that the existing impairment loss will not change, are not taken into account in collective review of assets for impairment.

If an impairment loss decreases in a subsequent period, and the decrease may be objectively associated with an event that occurred after the impairment loss recognition, the recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, in so far as the carrying amount of the asset does not exceed its amortised cost as at the reversal date.

Financial assets carried at cost

If there exists an objective indication of impairment of a non-traded equity instrument which is not carried at fair value since such value cannot be reliably determined, or of a related derivative instrument which must be settled by delivery of such non-traded equity instrument, the amount of impairment loss is established as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted with the market rate applicable to similar financial assets prevailing at a given time.

Available-for-sale financial assets

If there exists an objective indication of impairment of a financial asset available for sale, the amount of the difference between the cost of that asset (less any principal and interest payments) and its current fair value, reduced by any impairment losses previously recognised in profit or loss, is derecognised from equity and reclassified to profit or loss. Reversals of impairment losses on equity instruments classified as available for sale may not be recognised in the statement of profit or loss. If the fair value of a debt instrument available for sale increases subsequently, and if the increase may be objectively associated with an event that occurred following the impairment loss recognition in the statement of profit or loss, the amount of the impairment loss is reversed through profit or loss.

Non-current assets held for sale

When an item of property, plant and equipment is available for sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale is, according to sale plans held by the Group, highly probable within one year, then such an asset is classified by the Group as held for sale. Such an asset is presented in the financial statements of the Company at the lower of its carrying amount and fair value less costs to sell.

Derivative financial instruments and hedges

The Group uses derivative financial instruments such as forward currency contracts to hedge against the risks associated with foreign currency fluctuations. Such derivative financial instruments are measured at fair value. Derivative instruments are recognised as financial assets if their value is positive and as financial liabilities if their value is negative.

Given the nature of hedges and relation to the transactions hedged, despite the absence of hedge accounting policies, non-speculative gain/(loss) on realisation and measurement of derivatives representing economic security for acquisition and sale transactions adjusts revenue or cost of products sold, respectively.

Inventories

Inventories are measured at the lower of cost and net realisable value.

Materials purchased in order to be used in production, which at the moment of purchase are explicitly identified with a construction contract that is currently in progress or with other supply or services contracts, are measured during the financial year using the method of detailed identification of the individual purchase prices for a specific contract. As at the end of the reporting period, materials are measured in line with the rules applicable to the measurement of construction contracts (IAS 11), that is the value and purchase cost of those materials are recognised as production cost.

Other materials are recognised at production cost using the weighted average method.

Inventories are recognised on a net basis (net of write-downs). Write-downs on inventories are recognised when a loss is identified, in order to bring the carrying amount of inventories to their net realisable value. The amount of write-downs recognised to reduce the carrying amount to net realisable value, as well as any other loss on inventories are recognised as expenses for the period in which an impairment or other loss occurred.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale.

Trade and other receivables

Trade receivables are recognised and disclosed at initially invoiced amounts (unless the effect of changes in the time value of money is material), taking into consideration impairment losses.

Impairment losses on receivables are recognised under operating expenses or finance costs, depending on the nature of the receivable.

Where the effect of changes in the time value of money is material, the value of receivable is determined by discounting forecast future cash flows to their current value, with the use of a discount rate reflecting the current market assessments of the time value of money. Receivables measurement connected with time-lapse-related discount reversal is recognised as finance income.

Cash and cash equivalents

Cash and current deposits in the statement of financial position comprise cash at bank and on hand as well as current deposits with an original maturity of three months or less.

The balance of cash and cash equivalents disclosed in the statement of cash flows is the aggregate of cash and cash equivalents defined above. If the Group uses overdraft facilities for cash management purposes, IAS 7 requires that the balance of cash be presented in the statement of cash flows net of outstanding amounts of overdraft facilities.

Share capital

Share capital is disclosed in the financial statements in the amount defined in the Articles of Association and entered in the Court Register. Declared but outstanding contributions to equity are disclosed under “Called-up share capital not paid”, as a negative value. Treasury shares are disclosed as a separate negative item of equity.

Provisions

The Group recognises a provision if the Company has a present obligation (legal or constructive) resulting from past events whose settlement is likely to result in an outflow of economic benefits and whose amount can be reliably estimated. Where expenditure required to settle a provision is expected to be reimbursed by another party (e.g. under an insurance agreement), the reimbursement is recognised as a separate asset when, and only when, it is virtually certain that the reimbursement will be received if the entity settles the obligation. The expenditure relating to a given provision is presented in profit or loss net of any reimbursement.

Recognised provisions are disclosed as operating expenses, other operating expenses or finance cost, depending on circumstances to which future liabilities relate.

Where the effect of changes in the time value of money is material, the amount of provision matches the current value of expenditure expected to be necessary to perform the obligation.

A discount rate is determined before tax; therefore, it reflects the current market assessment of the time value of money and the risk relating specifically to a given liability. A discount rate is not burdened by the risk by which estimated future cash flows have been adjusted. If the discount method is used, any time-lapse-related increase in provision is carried as finance cost.

Interest-bearing borrowings and other debt instruments

All borrowings and other debt instruments are initially recognised at cost being their fair value net of transaction costs associated with the borrowing.

After initial recognition, interest-bearing borrowings and other debt instruments are measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account the transaction costs and the discount or premium on settlement.

Upon removal of a liability from the statement of financial position, recognition of impairment loss, or accounting for a liability using the effective interest method, gains or losses are recognised in the statement of comprehensive income.

Trade and other payables

Current trade and other payables are reported at amounts payable.

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities initially designated (due to meeting certain criteria) as financial liabilities at fair value through profit or loss.

Financial liabilities are classified as held for trading if they were acquired for the purpose of being sold in the near future. Derivative financial instruments, including separated embedded instruments, are also classified as

held for trading, unless they are considered as effective hedges. Financial liabilities may be designated as financial liabilities at fair value through profit or loss on initial recognition if the following criteria are met: (i) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases, (ii) the liabilities are part of a group of financial liabilities that are managed and measured based on fair value, according to a well-documented risk management strategy, or (iii) the financial liabilities contain embedded derivative instruments which should be presented separately.

Financial liabilities at fair value through profit or loss are measured at fair value, based on their market value as at the end of the reporting period, without reflecting costs to sell. Changes in the fair value of such instruments are recognised in profit or loss as finance income or costs.

Financial liabilities other than financial instruments at fair value through profit or loss are measured at amortised cost using the effective interest rate method.

A financial liability is derecognised when it is extinguished – that is when the obligation specified in the contract is discharged or cancelled or expires. When an existing debt instrument is replaced by another on substantially different terms, where the same parties are involved, such a replacement is treated by the Group as the derecognition of the original financial liability and the recognition of a new financial liability. Similarly, when the terms of an existing financial liability are substantially modified, the Group treats such modification as the derecognition of the original financial liability and the recognition of a new financial liability. The difference in the respective carrying amounts is recognised in profit or loss.

Other liabilities include in particular public charges and salaries. Other liabilities are recognised at amounts due.

Retirement gratuity and jubilee benefits

In accordance with internal remuneration systems, Group employees are entitled to jubilee benefits upon completion of a number of years in service and to retirement gratuity upon retirement due to old age or disability.

In accordance with the internal regulations, the companies also make transfers to the Social Fund in respect of their retired employees.

The Group recognises such costs on an accrual basis.

The amount of jubilee bonuses depends on the number of years in service and average monthly remuneration. Also, employees who retire due to old age receive a one-off retirement bonus. Employees who develop a permanent work disability are entitled to receive a disability severance payment. The amount of such benefits depends on the number of years in service and the average monthly remuneration.

The Group recognises a provision for retirement gratuities due to old age and disability, contributions to the Social Fund and jubilee benefits in order to allocate the costs of those allowances to the periods to which they relate. According to IAS 19, jubilee benefits are classified as other long-term employee benefits, whereas retirement gratuity benefits and contributions to the Social Fund – as defined post-employment benefit plans. The present value of these obligations as at the end of each reporting period is calculated by an independent actuary. The calculated value of the obligations is equal to the amount of discounted future payments, taking into account employment turnover, and relates to the reporting period. Information on demographics and employment turnover is sourced from historical data.

Actuarial valuation of long- and short-term benefits is made not less frequently than at the end of each financial year.

Revaluation of employee benefit obligations under defined benefit programmes, including actuarial gains and losses, is recognised in other comprehensive income and is not subject to subsequent reclassification to profit or loss.

Taxes

Income tax expense

Income tax presented in profit or loss comprises the actual tax expense for the given reporting period, any corrections of tax settlements for prior years as determined by the Group in accordance with the provisions of the Corporate Income Tax Act, as well as movements in the balance of the deferred tax asset and deferred tax liability that is not settled against equity.

Current income tax

Current income tax payable and receivable for the current period and for previous periods is measured at the amount expected to be paid to (or recovered from) tax authorities, using the tax rates and laws that have been enacted or substantively enacted at the end of the reporting period.

Deferred income tax

For financial reporting purposes, the Group recognises deferred tax assets and deferred tax liabilities on all temporary differences existing at the end of the reporting period between the carrying amounts of assets and liabilities and their tax bases.

A deferred tax liability is recognised for all taxable temporary differences:

- except where the deferred tax liability arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss, and
- in the case of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised:

- except where the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss, and
- in the case of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reviewed at the end of the reporting period and are recognised to the extent that it has become probable that future taxable profit will be available that will allow the deferred tax asset to be recovered.

Deferred tax assets are determined as the amount of income tax recoverable in the future in connection with deductible temporary differences which will reduce future income tax base and any deductible tax loss, determined in accordance with the prudence principle. Deferred tax assets are recognised only if it is probable that they will be realised.

Deferred tax liabilities are recognised at amounts of income tax payable in future in connection with taxable temporary differences, i.e. differences which will increase the future tax base.

Deferred tax assets and deferred tax liabilities are calculated using tax rates expected to be effective at the time of realisation of a particular asset or liability, based on tax rates (and tax legislation) which were enacted or substantively enacted at the reporting date.

Deferred income tax relating to items recognised outside profit or loss is recognised outside profit or loss: as part of other comprehensive income for items recognised in other comprehensive income or directly in equity for items recognised directly in equity.

Deferred income tax assets and deferred income tax liabilities are offset by the Group if and only if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Value added tax

Revenue, expenses, assets and liabilities are recognised net of the VAT, except in the following cases:

- where the value added tax paid on the purchase of assets or services is not recoverable from the tax authorities; in such a case it is recognised in the cost of a given asset or as part of the cost item, and
- in the case of receivables and payables, which are recognised inclusive of the VAT.

The net amount of the value added tax which is recoverable from or payable to tax authorities is carried in the statement of financial position under receivables or liabilities, as appropriate.

Revenue

Revenue is recognised only when it is probable that the economic benefits associated with the transaction will flow to the Group and its amount can be measured reliably. Revenue is recognised at the fair value of the consideration received or receivable, net of value added tax (VAT) and rebates. The following specific recognition criteria must also be met before revenue is recognised.

Revenue from sale of goods (merchandise and products)

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue and costs incurred can be reliably measured.

Revenue includes amounts due for finished goods, merchandise and materials sold by the Group as well as other services relating to the principal activities of the Group, determined at net prices, net of rebates and discounts granted by the Group and net of excise.

Services

Revenue from long-term services that have not been completed in the period from the date of execution of the service contract until the reporting date - after deducting revenue that was recognised in profit or loss in prior reporting periods - is determined in proportion to the stage of completion of the service, provided that such stage of completion can be reliably estimated. Depending on the nature of the contract, the methods used to determine the stage of completion of a contract may include:

- surveys of work performed,
- completion of a physical proportion of the contract work,
- the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

Contract costs incurred to date include only those costs that reflect work performed by that date. Estimated total contract costs include only costs of services which have already been performed or which are to be performed.

When the outcome of the contract cannot be estimated reliably, the revenue derived from the contract is recognised only to the extent of costs incurred that the entity expects to recover.

Interest

Interest income is recognised as it accrues (using the effective interest method that discounts future cash flows over the expected life of financial instruments) based on the net carrying amount of a particular financial asset.

Dividends

Dividends are recognised when the shareholder's right to receive payment is established.

Rental income

Revenue from lease of investment property is recognised with the straight-line method over the lease term (existing agreements).

Construction contracts

Construction contracts are business contracts associated with the Company's core operations, which provide for construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use. A majority of the contracts provide for fixed prices and are accounted for using the percentage of completion method.

The overall contract revenue comprises the initial amount of revenue agreed in the contract and variations in contract work, claims and incentive payments.

Variations are included in contract revenue when it is probable that the customer will approve the variation and the amount of revenue arising from the variation, and the amount of revenue can be reliably measured. Contract revenue is measured at the fair value of the consideration received or receivable.

The overall contract costs comprise costs that relate directly to the specific contract or can be allocated to the specific contract using reasonable methods of allocation, as well as such other costs as are specifically chargeable to the customer under the terms of the contract.

The effects of changes in estimates of contract revenue or contract costs and the effects of changes in the estimate of the outcome of the contract are accounted for as a change in accounting estimate in accordance with

IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors). The changed estimates are used in the determination of the amount of revenue and expenses recognised in the consolidated statement of comprehensive income in the period in which the changes are made and in subsequent periods.

Revenue at the end of the reporting period is determined in proportion to the stage of completion of the contract, after deducting revenue that was recognised in profit or loss in prior reporting periods.

Government grants

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

If a grant concerns a cost item, it is recognised as income in matching with the expenses it is to compensate for. Where the grant relates to an asset, its fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset in equal annual instalments.

Earnings per share

Earnings per share for each reporting period is calculated as quotient of the net profit for the given accounting period and the weighted average number of Company shares outstanding in the given accounting period. The Group does not present diluted earnings/loss per share as there are no potential ordinary shares with dilutive effect.

Financial risks – quantitative and qualitative information

The objective of the Group's financial risk management policy is to limit the volatility of the Group's cash flows and results of its core business operations to acceptable levels. The key financial instruments used by the Group include cash, current deposits, advanced loans, currency exchange transactions, overdraft facilities and leases. The main purpose of these instruments is to support and secure financially the day-to-day operations of Group companies by stabilising and neutralising liquidity, exchange rate and interest rate risks, and to ensure safe and effective investment of free cash. Other financial instruments, such as trade receivables and payables, arise in the course of Group companies' day-to-day operations and form their inherent part.

The Group is not engaged in trading in financial instruments. The role of all financial instruments discussed in this section is to support the core business processes. The Group does not permit the use of financial instruments for speculative or other purposes not directly related to its principal business.

The key financial risk to which the Group is exposed is liquidity risk, discussed at length below. The Group is also exposed to currency risk.

Interest rate risk

As at March 31st 2015, The Group was party to a credit facility agreement, therefore its operations were exposed to credit risk and the risk associated with potential changes in interest rates. Changes in market interest rates may trigger changes to the interest charged on the credit facility, as well as the interest earned by the Group companies on their deposits.

The table below presents sensitivity of pre-tax profit to reasonable movements in interest rates, assuming that other factors remain constant (deposits, advanced loans, bank credit facility, amounts payable under leases). The effect on the Group's equity is not presented.

	Increase/decrease (percentage points)	Effect on pre-tax profit/loss
Period ended Mar 31 2015		
PLN	+1%	1,777
EUR	+1%	531
GBP	+1%	16
PLN	-1%	(1,777)
EUR	-1%	(531)
RSD	-1%	(16)

Period ended Mar 31 2014		
PLN	+1%	(1,472)
EUR	+1%	377
RSD	+1%	1
PLN	-1%	1,472
EUR	-1%	(377)
RSD	-1%	(1)

Source: the Company.

Currency risk

The most significant type of financial risk to which the Group is exposed is currency risk, which arises in connection with exchange rate movements, causing uncertainty as to future cash flows denominated in foreign currencies. The Group's exposure to currency risk stems from the fact that a portion of its cash flows is denominated in foreign currencies. Changes in PLN exchange rates, especially if frequent and significant, may materially affect both profitability of contracts denominated in foreign currencies and the amount of currency translation differences on assets and liabilities denominated in foreign currencies and translated into PLN.

In the three months ended March 31st 2015, more than 8.5% of the Group's invoiced revenue was denominated in foreign currencies, primarily in EUR.

The currency risk management strategy followed by Group companies provides for the use of natural hedging to the largest possible extent. Group companies strive to achieve the highest possible level of structural matching of income and expenses denominated in the same currency and related to the running contracts. Apart from natural hedging, the Group can hedge between 30% and 70% of its estimated net exposure to foreign exchange risk by means of approved derivative instruments (e.g. FX forwards) available on the market.

As at March 31st 2015, Group companies did not have any open hedging positions.

In view of the best bid choices made by Employers in material tenders and the change from net exporter to net importer position in terms of currency exposure, the Group did not enter into any new foreign currency sale contracts under its currency risk hedging policy. Once the final tender awards are known, Group companies will revise their currency positions and decide on entering into any hedging transactions.

As at March 31st 2015, with exchange rate of PLN/EUR 4.0890 used for measurement of open income and expense positions expressed in EUR, a PLN 0.01 change in the PLN/EUR exchange rate will result in a change of the PLN value of the Group's open expense item by about PLN 0.8m, while appreciation of the zloty against the euro will have a positive effect on the Group's result.

Commodity price risk

The Group is exposed to price risk, particularly the risk of increase in the prices of materials of strategic importance to its operations. The level of this risk is greatly determined by the conditions prevailing in the global commodities markets (including steel, precious metals, fuel and energy markets), which are affected by both exchange rate movements and producers' consolidation efforts intended to achieve joint control of prices. The commodity price risk management strategy envisages entering into contracts with sub-suppliers of materials and services in the master contract currency, arranging for procurement of materials by the customer, and entering into procurement contracts providing for fixed prices. Group companies do not enter into long-term contracts with sub-suppliers. The scope of supplies is determined and suppliers selected on an individual basis depending on requirement.

Credit risk

The Group's credit risk exposure is closely related to the core business conducted by Group companies. The exposure results from outstanding trade contracts and is related to the risk of occurrence of such credit events as the contractor's insolvency, partial payment of receivables, and material delays in payment of receivables. Providing trade credit to trade partners is an essential part of the Group's business. However, Group companies undertake a number of measures to mitigate the risk of entering into trade relations with potentially unreliable customers. Each customer who wishes to trade on credit terms is subject to credit verification procedures.

Customers who – based on the results of credit verification procedures performed by Group companies – are deemed financially unreliable, are required to provide appropriate financial security to mitigate the risk of their insolvency borne by the Group.

OVERVIEW OF THE GROUP'S BUSINESS

Before reading the information on the Group's business, its market shares, as well as the Group's financial and operational data contained herein, prospective investors should familiarise themselves with the methods and manner of presenting such information, as described in Important information – Presentation of historical financial information, other financial data and operating data and Macroeconomic, industry and statistical data.

Information on the Group's market position presented in this section is supplemented with the Company's internal estimates to the extent such estimates are not publicly available. The Company's estimates have been prepared on the basis of publicly available information and data obtained by the Group in the course of its business, including the information on steam generators produced and installed in Poland. As one of Poland's power construction market leaders, the Company has designed, manufactured and constructed/assembled numerous power facilities throughout Poland, both individually and with partners. The Company's estimates concerning its market position, and in particular the percentage share of the steam generators supplied by the Group in the overall steam generation capacity of all steam generators installed in Poland, are based on such information. For the purposes of those estimates, steam generators produced by the Group include both units produced by the Group on its own and in cooperation with other entities at various stages of the project, even if such steam generators were subsequently upgraded by a third party.

General information

The Group is one of Poland's and Europe's leading suppliers of environment-friendly and modern technologies for the energy and industry sectors. It has more than 60 years of experience, supported by credentials, in the design, production, construction and maintenance of power and environmental protection facilities. Since inception, the Group has been active abroad, operating for more than 50 years on such markets as the Balkans, India, Turkey, and the Czech Republic.

The Group's portfolio includes:

- air protection systems, including dust extraction equipment, flue gas desulfurization units, and flue gas denitrification units;
- power generation units and steam generators, including complete power generation units and steam generators alone (by type of fuel used, for instance: (i) hard-coal steam generators, (ii) lignite steam generators, (iii) oil/gas steam generators, (iii) biomass steam generators, or (iv) waste boilers);
- subassemblies and parts of power machinery and equipment, and structures; and
- other products and services, including auxiliary services.

The Group delivers the above products and services in the EPC model (end-to-end project management including design, procurement, manufacture, assembly/construction, and commissioning) and in a non-EPC model (design, procurement, manufacture, assembly/construction of a given product in various configurations, with procurement and manufacture as mandatory elements).

The Group operates its own production plants, with the overall workforce of 988 as at May 31st 2015. The main plant is located in Racibórz, along with the plant management staff, the head office, design and technology offices, as well as five production plants where high-pressure equipment is mainly produced. Electrostatic precipitators and their components are manufactured in Wry. As at the Prospectus Date, the Group's total production capacity for 2015 exceeded 1.4 million man-hour per year, with the potential to be increased to more than 1.6 million man-hour per year. The Group is currently Poland's and EU's leader in terms of the production capacity for high-pressure equipment.

The RAFAKO Group is the leading supplier of power steam generators and utility steam generators for power and industrial customers in Poland. As at the Prospectus Date, 75-80% of all steam generators installed in Poland (in terms of steam generation capacity) were delivered by the Group (according to Company data based on information provided by Agencja Rynku Energii). The most important facilities which use steam generators delivered by the Group include power plants in Bełchatów, Opole, Turów, Dolna Odra (all owned by PGE), Rybnik (EDF), Pątnów-Adamów-Konin, Kozienice (Enea), and power plants owned by Tauron Wytwarzanie, as well as Warsaw CHP Plants – Elektrociepłownie Warszawskie (PGNiG Termika), Wrocław CHP Plants – Zespół Elektrociepłowni Wrocławskich Kogeneracja, Łódź CHP Plants – Zespół Elektrociepłowni Łódź (Dalkia), and Zielona Góra CHP Plant – Elektrociepłownia Zielona Góra (EDF). The Group also delivered circulating fluidised bed (CFB) steam generators to the Żerań CHP Plant and Bielsko-Biała II CHP Plant (Tauron Wytwarzanie), Siersza Power Plant (Tauron Wytwarzanie), and Zakłady Farmaceutyczne Polpharma Starogard Gdański.

As regards environmental protection systems, the Group's completed and pending projects include environmental protection systems for power plants in Jaworzno III, Bełchatów, Pątnów, Ostrołęka, Dolna Odra, Siersza, Skawina, Trzebowice (Dalkia Czechy), Koźnice and Połaniec, as well as CHP plants in Siekierki and Łódź.

As at the Prospectus Date, the Group's overall workforce comprised 2,347 employees.

The RAFAKO Group's strategy envisages further consolidation of the leading position in Poland and the solid market standing in foreign markets, mainly through: (i) development of the technologies applied by the Group, especially proprietary ones; (ii) expansion and enhancement of the current mix of products and services; (iii) development of export sales; (iv) further optimisation of internal process management.

History of the Group

The Group's history dates back to 1949–1952. By decision of the Minister of Heavy Industry, a state-owned enterprise operating under the name of Fabryka Urządzeń Technicznych of Racibórz was established on December 31st 1949. The core business of the Racibórz-based company included the production of steam generators; the first steam generators were produced and delivered in 1952.

From 1952 until early 1990s, the company developed its operations in Poland and abroad (including in China, India, Turkey, and former Yugoslavia) modernising its production methods and technologies and enhancing the portfolio of products and services.

In 1990s, the Group added circulating fluidised bed steam generators, heat recovery steam generators, flue gas desulfurization systems, as well as waste incineration units to its portfolio, and also set foot in new foreign markets, including Switzerland, Germany, France, and Scandinavia. The past 20 years saw further development of the Company's product and service mix as well as project management competencies necessary to compete for the award of EPC contracts.

In 1993, the state-owned company Raciborska Fabryka Kotłów RAFAKO was transformed into a joint-stock company controlled by the State Treasury under the name Fabryka Kotłów RAFAKO S.A. On January 12th 1993, the master agreement on the company's transformation and acquisition of shares was concluded, under which: (i) 50% of shares were acquired by RAFAKO sp. z o.o. (a limited-liability company established by employees of the former state-owned company Raciborska Fabryka Kotłów RAFAKO) and 5% by its management staff, (ii) 20% of shares were sold to the Company's employees, and (iii) 25% of shares remained in the hands of the State Treasury, to be subsequently sold to retail investors in a public offering. 1994 saw the Company's IPO; Company shares were admitted to trading on the WSE's main market in January 1994, and the first listing of RAFAKO shares on the WSE took place on March 7th 1994.

In 1997, the Company entered into an agreement with Elektrim as the strategic investor, under which Elektrim acquired new shares representing 46.7% of the Company's increased share capital in a closed offer, thereby increasing its holding to 49.9%.

For more than a decade, RAFAKO has partnered with various companies to design and deliver supercritical steam generators to many power plants around the globe. In particular, in recent years the Company signed contracts for the design and installation of supercritical steam generators at the power plants in Pątnów (460MW unit) and Bełchatów (858MW unit, in a consortium with Alstom), as well as four supercritical steam generators at German power plants in partnership with Hitachi Power Europe.

On November 18th 2011, PBG notified the Company of the indirect acquisition of 50% + 1 RAFAKO shares following the acquisition of Multaros shares from Elektrim.

In 2011, the power generation unit at the Bełchatów power plant, one of the largest lignite units in Poland, was placed in service. The contract gave rise to a dispute between RAFAKO and the Alstom Group, which was closed on October 15th 2013 with an agreement between the parties, defining the terms of financial settlements between RAFAKO and the Alstom Group and providing for a mutual waiver of claims related to specific projects, including the Bełchatów power plant. Under the agreement, (i) the Alstom Group companies paid RAFAKO EUR 23m on October 31st 2013 and EUR 20.5m on February 28th 2014; (ii) RAFAKO agreed to cooperate with the Alstom Group on the Opole Project, including to subcontract to the Alstom Group part of RAFAKO's scope of work under the Opole Project (see *Overview of the Group's business – Material agreements – Material agreements executed in the ordinary course of the Group's business, particularly important to the Group's performance – Contracts and agreements related to the execution of the Opole Project*).

On December 20th 2011, the Group's organisational structure changed with the acquisition of ENERGOMONTAŻ-POŁUDNIE from PBG. Following the filing of the arrangement bankruptcy petition by PBG in 2012, the Company and PBG concluded an agreement for the transfer of shares in ENERGOMONTAŻ-POŁUDNIE to PBG.

On January 10th 2012, the Company executed a loan agreement with Hydrobudowa Polska, under which RAFAKO granted Hydrobudowa Polska a cash loan of PLN 32m, repayable on January 9th 2013, to finance the company's day-to-day operations. On June 11th 2013, Hydrobudowa Polska was declared bankrupt by liquidation. In view of the above circumstances, on September 21st 2012 the Management Board filed a claim as part of the PBG bankruptcy arrangement proceedings in order to seek the return of the loan.

Below are described the key developments in the Group's business in 2012–2014 and in 2015 until the Prospectus Date.

On February 15th 2012, the Company, as the leader of the RAFAKO – Polimex – Mostostal Consortium, signed with PGE Opole a contract for execution of the Opole Project, for a total amount of PLN 11.6bn (VAT inclusive). Due to postponement, works on the Opole Project commenced on January 31st 2014 (see *Overview of the Group's business – Material agreements – Material agreements executed in the ordinary course of the Group's business, particularly important to the Group's performance – Contracts and agreements related to the execution of the Opole Project*).

On June 13th 2012, the District Court of Poznań declared PBG (the Company's indirect parent) insolvent (arrangement bankruptcy).

On January 24th 2013, the Consortium comprising RAFAKO (as the leader) and Mostostal was awarded the Jaworzno Contract by Tauron Wytwarzanie in the public procurement procedure by way of competitive negotiations with publication of a contract notice. Following a number of extensions of the validity period of the bid placed by the Consortium, the final validity date was set on April 30th 2014 given the need to make agreements and arrangements with the financial institutions and subcontractors interested in participating in the project.

After securing all required agreements with financial institutions, on April 17th 2014 RAFAKO, as the leader of the Consortium with Mostostal, signed the Jaworzno Contract with Tauron Wytwarzanie for the design and turn-key delivery of a supercritical 910 MW power generation unit. Under the consortium contract with Mostostal, RAFAKO is responsible for the performance of 99.9% of work under the contract signed with Tauron Wytwarzanie, and is entitled to receive remuneration corresponding to this share of work. The total VAT-inclusive amount of the contract is approximately PLN 5.4bn (see *Overview of the Group's business – Material agreements – Material agreements executed in the ordinary course of the Group's business, particularly important to the Group's performance – Contracts and agreements related to the execution of the Jaworzno Project*).

From 2012 until the Prospectus Date, the Group received the following major awards and distinctions:

- 2012 – Safe Work Leader's Silver Card; this award distinguishes the Group as one of Poland's top employers in terms of work safety and ergonomics continuously since 1998;
- 2012 – Great Pearl of Polish Economy;
- 2012 – 'Innovator 2012' title awarded by the *Wprost* weekly magazine;
- 2013 – RAFAKO is included in the prestigious RESPECT Index on the WSE;
- 2013 – Golden Innovation Laurel in the Nationwide Stanisław Staszic Competition recognising the best innovative products; and
- 2014 – Market Leader in Innovation – Quality, Creativity, Efficiency.

Competitive advantages

The information on the Company's and Group's market standing and competitive advantages is based on the Management Board's best knowledge and belief. The Management Board firmly believes that the Group's extensive experience, supported by customer referrals, technological facilities, ability to manage complex projects, and strong manufacturing capacities, create the significant competitive advantage essential in leveraging the Group's potential for growth and delivering its strategic objectives.

Many years of experience supported by credentials

The RAFAKO Group has more than 60 years of experience, supported by credentials, in the design, production, construction and maintenance of power and environmental protection facilities in Poland. Since inception, the Group has been active abroad, operating for more than 50 years on such markets as the Balkans, India, Turkey, and the Czech Republic.

The Group is the leading supplier of steam generators for power and industrial customers in Poland. As at the Prospectus Date, approximately 75–80% of power steam generators (in terms of steam capacity) installed in Poland were units delivered by the Group (according to Company in-house data based on information provided

by Agencja Rynku Energii). In the power construction segment, the most important projects executed by the Group in 2012–2014 include: (i) the wet flue gas desulfurization unit at the Siekierki CHP Plant (owned by PGNiG Termika S.A.), one of the largest environmental protection investment projects in Poland; (ii) commissioning of a biomass steam generator with a fluidised bed at the Jaworzno Power Plant (owned by the Tauron Group); (iii) construction of a catalytic flue gas denitrification system on steam generator K8 for PKN Orlen S.A.; (iv) commissioning of electrostatic precipitators at the Kozienice Power Plant (see *Overview of the Group's business – Key projects*).

The Group is also active on international markets. Some of the largest steam generators manufactured by the Group are installed in Serbia. The Group's numerous products have also been supplied to the Czech Republic, China, Turkey and India. The most important projects executed by the Group abroad include: (i) commissioning of a steam generator for the municipal waste incineration facility in Roskilde, Denmark, in 2013; (ii) installation of two electrostatic precipitators at the Westfalen Power Plant in Germany in 2014; and (iii) installation of two electrostatic precipitators at the Eemshaven Power Plant in the Netherlands in 2014. In 2014, the Group also delivered power equipment to customers in the United Kingdom, India and Finland.

In its operations, the Group puts special emphasis on ensuring high product quality, customising products to meet specific customer demands, and professionalism in relationships with entities which the Group supplies with its products and services. Thanks to this focus and many years of experience in the design, manufacture and maintenance of power units and installations, the Group is able to understand the needs and expectations of customers operating in the industry and power sectors, better identify the required scope of work and tailor its offering to the bespoke requirements of its customers. Moreover, since many power facilities in Poland have been designed and constructed by the Group, the Group has the competence and expertise necessary to accurately estimate the scope of required modernisation work and to propose an appropriate offer, price, project timetable and other material parameters of modernisation projects pertaining to such facilities.

No other entity in Poland and just few in Central and Eastern Europe are a match for the Group in terms of credentials obtained for its vast portfolio of products and services. The Group's credentials, technologies and manufacturing capacities enable it to execute both EPC and non-EPC projects, depending on customer requirements (see *Overview of the Group's business – Products and services offered by the Group*).

The Group is managed by highly qualified and experienced management personnel, with extensive knowledge of power steam generator manufacturing and vast industry expertise. A majority of the management personnel have been working for the Group for over ten years and participated in the execution of the largest investment projects in the Polish power sector, including the construction of units with supercritical steam generators at the Pątnów and Bełchatów Power Plants. The specialised technical supervision team and blue-collar staff employed by the Group hold the qualifications and certificates required to work under the most complex technological regimes, in accordance with standards applicable in power construction.

Technological potential

In its operations the Group uses numerous, both proprietary and third party, technological solutions, enabling the Group to promptly react to market expectations, including to changes triggered by developments in the power sector (see *Overview of the Group's business – Intellectual property – Patents and licenses*).

The Group uses advanced technologies in both design and execution of projects. The Group has extensive design facilities, including its own design offices with more than 400 designers. Group employees have the expertise and competence required to use those technologies. As at the Prospectus Date, the Group's annual design capacities amounted to approximately 0.8m man-hours, including: (i) approximately 594 man-hours at the design offices of Racibórz, Rybnik and Pszczyna; and (ii) over 182 thousand man-hours at the design offices of Gliwice and Częstochowa.

To ensure a highly competitive product and service offer, the Group invests in research and development to develop and complement its technology portfolio with unique technological solutions enhancing the efficiency and reliability of the Group's products. As at the end of 2014, the Group held nine patent applications (see *Overview of the Group's business – Intellectual property*) and several other were in preparation. The research work conducted by the Group in 2012–2014 primarily focused on identifying new applications for technologically advanced materials, as well as on new forms of investment project organisation based on innovative solutions. As at the Prospectus Date, the Group carried on over 40 R&D projects.

The technologies at the Group's disposal enable it to continuously increase its production capacities and scope of services, improve product quality and reduce the costs of operations.

Extensive and advanced manufacturing facilities

The Group's vast execution capabilities following from business diversification enable the Group to participate in tender proceedings for the execution of large investment projects, including in particular in the power industry. The Group has significant production capacities and a large number of experienced and certified employees working at its production facility. It operates modern plant and equipment and applies advanced quality control measures.

The Group holds all necessary quality certificates. The certificates confirm the Group's compliance with the ISO 9001, ISO 14001, PN-N 18001 standards and Directive 97/23/EC. They also provide customers with assurance that RAFAKO-manufactured units, equipment and installations comply with the technical safety requirements in Poland, the EU, and the US.

The Group operates its own production plants, with the overall workforce of 988 as at May 31st 2015. The main plant is located in Racibórz, along with the plant management staff, the head office, design and technology offices, as well as five production plants where high-pressure equipment is mainly produced. Electrostatic precipitators and their components are manufactured in Wry. As at the Prospectus Date, the Group's total production capacity for 2015 exceeded 1.4 million man-hour per year, with the potential to be increased to more than 1.6 million man-hour per year. The Group is currently Poland's and EU's leader in terms of the production capacity for high-pressure equipment.

Advanced technologies and a modern production system enable the Group to offer products that match customer requirements, meet their specifications and keep top quality standards.

The Group's own manufacturing facilities enable it to use the information and experience generated by the manufacturing process at the design and assembly/construction phases, which is impossible for companies without their own manufacturing facilities.

The Group consistently maximises the use of its resources through mechanisation and automation of production processes.

Project management expertise

Thanks to many years of experience in constructing complete power generation units and in designing, manufacturing, constructing and maintaining power sector equipment and facilities, the Group has the necessary expertise to manage projects at each stage of execution.

The Group has the capabilities to: (i) plan project, production and construction work necessary to execute complete contracts, and (ii) comprehensively manage the supply chain and logistics to ensure timely delivery and high quality of products and services.

The procedures and policies developed by the Group over many years of operation form a coherent system encompassing the entire project execution process. As the system is subject to ongoing improvement, the Group is able to: (i) optimise key components of the process, including logistics related to the delivery of the entire investment project, and (ii) standardise conduct/processes to optimise costs and improve the accuracy of expected project parameters, including completion date, cost dynamics, and project margins.

The Group's project management and execution expertise is delivered by a specialist engineering team.

Thanks to its project management expertise, combined with manufacturing and technological capabilities, the Group is the only contractor in Poland to have the potential necessary to effectively pursue EPC contracts.

Strategy

It is the strategic objective of the Group to consolidate its position as Poland's leading provider of technologically advanced and environmentally-friendly solutions for the power and industrial sectors and as an important player on foreign markets within the segment. The Group plans to achieve this goal through the actions described below.

Development of the Group's solutions, especially proprietary technologies

The Group's key objective is to have a wide array of technologies enabling it to reduce operating expenses and flexibly respond to market expectations, including to changes related to developments in the power sector, which will ultimately allow the Group to boost its competitive position and consolidate its reputation as a modern manufacturer that executes projects of varying complexity.

To this end:

- The Group will place special emphasis on *developing its proprietary technologies*, particularly with the aim to: (i) minimise the technical risks related to the Group's products and services, especially their materialisation during operation, i.e. after completion of construction, installation

or upgrades; (ii) reduce the operating expenses incurred by the Group in connection with licensing fees paid to third parties for use of their technologies; and (iii) optimise the cost of operating the facilities, systems and equipment supplied by the Group;

- The Group intends to continue and intensify its R&D activities, carried out on its own or in collaboration with other research centres, develop its technology pool in such areas as environmental protection systems, optimising the operation of the systems supplied by the Group, and implementing new materials in the Group's products (see *Overview of the Group's business – Research and development*). As at the Prospectus Date, the Group conducted over 40 research projects, chiefly related to developing appropriate technologies for environmental protection systems;
- Where it does not have or does not develop appropriate proprietary technologies, the Group will take steps to acquire such technologies from third parties based on applicable legal titles, primarily long-term licences (see *Overview of the Group's business – Intellectual property – Patents and licenses*);
- The Group will take further measures to implement its technologies, whether proprietary or acquired from third parties, and build credentials based on implemented technologies.

Expansion and enhancement of the current mix of products and services

The Group intends to enhance and expand its product and service offering, chiefly by developing new and improving existing products and services.

To this end:

- The Group plans to *expand its product mix* in the following categories: (i) steam generators – by modernising current manufacturing methods and adding to its offering cutting-edge steam generators, whose efficiency and reliability will be improved consistently to maintain the highest technical standards and operating economics; and (ii) environmental protection systems, including in particular dust removal, flue gas desulfurization, and flue gas denitrification units;
- The Group is also looking to *expand its current range of upgrades* available for existing power facilities and equipment and other systems. On the market, upgrades represent an alternative to investments in new manufacturing units. The need to modify existing facilities, equipment and systems may be driven by the employer's requirements or the necessity to improve the operating parameters of such facilities, equipment and systems. All potential changes are implemented with a view to improving the efficiency of a specific piece of equipment, facility or system, or meeting new requirements, particularly regarding environmental protection, which make it obligatory that power facilities, equipment and systems have specific parameters. Such changes can be effected through upgrade of existing units or construction of completely new units;
- The Group also intends to *expand its service offering*, including: consulting services for customers, consisting in the preparation of multi-option upgrade concepts for their units; and (ii) power equipment and system diagnostics.

Development of export sales

The Group plans to increase the scale of its operations and activity outside Poland.

The Group currently operates principally in Poland. In the financial year 2014, export sales accounted for approximately 14.8% of the Group's total revenue, with the share of domestic sales at 85.2% (see *Overview of the Group's business – Key trading partners*). The Group plans to increase its activity on foreign markets across its product and service portfolio, including on:

- markets where the Group has maintained a continuous presence, i.e. in the EU and Switzerland, Turkey and the Balkans;
- markets where the Group was present in the past and where it intends to return, i.e. India and China; and
- new markets where the Group was not active as the Prospectus Date and did not supply its products and services there in the past, including in particular Central Asia, the Republic of South Africa, and Pakistan.

The Group intends to increase its activity on foreign markets gradually, through the use of various sales models depending on the target market. In Switzerland and the EU countries, the Group plans to expand its operations in its current capacity as a qualified supplier and, to a lesser extent, as a consortium member, based on the

experience gathered while working on major EPC contracts (e.g. the Jaworzno Project). In Turkey and the Balkans, the Group will continue to scale up its involvement in EPC projects.

Expanding into the foreign markets where the Group was present in the past, but not as at the Prospectus Date, and where it intends to return, the Group is seeking to develop its business by collaborating with local partners.

On Central Asian markets and in the Republic of South Africa and Pakistan, the Group plans to develop its operations by collaborating not only with local partners, but also with companies familiar with and experienced in executing projects on those markets.

Further optimisation of process management within the Group

An important element of the Group's business strategy is the optimisation and improvement of efficiency of operational processes. The Group intends to introduce further changes to the implementation procedures for operational processes in order to improve their efficiency.

To this end, the Group plans to optimise the following areas of its operations:

- *accounting and controlling* through: (i) refining the Group's IT tools to facilitate more effective budget control for the running and planned projects; and (ii) reviewing sales planning processes. These measures will allow the Group to: (i) streamline the planning processes for EPC projects; and (ii) reduce the risk of financial losses resulting from overruns of project budgets;
- *organisation and staffing in relation to workforce structure and fixed labour costs*, with a particular focus on strengthening the competence in EPC project management. To this end, the Group intends to raise the qualifications and develop the competences of the Group's personnel responsible for EPC project management. The optimisation of fixed costs will involve, in particular, an ongoing monitoring of staffing levels and allocation of Group's resources;
- *assessment of risks connected with a potential trade partner and implementation of IT tools supporting the Group's risk management processes*. Due to the volatility of factors driving the market on which the Group operates and given its planned expansion into foreign markets, the Group intends to review the methods for assessing risks connected with the Group's potential trade partners in the area of project implementation in order to increase the probability of successful project completion or achieving sales of products or services satisfactory to the Group; and
- *strategic supply chain management* for EPC projects with a view to minimising risks, ensuring the availability of key resources and enhancing competitive advantage.

Optimisation of contract financing and contract performance security

One of the objectives of the Group's strategy is to optimise the areas of contract financing and contract performance security. To this end, the Group seeks to secure greater access to financial and insurance guarantees, as such instruments would enable it to free some of the cash serving as performance bonds.

As at the Prospectus Date, the Group had access to financing in the form of revolving guarantee facilities and a short-term credit facility for a total amount of PLN 295.9m, including: (i) PLN 200.0m available under the MPCF Agreement, of which PLN 150.0m was available as an overdraft facility and PLN 50.0m as a guarantee facility (see *Overview of the Group's business – Material agreements – Material agreements executed outside the Group's ordinary course of business – financing agreements – Multi-purpose credit facility agreement with PKO BP*); (ii) PLN 0.5m available under a working capital facility and (iii) PLN 55.0m available under guarantee limits provided by insurance institutions.

In 2015, the Group secured new guarantee limits for a total amount of approximately PLN 91m. Moreover, as at the Prospectus Date, the Company conducts negotiations with other financial institutions to obtain new guarantee limits. Apart from financial guarantees, the Group also offers other forms of securing contract performance, such as cash security deposits or withholding by the employer of some of contract fees due to the Group (see *Overview of the Group's business – Contracting and project execution processes – Securing contract performance – Forms of security provided in respect of the Group's contractual obligations*). As at March 31st 2015, the value of cash bonds paid by Group Companies as security for contract performance was PLN 166.6m, while the value of long-term receivables withheld by the employer was PLN 37.7m.

In line with its strategy, the Group seeks to ensure that contracts are secured without committing any Group cash (in the form of cash security deposits or receivables being withheld) and that, as a principle, guarantees issued by financial institutions, secured with, inter alia, assignment of contract receivables of a given Group Company, are used for that purpose. The Company expects that this method will improve: (i) the Group's liquidity position, and (ii) its ability to gain access to cash that the Group could use for other purposes, including mainly to finance supplies, which will, consequently, allow the Group to negotiate more favourable contract terms with its suppliers.

The amount of cash that would be released in that way depends mainly on the value of effectively obtained guarantee facilities.

In line with the Group's strategy, one of its key objective will be to increase the share of self-financing contracts in the order book (see *Overview of the Group's business – Contracting and project execution processes – Preparing the bid and project timetable*).

Products and services offered by the Group

Product and service mix

As at the Prospectus Date, the Group's product and service offering is divided into the following four categories:

- air protection systems,
- power generation units and steam generators,
- subassemblies and parts of power machinery and equipment, and structures; and
- other products and services, including auxiliary services.

The Group has developed and offers two contract formulas based on which it delivers comprehensive product solutions as well as services based on a wide and diversified range of Group products.

These formulas include:

- (i) the EPC formula – end-to-end project management including design, procurement, production, assembly/construction, and commissioning of a given product; the following products may be delivered in the EPC formula: (a) air protection systems, (b) power generation units, and (c) steam generators.
- (ii) the non-EPC formula – design, procurement, production, assembly/construction of a given product in various configurations, with procurement and production as mandatory elements; the following products may be delivered in the non-EPC formula: (a) dust extraction systems, (b) steam generators, and (c) subassemblies and parts of power machinery and equipment.

The Group provides after-sale support and servicing for all products and equipment supplied. The Group also offers upgrades of existing equipment to enhance its operating parameters and mitigate negative environmental impacts.

The table below presents the Group's consolidated revenue for the three months ended March 31st 2015 and 2014, by product groups.

	Three months ended March 31st			
	2015		2014	
	<i>(PLN '000)</i>	<i>(%)</i>	<i>(PLN '000)</i>	<i>(%)</i>
Power generation units and steam generators	125,813	44.9	20,798	11.3
Air protection systems	118,472	42.3	115,495	62.8
Subassemblies and parts of power machinery and equipment	22,736	8.1	34,944	19.0
Other products and services, including auxiliary services	13,071	4.7	12,571	6.9
Revenue*	280,092	100.0	183,808	100.0

Source: the Company.

* Revenue data for three months ended March 31st 2015 and 2014 do not include revenue from FPM's business (furnaces and mills), which was classified as discontinued operations following Management Board's decision to sell FPM on December 30th 2014.

The table below presents the Group's consolidated revenue for the years indicated, by product groups.

	Year ended Dec 31					
	2014		2013		2012	
	(PLN '000)	(%)	(PLN '000)	(%)	(PLN '000)	(%)
Air protection systems	730,015	61.7	475,176	63.5	503,684	40.8
Power generation units and steam generators	239,008	20.2	73,356	9.8	439,655	35.6
Subassemblies and parts of power machinery and equipment	144,431	12.2	140,760	18.8	245,003	19.8
Other products and services, including auxiliary services	70,018	5.9	58,811	7.9	46,861	3.8
Revenue*	1,183,472	100.0	748,103	100.0	1,235,203	100.0

Source: the Company.

* Revenue data for 2014, 2013 and 2012 do not include revenue from FPM's business (furnaces and mills), which was classified as discontinued operations following Management Board's decision to sell FPM on December 30th 2014.

Below is presented an overview of the key product groups and services offered by the Group.

Air protection systems

In this product group, the Group offers three main product categories:

- *Dust extraction equipment*, such as electrostatic precipitators and bag filters, delivered under the EPC and non-EPC formulas. Electrostatic precipitators are currently commonly used as dust extraction equipment, whereas bag filters are an integral part of the semi-dry flue gas desulfurization technology which has gained in importance in recent years mainly as a result of the adoption of more stringent environmental protection regulations (higher dust extraction levels per one cubic meter). The Group also owns the technology for converting electrostatic precipitators into bag filters. The Group has delivered dust extraction equipment to power plants in Koźienice, Bełchatów, and Tuzla (Bosnia and Herzegovina), as well as to the waste incineration plant in Göteborg.
- *Flue gas desulfurization units*, both wet and semi-dry, are delivered by the Group in the EPC formula. Both technologies use a wet sorbent, but in the case of the semi-dry method the product is dry, which means that no effluents are produced. The semi-dry system was engineered by the Group and is a more cost-efficient solution than the wet method. The list of customers to which the Group has delivered flue gas desulfurization units includes: (i) wet method: power plants in Dolna Odra, Bełchatów and Jaworzno, and CHP plant in Siekierki, (ii) semi-dry method: power plants in Dolna Odra, Bełchatów and Jaworzno, and the CHP plant in Siekierki.
- *DENOX flue gas denitrification systems* are delivered by the Group in the EPC formula. Denitrification is performed using the primary method (a low-emission furnace). The Group offers construction and upgrade of the furnace to reduce the amount of air in the combustion process (fuel is burned at low temperatures so as not to produce secondary NOx compounds). The Group applies two technologies: the basic SCR method (selective catalytic reduction) and the SNCR technology (selective non-catalytic reduction) which is offered only in partnership with a subcontractor. The Group has installed flue gas denitrification systems in the OOG-430 unit at PKN Orlen S.A. (Poland's first ever SCR unit) and in the Koźienice and Połaniec power plants.

In addition, the Group offers wastewater treatment systems.

As at March 31st 2015, revenue from sale of air protection systems accounted for 42.3% of the Group's total revenue.

Power generation units and steam generators

This product group includes: (i) power generation units and (ii) various types of boilers (steam generators).

Complete power generation units

The Group offers complete power generation units in the EPC formula for power plants and CHP plants, fuelled by fossil fuels, biomass and waste. As a general contractor, the Group delivers all necessary components of a power generation unit, including the design and delivery of the following elements: (i) the fuel and ash units, such as weights, feeders, (installations and units supplying fuel to the power plant), unloading and storage of fuel, and transport of fuel to the furnace; (ii) the boiler island, including the boiler and all air treatment systems; (iii) the turbine island, including the turbine, power generator and power evacuation unit; (iv) facilities and installations necessary to ensure optimum performance of the power generation unit (including buildings, waste

treatment plants, auxiliary equipment, internal and external transport). The boiler island is the key component designed and produced by the Group. For other islands of the power generation unit, the Group subcontracts the designs and component parts based on the parameters set by the Group for the construction of power generation units.

Examples of complete power generation unit projects delivered by the Group include the Polfarma and Kielce CHP plants.

Steam generators

Power and utility steam generators, offered both in the EPC and non-EPC formula, are one of the Group's most important and most diversified products. Depending on the type of fuel used, the Group's portfolio includes: (i) hard coal steam generator, (ii) lignite steam generator, (iii) oil/gas steam generator, (iii) biomass steam generator, and (iv) waste steam generator. In terms of the type of furnace, this product group may be divided into: (i) stoker-fired boilers; (ii) circulating fluidised bed boilers; and (iii) pulverised fuel boilers. In addition, depending on the type of the water and steam unit, the Group offers: (i) subcritical steam generators; (ii) supercritical BENSON-type steam generators; and (iii) water boilers.

Regardless of the type, all modern steam generation technologies share the same characteristics: low harmful emissions, high efficiency and availability.

Among the largest projects delivered by the Group in terms of the manufacture and supply of steam generators were coal-fired supercritical boilers BP-1345 for the 460 MW unit at the Pątnów-Adamów-Konin power plants and BB-2400 for the 858 MW unit at the Bełchatów power plant. The largest biomass steam generator was the OFz-201 unit installed at the Jaworzno power plant, and one of the largest heat recovery steam generators designed for waste incineration plants was the OS-126 t/h boiler installed in Buckinghamshire, UK.

As at March 31st 2015, revenue from sales of subassemblies and parts of power machinery and equipment accounted for 44.9% of the Group's total revenue.

Subassemblies and parts of power machinery and equipment

The Group offers high production capacities in terms of the manufacture of component parts of steam generators and other equipment delivered in the non-EPC formula.

The portfolio includes:

- *Boiler components*, including membrane walls, steam drums, tube coils, pipelines and chambers. The Group produces those components: (i) on the basis of its own shop drawings and parameters set by the Group; and (ii) according to the documentation and basic parameters supplied by the customer, with specific parameters determined by the Group;
- *Dust extraction components*, including electrodes, ash collection systems, rapping systems. The Group produces those components: (i) on the basis of its own shop drawings and parameters set by the Group; and (ii) according to the documentation and basic parameters supplied by the customer, with specific parameters determined by the Group;
- *Boiler load-bearing structures and air and flue gas ducts* The Group designs and produces those components: (i) on the basis of its own shop drawings and parameters set by the Group; and (ii) according to the documentation and basic parameters supplied by the customer, with specific parameters determined by the Group.
- *Air heaters*. Since 1959, more than 850 rotary air heaters of different sizes have rolled off the Company's production lines, including 16 horizontal-axis heaters and one flue gas heater for the flue gas desulfurization unit. The Group is engaged not only in the production of new heaters, but also delivers air heater components, upgrades existing heaters and adapts rotary air heaters to new working conditions following installation of SCR denitrification systems.
- Other types of pressure equipment not related to steam generators, such as air and flue gas ducts made of sheet metal.

As at March 31st 2015, revenue from sale of subassemblies and parts of power machinery and equipment accounted for 8.1% of the Group's total revenue.

Other products and services, including auxiliary services

The Group also offers a range of auxiliary products, especially maintenance and design services related to steam generator equipment upgrades, as well as advisory services.

The Group offers comprehensive revamps of power boilers and utility steam generators, including the pressure section, furnace, automatic control and auxiliary systems. In many cases, such revamps are based on comprehensive diagnostics, which is also offered and performed by the Group.

In addition, the Group provides end-to-end design services using state-of-the-art software. Under the terms and conditions of contracts, all design documents and shop drawings are made using computer graphic workstations, and the software used by the Group eliminates all potential conflicts already at the design stage. Most projects are delivered by the Group on an end-to-end basis, starting from complete heat, flow, and strength parameter calculations, through technical designs and shop drawings, to production.

As at March 31st 2015, revenue from sale of auxiliary services, which are part of other products and services offered by the Group, accounted for 4.7% of the Group's total revenue.

Contracting and project execution processes

The Group secures new contracts for the delivery of products and services mainly by winning contract award procedures, especially through public tenders organised in accordance with the Polish Public Procurement Law. In addition, the Group engages in marketing activities to a limited extent, mainly by organising or attending conferences and trade fairs in Poland and abroad, and also through sponsorship. As a rule, the goal of all promotional activities is to reinforce the Group's image as an experienced and reliable business partner offering top quality products and services. Given that contracts are awarded mainly by way of invitations to tender as part of a restricted procedure or private contract award procedure, brand awareness and good customer relations are of key importance for the Group.

Detailed rules applying to the organisation and conduct of public tenders, including the rules and procedures for the award of public procurement contracts, are specified in the Polish Public Procurement Law, which provides for no discretion on the part of employers, who are bound by its provisions. Therefore, all public procurement procedures are formalised and the finality of their results is less predictable considering the available appeal procedures and the option to suspend or invalidate public tenders. Unlike public tenders, private contract award procedures announced by entities not subject to the Public Procurement Law are based on arbitrary rules specified by the employer, and finality of their outcome is therefore more predictable.

Considering that public tenders are more formalised, bidders competing for the award of public contracts are subject to longer and more complex procedures than in the case of private contract awards, and run the risk that a favourable outcome of the tender may be challenged by their competitors in accordance with the Public Procurement Law. Private contract awards are also less unpredictable as regards their final results.

In the course of a private contract award procedure or prior to announcing a public tender, the Group may assist the employer in determining the overall specification and parameters of the contract, which is subsequently subject to the tender procedure. As part of those consultations, the Group puts forward its specific proposals as to the type of technology and installation, based on the client's general expectations. The customer is often likely to change final contract parameters based on the Group's suggestions.

Preparing the bid and project timetable

Given its market position and product range, the Group regularly receives invitations to tender and requests for proposals from Poland, but also from markets where the Group has established its foothold, namely the EU, Switzerland, Turkey and the Balkans. Upon receiving a request for proposal and information about the tender from the tendering party, the Group launches a procedure to prepare the bid based on an RFP circular, forwarding the request for proposal to all departments across the Group which will be involved in the preparation and execution of the project. In the course of this process, the request for proposal is analysed both in terms of the technical aspects and the Group's technological and product-related capacities, and potential project risks are also identified. The design office verifies the contract specification and parameters to determine whether they are in line with the Group's competencies and product and service portfolio. In addition, the Group sends contract specification to its suppliers and subcontractors to determine the cost of services and materials necessary to perform the contract.

A project timetable, which includes milestones marking key stages of project completion subject to partial payments by the employer, is an important part of the bid prepared by the Group. The Group's objective is to execute contracts on a self-financing basis, which means that all costs paid by the Group in relation to contract execution are financed with funds from its day-to-day operations and subsequent milestone payments made by the contracting party. The project timetable also takes account of the structure of costs related to contract performance bonds.

In the course of this process, the Group may usually send questions to the contracting party in order to: (i) obtain more specific information about the employer's expectations; (ii) clarify doubts concerning, for instance,

parameters or technological solutions to be applied in contract execution; (iii) identify the scope of works which the Group is not able to perform; and (iv) suggest alternative solutions to optimise the project.

The bid consists of: (i) the technical section which specifies, among other details, the technical concept of the object of the contract, the scope and division of works, technologies used, and project timetable, and (ii) the formal and legal part which contains, among other provisions, the commercial terms and conditions, price, payment terms and contract security.

Securing contract performance

Agreeing on financial security for contract performance is a key issue in the process of bid preparation. The generally accepted practice in the industry in which the Group operates is to require the entity implementing a given project to provide the customer with various instruments securing the performance of the entity's contractual obligations, for instance obligations related to participation in tender procedures and implementation of a given project. In its business, the Group uses the following types of security: (i) bid bonds, (ii) performance bonds, and (iii) advance payment guarantees.

Security for contract performance may be provided directly by the Group or by a third party, for instance another consortium member or a subcontractor. The costs of financing of contract security are included in the bid price.

Bid bond

Participation in public tenders is conditional on bidders paying a bid bond on submission of a bid, in the amount specified by the tender organiser. According to the Public Procurement Law, a bid bond may be paid in an amount of up to 3% (three percent) of the contract value as estimated by the employer. Historically, in public tenders in which the Group participated, the bid bond was determined on average at 0.5% of the contract value (including the guarantee period) as estimated by the employer. In private tenders, bid bonds are rarely required, and there are no binding regulations as to their value.

A bid bond is a form of security whose purpose is to ensure that the bidder to whom the contract is awarded does not withdraw its bid. As a tender participant, the Group has the obligation to pay a bid bond in cash or to provide a bid bond guarantee.

On awarding a contract, the bid bond is released or applied towards the performance bond.

Performance bond

The function of a performance bond is to secure proper performance of a project. As a rule, the performance bond starts to apply from the moment the contract is executed. Performance bonds are required by most employers, but are not obligatory, and whether a performance bond must actually be provided or not depends exclusively on a given employer's decision made at the beginning of a tender procedure. The amount of a performance bond may range from 5% to 20% of the estimated contract value, but usually performance bonds are provided for 10% of the contract value.

A performance bond is effective both during contract performance (securing proper performance of the contract), and after contract completion, during the period of liability for defects, typically 2-3 years after project completion (warranty for defects). The warranty for defects usually amounts to no more than 30% of the performance bond.

Advance payment guarantees

Advance payment guarantees provide security in respect of the Group's obligation to return any outstanding portion of an advance payment made to it by the employer after contract execution in the event that the Group fails to perform or improperly performs its contractual obligations. As a rule, after executing a contract, the employer makes an advance payment of up to 10% of the contract value as estimated by the employer. An advance payment guarantee is directly linked to the advance payment made by the employer.

An advance payment guarantee remains in force until the full value of the advance payment has been accounted for in consecutive payments made by the employer on the basis of invoices issued by the Group following completion of subsequent stages of contract work.

Forms of security provided in respect of the Group's contractual obligations

The Group uses the following types of security with respect to its contractual obligations: (i) bank guarantees; (ii) insurance guarantees; (iii) cash security deposits paid by the Group to the employer; (iv) retention by the employer of a part of the payment due to the Group as remuneration for completed work, consisting mainly in postponing payments due for subsequent project stages, and (v) hybrid security, combining the elements of financial guarantees (bank or insurance guarantees) and cash security deposits (this form, though, is used rarely).

Financial guarantees, including bank and insurance guarantees, are issued by financial institutions on the Group's instruction for the employers as beneficiaries of those guarantees. Sometimes, the guarantees are provided by the partners with whom the Group collaborates under a given contract, i.e. other consortium members or subcontractors. A financial guarantee is an instrument under which a financial institution, acting as a guarantor, agrees to pay the beneficiary of the guarantee (the employer) a specific amount defined in the guarantee (a guaranteed sum) if the party on whose instruction the guarantee is issued (the Group) fails to perform or improperly performs its obligation towards the employer. The Group uses financial guarantees to secure payment of bid bonds, return of advance payments, as well as proper performance of a contract (both during project execution and after its completion, in the period of liability for defects).

As at the Prospectus Date, financial institutions have issued on the Group's instruction financial guarantees for an aggregate amount of PLN 222.0m. Additionally, as at the Prospectus date, the Group had access to guarantee facilities provided by financial institutions.

Consortium agreements entered into by the Group for the purpose of joint execution of construction projects provide for joint and several liability with other consortium partners, including joint and several liability under guarantees provided by the consortium itself or issued by banks on the consortium members' instruction. In accordance with the general purpose of financial guarantees, the Group as the party on whose instruction a guarantee is issued has the obligation to repay to the financial institution any amount paid by such institution to the Group's employer upon employer's demand for payment made under the financial guarantee / in the performance of its obligation under the financial guarantee. The Group must provide appropriate security in respect of its fulfilment of this obligation towards the financial institution. The most frequently used methods of securing the discharge of the Group's obligations under financial guarantees issued on the Group's instructions are as follows: (i) assignment of a given Group Company's receivables (its remuneration) under the contract to which the guarantee refers or under another contract or contracts to which such Group Company is a party; or (ii) a cash deposit.

Ultimately, the Group seeks to have all its contractual obligations secured exclusively with financial guarantees (with assignment of receivables under the contract as security in respect of the Group's obligations towards financial institutions) (see *Overview of the Group's business – Strategy*). Such security arrangements will allow the Group to freely manage its own financial resources and avoid using those resources directly as security, thus improving the Group's financial liquidity.

Awarding tenders

Once tender participants submit their bids, the employer proceeds to review the bids. Bid assessment criteria include the price, as well as other criteria which are relevant for the order/contract, including in particular project quality, functionality, technical parameters, environmental and social aspects, innovativeness, technical support offered, proposed time of order completion, operating expenses, availability of specialists and workforce, bidder's credentials, its competence in construction methods and materials, as well as its capacities with respect to execution of construction projects, timeliness, customer base and reputation. In the case of public tenders, the employer chooses the most favourable bid, and usually the basic criterion determining the choice of a bid is the price. In the case of private tenders, also non-price criteria are important. Sometimes the Group wins a contract because it proposes a solution tailored to specific customer requirements, for instance an innovative technology that is more cost-effective than the one specified in the invitation to tender.

In the case of public tenders, the tender award stage envisages no possibility of negotiation between the principal and the winning bidder. However, under the Public Procurement Law, a tender participant may initiate appeals proceedings by lodging an appeal with the National Appeal Chamber. In the case of private tenders, prior to making a final decision on contract award, the employer initially accepts a bid or bids and commences negotiation of the detailed parameters and terms of project execution (with one bidder on an exclusive basis or with several potential contractors). Such negotiations may even result in the employer materially changing the terms and conditions of the proposed contract. After the employer selects a bid, the tender is finalised and the employer and the winning bidder sign a contract.

Contracts for the supply of products and provision of services by the Group

Contracts entered into by the Group as a result of winning a tender usually provide for a pre-defined remuneration payable to the Group, typically not subject to change in the course of contract performance. The Group is therefore exposed to business risk related to proper determination of the remuneration for the agreed scope of work when entering into a contract. In principle, the remuneration is payable to a Group Company in the agreed amount, and, except in cases specified in the contract, the company may not demand such remuneration to be increased.

Furthermore, the contracts entered into by the Group specify the detailed scope of work to be performed and the technical and quality requirements that the supplied products and services must meet. Contracts also include time

schedules for order execution and payment terms. Employers are often required to make an advance payment towards the remuneration due to a given Group Company under the contract. This, however, usually entails the contractor's obligation to provide security for returning the advance payment, usually in the form of a financial guarantee. Contracts made by Group Companies envisage contractual penalties for failure to meet the agreed deadlines or technical parameters in the contracted work, and specify detailed circumstances in which the employer may not demand payment of contractual penalties.

Under the contracts they sign, Group Companies provide employers with a quality guarantee and a statutory warranty for the installations and structures (or their components) they manufacture and supply. After project completion, the Group provides a quality guarantee usually for 2 or 3 years. The Group's quality guarantee obligations are secured with financial guarantees or cash deposits.

Financing

The Group finances its day-to-day operations using: (i) internally generated funds, and (ii) external financing. Before commencing a project, Group Companies estimate the cash flows expected to be generated under the project based on its implementation schedule.

Order book

As at March 31st 2015, the value of the Group's order book was PLN 5.5bn, and was slightly lower than at the end of 2014 after certain work had been completed in Q1 2015. Contracts related to the Jaworzno Project, worth in total PLN 4.4bn (with PLN 0.4bn to be delivered directly by the Company, and PLN 4.0bn by E003B7, a special purpose vehicle set up for the purpose of the Jaworzno Project), represented the largest part of the order book. The order book value stated above does not include the contract for the Opole Project, as part of which work worth PLN 3.2bn has been subcontracted by the Company to the Alstom Group, pursuant to the settlement made on October 15th 2013 (see *Overview of the Group's business – Material agreements – Material agreements executed in the ordinary course of the Group's business, particularly important to the Group's performance – Contracts and agreements related to the execution of the Opole Project*). The Jaworzno project (in the part executed by E003B7) excluded, the total value of contracts ranged from PLN 1.85bn to PLN 1.89bn as at the end of 2012, 2013 and 2014, and PLN 1.67bn as at the end of Q1 2015.

The table below sets forth the structure and value of running contracts by progress of completion in the periods indicated.

	As at Mar 31	As at Dec 31		
	2015	2014	2013	2012
	<i>(PLN '000)</i>			
Jaworzno Project, including:	4,236,274	4,390,240	-	-
Part executed by E003B7	3,823,880	3,942,654	-	-
Part executed by RAFAKO	412,394	447,586	-	-
Contracts acquired in previous periods and annexes	1,212,308	858,038	1,278,643	721,102
Contracts acquired in the period (new projects).....	44,466	584,028	567,797	1,156,536
Total.....	5,493,048	5,832,306	1,846,440	1,877,638

Source: the Company.

As at the end of Q1 2015, the most material segments of the Group's order book (with the Jaworzno project excluded) were the segment of air protection systems (PLN 616m or 11.2% of the backlog value) and the segment of power generation units and steam generators (PLN 541m or 9.9% of the backlog value). Historically, both these segments have represented the key item in the Group's order book, with the value of the segment of power generation units and steam generators increasing and the value of the segment of air protection systems decreasing.

The table below sets forth the structure of the order book by segments.

	As at Mar 31	As at Dec 31		
	2015	2014	2013	2012
	<i>(PLN '000)</i>			
Jaworzno Project, including:	4,236,274	4,390,240	-	-
Part executed by E003B7	3,823,880	3,942,654	-	-
Part executed by RAFAKO	412,394	447,586	-	-
Air protection systems	616,052	745,443	1,203,460	1,481,554
Power generation units and steam generators	541,519	581,217	457,250	116,307
Subassemblies and parts of power machinery and equipment	79,083	84,943	156,836	259,981
Other.....	20,120	30,462	28,894	19,797
Total.....	5,493,048	5,832,306	1,846,440	1,877,638

Source: the Company.

The Jaworzno Project was the largest among the contracts acquired in 2014, representing 86% of the total value of new contracts (of PLN 5,136.2m). In Q1 2015, the Group acquired new projects with a total value of PLN 47.6m. The low value is attributable to delayed and protracting tender procedures. This affects not only RAFAKO, but also other market participants. However, the Company expects the situation to improve in the following quarters.

The table below sets forth the structure and value of new contracts by segments.

	For the three months ended March 31st	For the 12 months ended December 31st		
	2015	2014	2013	2012
	<i>(PLN '000)</i>			
Jaworzno Project, including:	(25)	4,399,039	-	-
Part executed by E003B7	(25)	3,951,452	-	-
Part executed by RAFAKO	-	447,586	-	-
Air protection systems	26,782	171,430	220,525	1,085,698
Power generation units and steam generators	(2,026)	378,082	433,439	21,922
Subassemblies and parts of power machinery and equipment	13,826	84,946	84,407	224,751
Other.....	9,050	102,738	21,819	17,517
Total.....	47,607	5,136,234	760,189	1,349,888

Source: the Company.

The negative values for the contracts acquired in Q1 2015 refer to adjustments to the contracts acquired in previous periods. The decrease in the contract value mainly refers to the order executed for a Moldovan customer, following the customer's failure to perform under the contract (a PLN -3.6m adjustment).

In accordance with the Group's data prepared on the basis of contractual schedules for the implementation of subsequent stages of project work and on the basis of relevant payment schedules, as at March 31st 2015 the value of the Group's backlog scheduled for delivery until the end of 2015 was PLN 1.0bn, in 2016 – PLN 1.9bn, in 2017 – PLN 1.5bn and after 2017 – PLN 1.1bn.

	<u>after 2017</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>Total planned sales (at invoice value)</u>
	<i>(PLN '000)</i>				
Jaworzno Project, including:	1,024,096	1,385,697	1,253,726	572,755	4,236,274
Part executed by E003B7	937,671	1,130,113	1,183,341	572,755	3,823,880
Part executed by RAFAKO	86,425	255,584	70,385	0	412,394
Air protection systems	61,213	114,321	247,269	193,249	616,052
Power generation units and steam generators.....	0	12,992	328,703	199,824	541,519
Subassemblies and parts of power machinery and equipment.....	14,713	0	30,108	34,262	79,083
Other.....	0	4,730	11,860	3,530	20,120
Total.....	1,100,022	1,517,740	1,871,666	1,003,620	5,493,048

Source: the Company.

The above information on the value of the Group's order book and the value of its contracts by period/year is presented subject to the following assumptions: (i) the value is the aggregate value of the Group's remuneration specified in individual contracts signed by Group Companies before March 31st 2015 – it does not account for contracts planned but not executed as at March 31st 2015; and (ii) the order book value is stated as at March 31st 2015, but ultimately the contract revenue and the time of its realisation depends on a number of factors, including those beyond the Group's control.

The table below sets forth details of the largest contracts in the Group's order book in individual periods.

Contracts in the Group's order book in 2012

<u>Month of order acquisition</u>	<u>Employer</u>	<u>Contract subject matter</u>	<u>Orders acquired in 2012 ('000)</u>	<u>Contract value as at Mar 31 2015 ('000)</u>	<u>Currency</u>	<u>Expected completion date</u>
Air protection systems, including:			1,085,698			
December	EDF Polska	Flue gas desulfurization unit - Kraków CHP plant	237,800	237,771	PLN	July 2015
June	GDF SUEZ (Połaniec power plant)	CR for K2-K7 units – Połaniec power plant	215,171	213,383	PLN	September 2018
December	Zespół Elektrociepłowni Wrocławskich Kogeneracja	Flue gas desulfurization unit – Wrocław CHP plants	199,000	199,000	PLN	October 2015
December	EDF Polska	Flue gas desulfurization unit – Gdańsk CHP plant	186,000	186,000	PLN	July 2015
December	EDF Polska	Flue gas desulfurization unit – Gdynia CHP plant	147,100	147,100	PLN	October 2015
February	JP Elektroprivreda (Bosnia and Herzegovina)	Replacement of electrostatic precipitator with upgrade of the ash and slag removal system	47,490	11,121	EUR	October 2013
	Other	Other	53,137			
Subassemblies and parts of power machinery and equipment, including:			224,751			
March	CNIM, France	Steam generator high-pressure section – Oxford Project	43,690	10,315	EUR	May 2013

Month of order acquisition	Employer	Contract subject matter	Orders acquired in 2012 ('000)	Contract value as at Mar 31 2015 ('000)	Currency	Expected completion date
July	PBG Energia	Delivery of turbine generator set to PGE's Zgierz CHP Plant	20,878	20,878	PLN	June 2014
	Other	Other	160,183			
Power generation units and steam generators.....			21,922			
Other			17,517			
Total			1,349,888			

Source: the Company.

Contracts in the Group's order book in 2013

Month of order acquisition	Employer	Contract subject matter	Orders acquired in 2013 ('000)	Contract value as at Mar 31 2015 ('000)	Currency	Expected completion date
Air protection systems, including:.....			220,525			
May	PGE Górnictwo i Energetyka Konwencjonalna	Upgrade of FGD system at generating units Nos. 5 and 6 at the Belchatów power plant	116,000	116,000	PLN	November 2017
February	ENEA Wytwarzanie	Replacement of electrostatic precipitator at unit No. 8 at the Kozienice power plant	26,368	26,368	PLN	December 2013
	Other	Other	78,157			
Subassemblies and parts of power machinery and equipment, including:			84,407			
Power generation units and steam generators.....			433,439			
February	Mostostal	Design, delivery and erection of a grid, steam generator and flue gas treatment unit for two lines at the thermal waste treatment plant in Szczecin	227,370	228,870	PLN	December 2015
October	Synthos Dwory 7	OFz-201 fluidised bed boiler with dust removal system	151,650	151,650	PLN	January 2016
August	Hitachi Zosen, Switzerland	Delivery of steam generator – one P-3144 Buckinghamshire line – pressurised sections	52,416	12,728	EUR	February 2016
	Other	Other	2,003			
Other			21,819			
Total			760,189			

Source: the Company.

Contracts in the Group's order book in 2014

<u>Month of order acquisition</u>	<u>Employer</u>	<u>Contract subject matter</u>	<u>Orders acquired in 2014 ('000)</u>	<u>Contract value as at Mar 31 2015 ('000)</u>	<u>Currency</u>	<u>Expected completion date</u>
Air protection systems, including:			171,430			
October	ENERGA Elektrownie Ostrołęka	NOx reduction on OP-650 boiler No. 1, 2 and 3 at the Ostrołęka B power plant	86,585	86,585	PLN	December 2017
December	ENERGA Elektrownie Ostrołęka	Upgrade of electrostatic precipitators at units 1, 2 and 3	85,395	85,395	PLN	August 2017
	Other	Other	(550)			
Power generation units and boilers (steam generators), including:			378,082			
May	Grupa Azoty ZAK	New CHP plant at Grupa Azoty ZAK	320,000	320,000	PLN	October 2016
July	Hitachi Zosen, Switzerland	Steam generator (for the municipal waste incineration facility) – one line, Project P3225 Hereford & Worcestershire, UK	46,592	11,200	EUR	February 2017
September	Soda Sanayii, Turkey	Fluidised-bed steam generator with a capacity of 320 t/h – steam generator components	27,040	6,500	EUR	October 2016
	Other	Other	(15,550)			
Jaworzno Project, including:			4,399,039			
April	Tauron Wytwarzanie	910 MW generating unit at the Jaworzno III power plant – performed by E003B7	3,943,841	3,951,452	PLN	March 2019
April	Tauron Wytwarzanie	910 MW generating unit at the Jaworzno III power plant – performed by RAFAKO	455,197	447,586	PLN	March 2019
Subassemblies and parts of power machinery and equipment, including:			84,946			
January	BGR Boilers Private Limited, India	Manufacture of high-pressure parts for the Meja 1 power plant in India	21,493	5,167	EUR	December 2014
	Other	Other	63,453			
Other, including:..			102,738			
	PGE Górnictwo i Energetyka Konwencjonalna	Construction of generating units Nos. 5 and 6 in the Opole power plant – settlement with Alstom	55,000	55,000	PLN	January 2014
	Other	Other	47,738			
Total			5,136,234			

Source: the Company.

Contracts in the Group's order book in Q1 2015

<u>Month of order acquisition</u>	<u>Employer</u>	<u>Contract subject matter</u>	<u>Orders acquired in Q1 2015 ('000)</u>	<u>Contract value as at Mar 31 2015 ('000)</u>	<u>Currency</u>	<u>Expected completion date</u>
Air protection systems, including:			26,782			
February	Delegation of the European Union	Upgrade of electrostatic precipitator – Air quality improvement through dust emissions reduction	16,783	4,035	EUR	November 2015
February	EDF Polska	Upgrade of electrostatic precipitator at steam generator K-10 at the Gdańsk CHP plant	11,190	11,190	PLN	December 2015
	Other	Other	(1,192)			
Power generation units and boilers (steam generators), including:.....			(2,026)			
February	Mostostal	Design, delivery and erection of a grid, steam generator and flue gas treatment unit for two lines at the Thermal Waste Treatment Plant in Szczecin – additional delivery (electrostatic precipitator and wastewater treatment plant)	1,500	1,500	PLN	December 2015
February	IM MAGT VEST SRL	Stoker fired steam generator – order adjustment caused by the employer's failure to perform under the contract	(3,578)	860	EUR	-
	Other	Other	52			
Jaworzno Project			(25)			
Subassemblies and parts of power machinery and equipment, including:.....			13,826			
January	Nordzucker Polska S.A.	Upgrade of steam generators at the Chełmża production plant	4,350	4,350	PLN	August 2015
January	RAFAKO Hungary	Delivery of parts of a 25t/h recovery boiler (economizer, downcomers and risers, steam drum)	3,328	800	EUR	October 2015
	Other	Other	6,148			
Other			9,050			
Total			47,607			

Source: the Company.

Key trading partners

Key customers

The Group's key customers include power plants and CHP plants, as well as other power companies operating in Poland and abroad.

The table below presents the Group's revenue from sales of finished goods, services and materials in Q1 2015 and 2012-2014, divided into (i) revenue from sales to domestic customers and (ii) revenue from sales to foreign customers.

	3 months ended Mar 31		12 months ended Dec 31		
	2015	2014	2014	2013	2012
	(unaudited)		(audited)	(restated)	(restated)
	(PLN '000)				
Revenue from domestic sales	250,266	150,917	1,008,608	528,748	705,321
Revenue from foreign sales	29,826	32,891	174,864	219,355	529,882
Total.....	280,092	183,808	1,183,472	748,103	1,235,203

Source: Consolidated Financial Statements, the Company.

Given the nature of the Group's operations, which focus on the implementation of individual projects, the structure of project acceptances upon completion is relatively dynamic and depends on the duration of each contract.

Sales growth reported in Q1 2015 was driven mainly by higher revenue from sales of power generation units and steam generator. Strong sales reported in this product group were achieved on the back of contracts signed in 2012-2013. Sales of power generation units and steam generators were PLN 125.8m, up 504.9% year on year (Q1 2014: PLN 20.8m).

Higher sales in Q1 2015 were also reported in the environmental protection segment. Sales of environmental protection equipment were up 2.6% year on year, from PLN 115.5m in Q1 2014 to PLN 118.5m in Q1 2015. The increase was attributable to a larger number of contracts in this product category having been secured in 2014.

Customers

In Q1 2015, the main customer for the Group's products and services was Tauron Wytwarzanie; the customer accounted for 28.3% of the Group's total sales. Sales to Tauron Wytwarzanie included mainly work related to the Jaworzno Project. In Q1 2015, the sales totalled PLN 79.4m.

In 2014, the main customer for the Group's products and services was EDF, which accounted for 29.7% of the Group's total sales. Revenue from sales to this customer was generated mostly on construction of flue gas desulfurization units for the CHP plants in Gdańsk, Gdynia and Kraków. In 2014, sales to EDF totalled PLN 351.2m.

In 2013, the main customer for the Group's products and services was GDF Suez, which accounted for 17.8% of the Group's total sales (25.2% of domestic sales). Sales to that customer included mainly construction of a flue gas denitrification unit and upgrade of the high-pressure section of the steam generator at the Połaniec power plant. In 2013, sales to GDF Suez totalled PLN 133m.

In 2012, the main customer for the Group's products and services was PGE Górnictwo i Energetyka Konwencjonalna, which accounted for 18.4% of the Group's total sales (32.3% of domestic sales). For this customer, the Group constructed a wet flue gas desulphurization unit at the Bełchatów power plant. Total sales to PGE Górnictwo i Energetyka Konwencjonalna S.A. in 2012 amounted to PLN 228m.

On foreign markets, the RAFAKO Group's main customer in Q1 2015 was Hitachi Zosen, accounting for 5.4% of the Group's total sales, with sales to Hitachi Zosen totalling PLN 15.1m in Q1 2015. Sales to this customer included the delivery of a steam generator for a municipal waste incineration facility located in Calvert, Buckinghamshire, UK.

In 2014, as in Q1 2015, the RAFAKO Group's main customer on foreign markets was Hitachi Zosen, accounting for 4.4% of the Group's total sales, with sales to Hitachi Zosen totalling PLN 52.4m in 2014. Sales to this customer included the delivery of a steam generator for a municipal waste incineration facility located in Calvert, Buckinghamshire, UK.

In 2013, the RAFAKO Group's main foreign customer was Hitachi Power Europe, which accounted for 13.8% of the Group's total sales, or PLN 103.4m (47.2% of foreign sales). Sales to this customer included the delivery of electrostatic precipitators and steam generator high-pressure sections.

In 2012, RAFAKO Group's main foreign customer was Hitachi Power Europe, which accounted for 10.4% of the Group's total sales (24.4% of foreign sales). Sales to that customer included the delivery of electrostatic precipitators and steam generator high-pressure sections.

The tables below present the Group's five largest customers in the reviewed periods.

3 months ended Mar 31 2015		
	Sales	% of total sales
	<i>(PLN '000)</i>	<i>(%)</i>
Tauron Wytwarzanie S.A.	79,378	28.3
EDF POLSKA S.A.	63,140	22.5
Zespół Elektrociepłowni Wrocławskich Kogeneracja S.A.	22,929	8.2
SYNTHOS DWORY 7 SP. Z O.O. S.K.A.	19,124	6.8
<u>PGE Górnictwo i Energetyka Konwencjonalna S.A.</u>	<u>15,752</u>	<u>5.6</u>

Source: the Company.

For the 12 months ended December 31st 2014		
	Sales	% of total sales
	<i>(PLN '000)</i>	<i>(%)</i>
EDF POLSKA S.A.	351,221	29.7
PGE Górnictwo i Energetyka Konwencjonalna S.A.	164,702	13.9
Zespół Elektrociepłowni Wrocławskich Kogeneracja S.A.	126,814	10.7
GDF Suez Energia Polska S.A. – Połaniec Power Plant	96,143	8.1
<u>Hitachi</u>	<u>52,412</u>	<u>4.4</u>

Source: the Company.

For the 12 months ended December 31st 2013		
	Sales	% of total sales
	<i>(PLN '000)</i>	<i>(%)</i>
GDF Suez Energia Polska S.A. –	133,003	17.8
PGE Górnictwo i Energetyka Konwencjonalna S.A. (Bełchatów)	105,938	14.2
Hitachi Power Europe GmbH	103,426	13.8
ENEA Wytwarzanie S.A.	78,516	10.5
<u>EDF POLSKA S.A.</u>	<u>52,802</u>	<u>7.1</u>

Source: the Company.

For the 12 months ended December 31st 2012		
	Sales	% of total sales
	<i>(PLN '000)</i>	<i>(%)</i>
PGE Górnictwo i Energetyka Konwencjonalna S.A. (Bełchatów Power Plant)	227,731	18.4
Hitachi Power Europe GmbH	129,055	10.4
Alstom Power Systems	89,397	7.2
Tauron Wytwarzanie S.A. Jaworzno Power Plant	79,097	6.4
<u>Enea Wytwarzanie S.A. – Kozienice Power Plant</u>	<u>74,335</u>	<u>6.0</u>

Source: the Company.

Key suppliers

For supplies of raw materials and consumables used in manufacturing, the Group cooperates with both domestic and foreign suppliers.

The table below presents the Group's procurement from domestic and foreign suppliers in Q1 2015 and 2014, along with the value of purchases made (PLNm) and their share in the total value of purchases made in individual years (%).

	3 months ended Mar 31			
	2015		2014	
	value	Share	value	Share
	(PLN '000)	(%)	(PLN '000)	(%)
Domestic suppliers.....	224,222	85.7	138,134	86.4
Foreign suppliers.....	37,352	14.3	21,756	13.6
Total.....	261,574	100.0	159,890	100.0

Source: the Company.

The table below presents the Group's procurement from domestic and foreign suppliers in 2012-2014, along with the value of purchases made (PLNm) and their share in the total value of purchases made in individual years (%).

	12 months ended Dec 31					
	2014		2013		2012	
	value	Share	value	Share	value	Share
	(PLN '000)	(%)	(PLN '000)	(%)	(PLN '000)	(%)
Domestic suppliers.....	839,718	85.0	416,183	82.3	627,467	72.5
Foreign suppliers.....	148,065	15.0	89,786	17.7	238,335	27.5
Total.....	987,783	100.0	505,969	100.0	865,802	100.0

Source: the Company.

The Group has a diversified network of suppliers of products and services. In Q1 2015, the supplier structure was highly distributed, as no supplier delivered more than 10% of the total value of the Group's purchases.

The Group relies on external suppliers for pipes, metal sheets, shaped materials, welding materials and specialist equipment, as well as various services, including design work, delivery and assembly of machines and equipment, construction and assembly services, and transport.

The range of purchases depends heavily on the nature and requirements of individual orders, as well as the terms of the contract. The Group is not limited by availability of production materials, supplies or procurement services. Suppliers are chosen based on their ability to provide materials and equipment that meet relevant technical and quality standards within specified deadlines and in the most cost-effective manner. The procurement process is based on market analysis, with the pool of suppliers including only manufacturers recognised for the quality of their products and compliance with safety, environmental and other relevant standards.

With some contracts, the list of potential manufacturers and service providers must be approved by the Group's employers.

Some products made for sale on foreign markets are manufactured from customers' own materials (customer-provided materials), which on the one hand reduces the risk of cost increases caused by changing prices of supplies, but on the other hand results in lower revenue of Group Companies.

Key projects

As one of the largest technological groups in Europe, offering a comprehensive range of products and services for the power sector, the Group is involved in the execution of major projects in this area in Poland and abroad.

Below are described key projects and contracts which the Group has executed or will execute (see *Overview of the Group's business – Material agreements and Operating and financial review – Current and scheduled investments*).

Projects executed during the reporting period of this Prospectus

Construction of a power generation unit at the Pałnów II Power Plant

In 2008, a 464 MW unit was commissioned at the Pałnów II Power Plant. In cooperation with SNC Lavalin, the Company supplied the steam generator and the flue gas desulfurization (FGD) system for the unit. The supercritical power generation unit at the Pałnów II Power Plant is the first such unit in Poland, both in terms of the capital expenditure incurred and the generating capacity delivered. The unit's high efficiency helps significantly reduce emissions of harmful gasses, mainly carbon dioxide.

Construction of a power generation unit at the Bełchatów Power Plant

In 2011, an 858 MW unit was commissioned at the Bełchatów Power Plant. RAFAKO S.A. was the supplier of the boiler island comprising the steam generator, electrostatic precipitator, and flue gas desulfurization unit. The new power generation unit in Bełchatów is the most powerful lignite-fired unit in Poland. It is also the most efficient one (expected net efficiency of 42%).

Projects in progress

Opole Project

On February 15th 2012, The Company, as the leader of the RAFAKO-Polimex-Mostostal Consortium, signed a contract with PGE Opole on the Opole Project. This contract and the other key contracts and agreements related to the execution of the Opole Project are described in detail in *Overview of the Group's business – Material agreements - Material agreements executed in the ordinary course of the Group's business, particularly important to the Group's performance - Contracts and agreements related to the execution of the Opole Project.*

SCR systems in Polaniec

On June 14th 2012, RAFAKO S.A. signed a contract for the delivery of SCR Catalytic Flue Gas Denitrification Systems to the Polaniec power plant. The contract provides for the delivery of the systems for six units (No. 2–7), and will be carried out in stages until 2017. The value of the contract is PLN 242m. The contract also includes optional delivery of equipment with a value of PLN 26m.

Jaworzno Project

On January 24th 2013, the Company was notified by Tauron Wytwarzanie that the Consortium comprising RAFAKO (as the leader) and Mostostal was awarded the Jaworzno Contract by Tauron Wytwarzanie in the public procurement procedure by way of competitive negotiations with publication of a contract notice, after the Consortium's bid had been chosen as the best one. For a detailed description of contracts concluded in connection with the execution of the Jaworzno Project, see *Overview of the Group's business – Material agreements - Contracts and agreements related to the execution of the Jaworzno Project.*

On April 17th 2014, the Company, as the leader of the consortium with Mostostal, executed a contract with Tauron Wytwarzanie for the construction of a power generation unit at the Jaworzno III Power Plant – Power Plant II. The project, with a value of PLN 4.4bn, involves the design and delivery, on a turn-key basis, of a supercritical 910 MW power generation unit consisting of a steam generator, turbine generator set, main building, electrical and I&C systems.

Project executed for the Szczecin Metropolitan Area

February 28th 2013 saw the entry into force of a PLN 227.4m contract between the Company and Mostostal, for the design, delivery and assembly of the technological components for two process lines at the waste thermal treatment plant in the Szczecin Metropolitan Area. The contract was signed on December 18th 2012. The contract is scheduled to be completed at the end of 2015.

Upgrade of FGD systems at the Bełchatów Power Plant

On May 22nd 2013, the Company and PGE Górnictwo i Energetyka Konwencjonalna S.A. of Bełchatów signed a PLN 116m contract to upgrade the FGD systems at units No. 5 and 6 at PGE GiEK S.A., Elektrownia Bełchatów Branch.

Upgrade of FGD systems at the Siekierki CHP Plant

On September 24th 2013, the Company and PGNiG Termika of Warsaw signed a PLN 18.9m contract to upgrade the flue gas desulfurization system at the Siekierki CHP Plant (assembly of the fourth set of spray nozzles in absorbers No. 1 and 2).

Construction of a fluidised bed boiler

On October 18th 2013, the Company and Synthos Dwory 7 signed a PLN 151.7m contract to construct a fluidized bed boiler. The project is scheduled to be completed at the end of 2016.

Execution of the 'New CHP Plant at Grupa Azoty ZAK S.A.' project

On May 23rd 2014, RAFAKO S.A. and Grupa Azoty Zakłady Azotowe Kędzierzyn S.A. executed a PLN 320m contract for implementation of the first stage of the 'New CHP Plant at Grupa Azoty ZAK S.A.' project. The project is scheduled to be completed in October 2016.

Construction of a municipal waste steam generator for Hereford & Worcestershire in the United Kingdom.

On July 18th 2014, the Company signed a EUR 11.2m-worth contract with Hitachi Zosen for delivery, assembly and start-up of a steam generator for a municipal waste incineration system in Hereford & Worcestershire in the United Kingdom.

NOx emissions reduction system at the Ostrołęka power plant

On October 10th 2014, the Company and its consortium partner OMIS S.A. signed a PLN 149.9m contract with ENERGA Elektrownie Ostrołęka S.A. The contract provides for reduction of NOx emissions from the OP-650 units at the Ostrołęka B Power Plant. In accordance with the contract, RAFAKO is responsible for performance of 58% of the scope of work, and is entitled to receive remuneration reflecting this share. The project is scheduled to be completed at the end of 2017.

Upgrade of electrostatic precipitators

On January 28th 2015, the Company and ENERGA Elektrownie Ostrołęka S.A. signed a PLN 85.4m contract providing for upgrade of electrostatic precipitators in units 1, 2 and 3 at Elektrownie Ostrołęka S.A.;

Upgrade of electrostatic precipitators at the Morava Power Plant

On February 16th 2015, the Company executed a EUR 4.4m contract with the Delegation of the European Union to Serbia for upgrade of an electrostatic precipitator at the Morava Power Plant in Serbia.

The Group's revenue structure

The table below sets out the structure of the Group's revenue in the period covered by the historical financial information.

	3 months ended Mar 31		12 months ended Dec 31		
	2015	2014	2014	2013	2012
	<i>(PLN '000)</i>				
	<i>(unaudited)</i>	<i>(unaudited – restated)</i>	<i>(audited)</i>	<i>(restated)</i>	<i>(restated)</i>
Continuing operations					
Revenue:.....	280,092	183,808	1,183,472	748,103	1,235,203
<i>Revenue from sale of finished goods.....</i>	279,536	183,226	1,181,452	745,091	1,218,151
<i>Revenue from sale of materials.....</i>	556	582	2,020	3,012	17,052
Revenue from continuing operations.....	280,092	183,808	1,183,472	748,103	1,235,203

Source: Consolidated Financial Statements, the Company.

Material agreements

Below are described material agreements executed by the Group during the two years before the Prospectus Date. The following agreements are deemed material: (i) agreements executed in the ordinary course of the Group's business and particularly important to the Company's performance, with a value exceeding PLN 500m; and (ii) agreements executed outside the ordinary course of RAFAKO Group's business, including in particular material financial agreements, with a value of at least 10% of RAFAKO Group's revenue for the previous financial year, i.e. PLN 118,347.2 thousand.

Material agreements executed in the ordinary course of the Group's business, particularly important to the Group's performance

Contracts and agreements related to the execution of the Opole Project

Contract for the execution of the Opole Project, dated February 15th 2012

On February 15th 2012, the Company, as the leader of the Consortium comprising RAFAKO, Polimex and Mostostal (jointly the “**General Contractor**”) signed with PGE Opole (“**Employer**”) a contract (the “**Master Contract**”) for the execution of the Opole Project. Under the Master Contract, the General Contractor undertook to complete the work within 54 months of the notice to proceed for Unit 5, and within 62 months of the notice to proceed for Unit 6. The aggregate value of the Master Contract is PLN 9.4bn VAT exclusive (PLN 11.6bn VAT inclusive).

In line with the public procurement law, before executing the Master Contract, the General Contractor provided the Employer with a performance bond in the form of a cash deposit of PLN 277.4m. The deposit was returned to the General Contractor upon the fulfilment of the relevant conditions, including once ALSTOM provided the Employer with a performance bond related to the Agreement on terms of cooperation under the Opole Project of October 25th 2013, as discussed below.

The aggregate limit of contractual penalties payable by the General Contractor to the Employer for failure to meet a milestone deadline or achieve guaranteed operating parameters will not exceed 30% of the price of the relevant Unit (5 or 6), with the proviso that aggregate contractual penalties payable for failure to meet a milestone deadline will not exceed 15% of the price of the relevant unit, while aggregate contractual penalties payable for failure to achieve guaranteed operating parameters (including contractual penalties for unavailability) will not exceed 15% of the price of the relevant unit, and aggregate contractual penalties payable for unavailability will not exceed 5% of the price of Unit 5 or Unit 6, respectively.

In the event of failure to perform or improper performance of the contract, consisting in failure to meet a milestone deadline or achieve guaranteed operating parameters, payment of the relevant contractual penalties by the General Contractor excludes, as a rule, the Employer's right to claim damages on general terms in excess of contractual penalties. However, the Master Contract provides for circumstances in which this clause is excluded and the Employer may claim damages on general terms in excess of contractual penalties.

Under an annex of August 13th 2013, the parties to the Master Contract agreed that an additional precondition for issuing a notice to proceed is definition and implementation of conditions governing the relations between the Employer, General Contractor and/or subcontractor, and PKO BP, including financing terms, payment terms and security, as well as performance bonds. The parties further agreed that the Employer may issue a notice to proceed not later than within 24 months from the date of the Master Contract (on or before February 15th 2014), with the proviso that a notice to proceed may only be issued after 120 or more days from the date on which the Employer makes known its intention to issue the notice to proceed.

On October 11th 2013, the Company, the Employer, Polimex and Mostostal signed an annex to the Master Contract, whereby Alstom was included in the list of subcontractors.

Settlement with the Alstom Group, dated October 15th 2013

On October 15th 2013, the Company signed an out-of-court settlement with the Alstom Group, setting out in a comprehensive manner the terms of financial settlements, providing for a mutual waiver of claims by the Company and the Alstom Group, and defining the scope of collaboration between the Company and the Alstom Group on the Company's projects (see *Overview of the Group's business - Court, administrative and arbitration proceedings*).

Agreement on terms of cooperation under the Opole Project, dated October 25th 2013

On October 25th 2013, the Company and PGE Opole, Polimex and Mostostal, acting jointly as a consortium, and RAFAKO's subsidiary E001RK, Polimex's subsidiary Polimex-Cekop Development Sp. z o.o. w likwidacji (in liquidation) (currently Polimex Projekt Opole Sp. z o.o.) of Warsaw ("**SPV-Polimex**"), Mostostal's subsidiary Mostostal Power Development Sp. z o.o. of Warsaw ("**SPV-Mostostal**") and Alstom executed an agreement defining the terms of collaboration in connection with the performance of the Master Contract (the "**Agreement**"). The execution of the Agreement was required for the settlement of October 15th 2013 to become effective. Under the Agreement, the Employer accepted the terms of the subcontracts between RAFAKO and E001RK, Polimex and SPV-Polimex, and Mostostal and SPV-Mostostal ("**Subcontracts with SPVs**") and approved their execution. The parties to the Agreement also agreed that each subcontractor would perform their obligations towards PGE Opole under the relevant subcontracts. Pursuant to the Agreement, the Employer also accepted the terms of the subcontracts between E001RK and Alstom, SPV-Polimex and Alstom, and SPV-Mostostal and Alstom ("**Subcontracts with Alstom**") and approved their execution. The parties to the Agreement also agreed that Alstom would perform its obligations towards the Employer under subcontracts with Alstom. The parties further agreed that: (i) PGE would pay the remuneration under the Master Contract for work executed in the performance of the Subcontract with Alstom directly to Alstom in the form of a fund transfer as defined in Art. 921¹ of the Polish Civil Code; (ii) given that Alstom was to perform its obligations towards PGE Opole under the Subcontract with Alstom, the bank or insurance guarantees that PGE Opole was required to submit to E001RK, SPV-Polimex and SPV Mostostal under the Subcontract with Alstom to secure the performance of Alstom's obligations thereunder would be submitted by Alstom to PGE Opole as the beneficiary; (iii) the parties further agreed on the terms on which PGE Opole was to return the consortium's PLN 277.4m performance bond under the Master Contract. The consortium members (Polimex, Mostostal and RAFAKO) and Alstom also defined events of default for the consortium members involved in the Opole Project, whose occurrence would authorise the other consortium members to take over the entire scope of work of the defaulting party.

Under the Subcontract with SPVs and the Subcontract with Alstom, Alstom took over RAFAKO's entire scope of work under the Opole Project. Because of the fund transfers referred to above, the Opole Project will not generate revenue streams for RAFAKO. At the same time, RAFAKO as a consortium member remains liable towards PGE Opole for the performance of the Master Contract. If RAFAKO is held liable for the performance of the Master Contract for reasons attributable to Alstom, the Group will have recourse to Alstom.

Subcontracts for the execution of the Opole Project

In October 2013, all consortium members executed subcontracts with their respective subsidiaries responsible for the performance of the Opole Project, which was one of the conditions for obtaining support from PKO PB. Delegating the work defined in the subcontractor contracts to Consortium members' subsidiaries will ensure stable cash flows and mitigate the risk of non-performance or improper performance of obligations under the Contract by any of the consortium members.

On October 26th 2013, the Company and E001RK executed a subcontract whereby: (i) the Company, as the contractor, appointed E001RK as its subcontractor responsible for 100% of the work and services making up the Company's scope of work under the Opole Project, including coordination of the subcontract performance by the E001RK as the subcontractor and further subcontractors, as well as oversight of subcontract performance by further subcontractors; (ii) E001RK, as the subcontractor, would be responsible for entering into agreements with further subcontractors, with the proviso that if E001RK defaults under the subcontract with respect to the manner of execution of further subcontracts, the Company will have the right to claim contractual penalties of PLN 1m from E001RK for each event of default if as a consequence of such default the Company is called to pay contractual penalties to the Employer under the Contract; (iii) the Company approved E001RK's decision to appoint Alstom as a further subcontractor responsible for 100% of the work under the subcontract, on the terms and conditions specified in the contract between E001RK and Alstom; and (iv) the remuneration payable to Alstom for the performance of work and services making up the Company's scope of work under the Opole Project would be PLN 4.0m.

On October 26th 2013, E001RK and Alstom entered into a subcontract, whose execution was also required for the settlement of October 15th 2013 to become effective. Under the subcontract, E001RK appointed Alstom as its subcontractor responsible for 100% of the work and services making up the Company's scope of work under the Opole Project. Consequently, Alstom agreed to provide the Employer, as the beneficiary, with a performance bond amounting to 8% of the remuneration, and with an advance payment guarantee equal to the advance payment to be received by Alstom for the subcontracted work. E001RK agreed to pay Alstom PLN 3,965.5m (VAT-inclusive) for the performance of subcontractor services, and Alstom agreed to pay RAFAKO PLN 67.6m for the work performed to date by the Company as part of the Opole Project. Pursuant to an additional agreement between RAFAKO and Alstom, Alstom also declared its readiness to engage RAFAKO Group companies to perform specific deliveries and works, with the expected total value of PLN 650m, and to indemnify the Company against Polimex's and Mostostal's claims that may arise in relation to the execution of the Opole Project, provided that Alstom has recourse to Polimex and Mostostal.

On January 31st 2014, the consortium received from the Employer a notice to proceed regarding the Opole Project.

Contracts and agreements related to the execution of the Jaworzno Project

Contract for construction of power generation unit at the Jaworzno III Power Plant

On January 24th 2013, the Company was notified by Tauron Wytwarzanie (the Employer) that the Consortium comprising RAFAKO (as the leader) and Mostostal was awarded the Jaworzno Contract by Tauron Wytwarzanie in the public procurement procedure by way of competitive negotiations with publication of a contract notice, after the Consortium's bid had been chosen as the best one. The bid price is approximately PLN 5.4bn VAT-inclusive (PLN 4.4bn net of VAT).

On July 25th 2013, the Company executed a cooperation agreement with China Power Engineering Consulting Group Corporation ("CPECC") of Beijing and North China Power Engineering Co. Ltd. of China Power Engineering Consulting Group ("NCPE") concerning joint execution of the Jaworzno project. As a result of the parties' divergent views on the project execution, and because of their inability to reach understanding as to key terms and conditions of the subcontracting agreement, the Parent withdrew from cooperation with NCPE and CPECC on October 28th 2013.

On August 4th 2013, the Company amended and restated the consortium agreement of October 17th 2012 with Mostostal. Under the amended consortium agreement, RAFAKO's and Mostostal's shares in the total scope of works and deliveries were agreed at 99.99% and 0.01%, respectively, and the remuneration due to each of the consortium partners was to correspond to the partners' respective shares in the scope of works and deliveries under the Jaworzno project. In connection with the amended consortium agreement, on August 4th 2013 the parties also entered into an additional agreement, which defined the commercial terms of cooperation between the parties on the Jaworzno Project, including compensation due to Mostostal for the reduction of its share in the total remuneration and the scope of works and deliveries under the Jaworzno Project.

On November 24th 2013, the Company and PKO BP, PZU, TUiR Warta S.A., Korporacja Ubezpieczeń Kredytów Eksportowych S.A. and Generali Towarzystwo Ubezpieczeń S.A. executed a non-binding letter of intent on the Jaworzno Project. In addition, on November 26th 2013, Bank Gospodarstwa Krajowego became a

party to the letter of intent until January 31st 2014, and Sopockie Towarzystwo Ubezpieczeń Ergo Hestia S.A. signed the letter of intent on December 2nd 2013. The signatories of the letter of intent confirmed their readiness to commence negotiations to determine financial terms, settlement terms and security for payments, all of which are necessary (but not exclusive) conditions for securing support for the Jaworzno Project.

Below are presented contracts executed to enable the performance of the Jaworzno Project.

Contract signed by the Company and Mostostal with Tauron Wytwarzanie

On April 17th 2014, RAFAKO, acting as the leader of the consortium with Mostostal (the “**Contractor**”, executed with Tauron Wytwarzanie (the “**Employer**”) a contract for the implementation of the Jaworzno Project (the “**Master Contract**”). The subject matter of the contract is design and delivery by the Contractor, on a turn-key basis, of a supercritical 910 MW power generation unit consisting of steam generator, turbine generator set, main building, electrical and I&C systems. Remuneration due to the Contractor for performing the contract is PLN 4.4m, VAT exclusive, to be increased by applicable VAT. The Contractor’s remuneration is fixed for the entire scope of the contracted deliveries. In accordance with the consortium agreement of October 17th 2012, as amended on August 4th 2013, RAFAKO is responsible for the performance of 99.99% of the scope of work and deliveries under the Master Contract, and is entitled to receive remuneration reflecting this share. The time limit for performing the Master Contract is 59 months as of its date. The Contractor is entitled to receive an advance payment equal to 10% of its remuneration under the Master Contract (VAT inclusive). The Contractor is obliged to provide the Employer with: (i) the advance payment guarantee equal to the amount of the received advance payment, and (ii) a performance bond in the amount of 10% of the Contractor’s remuneration (VAT inclusive). The Contractor has provided the required security instruments in the form of bank and insurance guarantees as well as in cash, in the amount sufficient to satisfy the conditions precedent for the Master Contract. Once the unit has been commissioned for use, the performance bond under the Master Contract will be reduced to 3% of the Contractor’s remuneration (VAT inclusive) and will serve as the Employer’s security for claims under the defect warranty for a period of 24 months following the commissioning of the unit for use, with the proviso that some structural elements of the unit will be covered by a longer warranty period of 60 months. The Employer may charge contractual penalties for improper performance of the Master Contract by the Contractor, up to 25% of the Contractor’s remuneration. The Employer may also seek compensation in excess of the contractual penalties provided for in the Master Contract. The Contractor will be responsible for the proper performance of the Master Contract by subcontractors hired to perform this task.

Contract between the Company and E003B7

On April 17th 2014, the Company and E003B7 executed a subcontract related to the Jaworzno Project (the “**Subcontract**”). In the Subcontract, the parties agreed that: (i) E003B7 will perform, as a subcontractor, approximately 90% of the work and services for which the Company is responsible in the Jaworzno Project, and that E003B7 will supply specialist equipment, instruments, tools, and quick-wearing parts, and provide training and insurance coverage to the extent and in accordance with the terms set forth in the Jaworzno Project contract; (ii) E003B7 would be responsible for signing contracts with further subcontractors to ensure successful execution of the Jaworzno Project; (iii) E003B7 is obliged to closely cooperate with an independent technical advisor in the course of the Jaworzno Project; (iv) E003B7 is entitled to represent the Company during the execution of the Jaworzno Project, as authorised under the power of attorney granted on the basis of the Subcontract; (v) E003B7’s remuneration for the performance of work as part of the Jaworzno Project under the Subcontract is PLN 4.0m.

Contract executed by E003B7 with Siemens Aktiengesellschaft and Siemens Sp. z o.o.

On April 15th 2014, E003B7 Sp. z o.o. (a wholly-owned subsidiary of RAFAKO) and a consortium of Siemens Aktiengesellschaft of Munich and Siemens sp. z o.o. of Warsaw (jointly the “**Contractors**”), entered into a conditional agreement to manufacture, deliver, and install a turbine island (the “**Siemens Contract**”) for the purpose of the Company’s Jaworzno Project. The subject matter of the Siemens Contract is the manufacture, delivery and installation of a turbine island system for the purposes of the Jaworzno Project, as well as provision of services and delivery of components necessary to start up and operate a turbine island as part of the Jaworzno Project. Total remuneration due to the Contractors for performing the Siemens Contract is EUR 208.3m. The Contractors are obliged to provide a performance bond equal to 20% of their remuneration, and a defects liability bond equal to 3% of their remuneration, in the form of bank guarantees. Under the Siemens Contract, RAFAKO may charge contractual penalties for improper performance of the Contract by the Contractors, up to 25% of the Contractors’ remuneration. The Siemens Contract’s entry into force was subject to the following conditions precedent: (i) conclusion of the Master Contract for the Jaworzno Project between Tauron Wytwarzanie and the consortium executing the Jaworzno Project; (ii) conclusion between Tauron Wytwarzanie, RAFAKO, a subsidiary, and the Contractors of an agreement specifying the method of settlement and payment of remuneration to the Contractors by Tauron Wytwarzanie, and defining the responsibility of the parties to the Master Contract for payment of the remuneration to the Contractors; and (iii) provision of a performance bond

for the Siemens Contract by the Contractors. As of April 17th 2014, all the conditions precedent provided for in the Siemens Contract had been satisfied, as a result of which the Siemens Contract came into force. The Siemens Contract is one of the key elements necessary to execute the Master Contract for the Jaworzno Project with Tauron Wytwarzanie.

Contract between E003B7 and Energopol-Szczecin S.A.

On April 16th 2014, E003B7 and Energopol-Szczecin S.A of Szczecin, Poland, (the “**Subcontractor**”) executed a conditional construction work agreement (the “**Energopol Contract**”) for the purposes of the Company’s Jaworzno Project. The subject matter of the Energopol Contract is the performance of construction works, delivery of supplies and provision of services under the Jaworzno Project. The Subcontractor’s remuneration under the Energopol Contract is ca. PLN 380m (VAT exclusive). The Subcontractor is obliged to provide a performance bond equal to 10% of its gross remuneration. The performance bond provided by the Subcontractor will also secure E003B7’s warranty claims for defects in the work performed by the Subcontractor under the Energopol Contract. The value of security for warranty claims will equal 30% of the performance bond value. Under the Energopol Contract, RAFAKO may charge contractual penalties for improper performance of the Contract by the Subcontractor, up to 15% of the Subcontractor’s remuneration (VAT-exclusive). The Energopol Contract’s entry into force was subject to the following conditions precedent: (i) conclusion of the Master Contract for the Jaworzno Project between Tauron Wytwarzanie and the consortium executing the Jaworzno Project; (ii) Tauron Wytwarzanie’s and RAFAKO’s consents for E003B7 to hire the Subcontractor to perform the Master Contract; (iii) E003B7’s consent for the Energopol Contract to be secured with the performance bond provided by the Subcontractor; and (iv) the Employer’s consent for making advance payments due to the Subcontractor under the Energopol Contract directly to the Subcontractor. As of November 19th 2014, all the conditions precedent provided for in the Energopol Contract had been satisfied, as a result of which the Energopol Contract came into force. The Energopol Contract is one of the key elements necessary to execute the Master Contract for the Jaworzno Project with Tauron Wytwarzanie.

Agreement for bank and insurance guarantees

On April 16th 2014, E003B7 concluded with (i) PKO BP, (ii) PZU and (iii) BGK (PKO BP, PZU and BGK are further jointly referred to as “**Guarantors**”) an agreement for issuing bank and insurance guarantees to E003B7 (“**Guarantee Agreement**”) in connection with the Jaworzno Project. PKO BP agreed to issue to Tauron Wytwarzanie, (i) an advance payment guarantee of up to PLN 48m and (ii) a performance bond for the master contract pertaining to the Jaworzno Project (the “**Master Contract**”) of up to PLN 126.3m subject to fulfilment of the conditions stipulated in the Guarantee Agreement. PZU agreed to issue to Tauron Wytwarzanie (i) an advance payment guarantee of up to PLN 48m and (ii) a performance bond for the Master Contract of up to PLN 126.3m, subject to fulfilment of the conditions stipulated in the Guarantee Agreement. BGK agreed to issue to Tauron Wytwarzanie (i) an advance payment guarantee of up to PLN 48m and (ii) a performance bond for the Master Contract of up to PLN 126.3m, subject to fulfilment the conditions stipulated in the Guarantee Agreement. The Company agreed to provide to Tauron Wytwarzanie a PLN 70m cash performance bond in respect of the Master Contract, with the proviso that detailed terms of payment of this amount by the Company will be defined in a separate agreement executed between the Company, Tauron Wytwarzanie and the Guarantors, among other parties. As at the Prospectus Date, the Company provided performance bond in respect of the Master Contract in an amount of PLN 40m. On April 16th 2014, all conditions precedent to the issue of the above guarantees and bonds were satisfied and the Guarantors issued the guarantees and performance bonds. In order to secure the Guarantors’ recourse claims arising from the guarantees, the Company and E003B7 established, for the Guarantors’ benefit, a number of security instruments customarily established with respect to such transactions, including in particular: (i) a surety in respect of E003B7’s liabilities arising under the Guarantee Agreement, issued by the Company for the Guarantors’ benefit and valid until April 17th 2028; (ii) a registered pledge over a set of movables and rights representing E003B7’s business; (iii) registered and financial pledges over E003B7 shares held by the Company, representing 100% of the company’s share capital and 100% of votes at the E003B7 general meeting; (iv) registered and financial pledges over amounts credited to (project-related and current) bank accounts maintained for E003B7; (v) registered pledges and ordinary pledges over E003B7’s receivables from Tauron (under bank transfer documents), E003B7’s receivables from the Company (under the subcontract between E003B7 and the Company) and the Company’s receivables from Tauron (under the Contract for the construction of a power generation unit at the Jaworzno III Power Plant); (vi) security assignments of rights under bank and insurance guarantees issued at the instruction of subcontractors in connection with the Contract for the construction of a power generation unit at the Jaworzno III Power Plant; (vii) declarations of submission to enforcement issued by E003B7 and the Company; and (viii) agreement for subordination of the Company’s receivables from E003B7 to E003B7’s liabilities towards the Guarantors.

On April 16th 2014, the Company and E003B7 concluded relevant security agreements with the Guarantors. On October 29th 2014, the Company also concluded an agreement for a second-ranking registered pledge over a set of movables and rights representing the Company’s business, for the Guarantors’ benefit, by way of security of the Guarantors’ claims under the Guarantee Agreement. The registered pledges established under the agreements

took effect upon their entry in the register of pledges. Depending on the type of security, the instruments were established for the benefit of each Guarantor separately or for the benefit of one Guarantor acting as the security agent on behalf of all Guarantors. None of the Guarantors is the Company's related party or an entity managing or supervising the Company. The guarantees issued under the Agreement are one of the key elements necessary for the Jaworzno Project's master contract to be concluded with the Employer.

Events of default under the Guarantee Agreement include: (i) a breach, by E003B7, the Company or Jerzy Wiśniewski, of any document relating to the financing or execution of the Jaworzno Project, (ii) the Company's loss of indirect or direct control of E003B7, (iii) Multaros' loss of indirect or direct control of the Company; (iv) default under the multi-purpose credit facility agreement concluded with PKO BP (cross-default); (v) material adverse change (in the Guarantors' opinion) in the situation of E003B7 or the Company; (vi) any event which in the Guarantors' opinion may have an adverse effect on the repayment of the Guarantors' secured claims or the security created under or in connection with the Guarantee Agreement. An event of default under the Guarantee Agreement is also adoption of a resolution on the payment of dividend or interim dividend from the profit of E003B7 or the Company (otherwise than in the manner expressly permitted by the financial documentation of the Jaworzno Project), a resolution on cancellation of shares in E003B7 or the Company, a resolution on reduction of the share capital of E003B7 or the Company, a resolution on the buyback of shares in E003B7 or the Company, and taking any steps leading to the performance of any of the foregoing actions.

Upon an event of default, each of the Guarantors has the right to, inter alia: (i) demand additional security, (ii) seek satisfaction against all assets of E003B7 or the Company, (iii) apply a set-off against the amounts maintained in the bank accounts specified in the Guarantee Agreement; and (iv) increase the margin or commission.

On September 8th 2014, the parties executed Annex 1 to the Guarantee Agreement, whereby the parties clarified issues relating to the margin, disclosure requirements and correspondence between the parties.

As at the Prospectus Date, E003B7 had no debt under the Guarantee Agreement.

Surety agreement securing liabilities under the Guarantee Agreement

On April 16th 2014, the Company, acting as the surety, executed a surety agreement with BGK, PKO BP and PZU acting as the creditors (BGK, PKO BP and PZU are further jointly referred to as the "**Creditors**"), whereby the Company provided an irrevocable and unconditional surety to each of the Creditors for proper performance of all existing or future obligations of E003B7 towards that Creditor under or in relation to the Guarantee Agreement, up to a total amount of PLN 348.7m, in case of improper performance of any of the E003B7's obligations ("**Surety Agreement**").

The surety has been granted for a period ending on the day BGK, PKO and PZU confirm that all obligations covered by the surety have been validly, effectively and unconditionally paid or satisfied in full, and therefore have expired – but no later than on April 17th 2028.

The Surety Agreement provides for a number of additional terms and conditions, requiring the Company to, inter alia: (i) maintain the Company's direct or indirect control of E003B7; (ii) obtain Creditors' opinions and approvals in the cases specified in the Surety Agreement, including for contracting of liabilities by the Company and E003B7, for the establishment of additional security on the assets of the Company and E003B7, and for disposal of assets of the Company and E003B7; and (iii) refrain from adopting resolutions on distribution of dividend or interim dividend from the profit of E003B7, resolutions on cancellation of shares and reduction of the share capital of E003B7, and resolutions on the buyback of shares in E003B7. The terms and conditions do not differ from customary terms and conditions commonly applied in contracts of this type.

Adoption of a resolution to distribute dividend or interim dividend from the Company's profits will constitute breach of the Surety Agreement, unless the following conditions are met: (i) the distribution of the dividend or interim dividend is made from the Company's 2015 profit, at the earliest; (ii) financial covenants defined in the Surety Agreement are met; (iii) the Company has no outstanding financial liabilities which are more than 30 days past due; (iv) the Company has no outstanding trade payables which are more than 30 days past due, with the proviso that disputed payables may represent up to 10% of total payables; (v) the Jaworzno Project is executed on schedule and within budget, as confirmed based on a periodic report drafted by an independent technical adviser; and (vi) no other event of default with respect to the Surety Agreement has been recorded.

As at the Prospectus Date, the Company had no debt under the Surety Agreement.

Agreement between the Company, Tauron Wytwarzanie, Siemens Sp. z o.o. and Siemens Aktiengesellschaft, E003B7, Bank Gospodarstwa Krajowego, PKO BP and PZU

On April 17th 2014, the Company and Tauron Wytwarzanie (the "**Employer**"), Siemens Sp. z o.o. and Siemens Aktiengesellschaft (jointly "**Siemens**"), E003B7, and Bank Gospodarstwa Krajowego, PKO BP and PZU (jointly the "**Financial Institutions**") executed an agreement which sets out the terms of cooperation between the parties

in connection with the performance of the Master Contract (as defined above) (the “**Agreement**”). Under the Agreement, the Employer accepted the terms of the Subcontract (as defined above) and approved its execution. The parties to the Agreement also agreed that E003B7 would perform its obligations under the Subcontract towards the Employer. The Employer also accepted the terms of the Siemens Contract (as defined above) and approved its execution.

Under the Agreement: (i) the parties agreed that in order to perform the Employer’s obligation to pay remuneration to RAFAKO under the Agreement as well as RAFAKO’s obligation to pay remuneration to E003B7 under the Subcontract for the works performed by E003B7 under the Subcontract, the Employer will pay the remuneration under the Master Contract directly to E003B7 by way of a funds transfer as defined in Art. 921¹ of the Polish Civil Code; (ii) the parties agreed that in order to perform the Employer’s obligation to pay remuneration to RAFAKO under the Master Contract as well as RAFAKO’s obligation to pay remuneration to E003B7 under the Subcontract and E003B7’s obligation to pay remuneration to Siemens under the Siemens Contract, the Employer will pay the remuneration under the Master Contract directly to Siemens by way of a funds transfer as defined in Art. 921¹ of the Polish Civil Code; (iii) the parties agreed that the performance bond for the Master Contract will be provided partly in the form of bank and insurance guarantees issued by the Financial Institutions at the request of E003B7, with the proviso that the Employer will be the beneficiary of the guarantees, and a part of the performance bond will be provided by RAFAKO in cash, with PLN 40m provided prior to the execution of the Master Contract and PLN 30m not later than within six months from the date of the Agreement; (iv) the parties determined the manner in which the advance payment guarantee (within the meaning of the Master Contract) will be delivered to the Employer and the manner in which the Employer will make the advance payment under the Master Contract; (v) RAFAKO agreed to support E003B7 in performing the Agreement and the Subcontract by making available appropriate technical, financial and human resources.

Contracts with EDF Polska Group Companies

On December 6th 2012, the Company, as the leader of the RAFAKO-PBG consortium (the “**Contractor**”), executed with EDF Polska Group Companies (the “**Employer**”), with EDF Polska CUW Sp. z o.o. acting for and on behalf of EDF Polska Group Companies, the following contracts for the total value of PLN 770m VAT-exclusive (PLN 947m VAT-inclusive):

- a PLN 237.8m VAT-exclusive (PLN 292.5 VAT-inclusive) contract with EDF Kraków S.A. of Kraków for the design, construction and commissioning of a wet lime-and-gypsum flue gas desulfurization unit at the Kraków CHP plant. The contract is scheduled to be completed by June 30th 2015;
- (a) a PLN 186m VAT-exclusive (PLN 228.8 VAT-inclusive) contract with EDF Wybrzeże S.A. of Gdańsk for the design, construction and commissioning of a wet lime-and-gypsum flue gas desulfurization unit at the Gdańsk CHP plant. The contract is scheduled to be completed by June 30th 2015; (b) a PLN 147.1m VAT-exclusive (PLN 180.9 VAT-inclusive) contract with EDF Wybrzeże S.A. of Gdańsk for the design, construction and commissioning of a wet lime-and-gypsum flue gas desulfurization unit at the EC Gdynia CHP plant. The contract is scheduled to be completed by October 31st 2015;
- a PLN 199m VAT-exclusive (PLN 244.8 VAT-inclusive) contract with Zespół Elektrociepłowni Wrocławskich KOGENERACJA S.A. of Wrocław for the design, construction and commissioning of a wet lime-and-gypsum flue gas desulfurization unit at the EC Wrocław CHP plant. The contract is scheduled to be completed by October 31st 2015.

The aggregate amount of contractual penalties for any breach under the above contracts does not exceed 25% of the VAT-exclusive contract price. Without prejudice to other contractual provisions, the Employer may demand that damage caused by the Contractor be remedied, however the Contractor’s aggregate liability for the Employer’s claims for damages arising from any breach of the above contracts or otherwise in connection with the contracts, including contractual penalties, may not exceed 115% of the VAT-exclusive contract price. The parties also agreed on all the conditions necessary to commence work under the contracts. The Company holds a 99% interest in the above contracts, with the remaining 1% held by PBG. The Contractors have assumed joint and several liability towards the Employer for proper performance of the contracts.

In line with the public procurement law, the Contractor provided the Employer with a performance bond in the form of a bank guarantee, set at 5% of the total VAT-inclusive price of each of the contracts. The Company secured guarantees issued by the bank with cash deposits of PLN 14.6m (Kraków), PLN 11.4m (Gdańsk), PLN 9.1m (Gdynia) and PLN 12.2m (Wrocław), respectively.

Material agreements executed outside the Group's ordinary course of business – financing agreements

Multi-purpose credit facility agreement with PKO BP

The Company is party to an overdraft facility agreement with PKO BP, dated February 7th 2012, which under Annex 12 of April 29th 2014 was converted into a multi-purpose credit facility agreement (the “**MPCF Agreement**”). Under the agreement and annexes thereto, PKO BP granted a multi-purpose credit facility with a limit of PLN 200m (the “MPCF”). Under the MPCF, PKO BP makes available to the Company: (i) an overdraft facility of up to 75% of the MPCF limit, disbursed on the Company's instructions; and (ii) a limit in the form of bank guarantees issued by PKO BP to secure the Company's liabilities and a revolving facility to finance payments under the bank guarantees to their beneficiaries (on the terms defined in the MPCF) for a total amount of up to 25% of the MPCF limit.

The MPCF limit was granted for the period from April 30th 2014 to December 27th 2017, with the proviso that the term of the MPCF Agreement may not end before the latest validity date of the guarantees issued by PKO BP on the terms defined in the MPCF Agreement. The MPCF overdraft facility is available until May 31st 2016 (with an extension option subject to payment of a fee provided for in the MPCF Agreement). The MPCF bears annual interest at a variable rate. The interest rate is equal to the reference rate (1M WIBOR) plus bank's margin, subject to the detailed contractual provisions.

If any due and payable claims arise under the MPCF Agreement, PKO BP may, without the need to send a separate notice or file a separate statement, set off its claims against the Company's claims under agreements related to any accounts held by the Company with PKO BP. In addition, the MPCF is secured with: (i) assignment of the Company's monetary claims under orders, agreements or contracts performed by the Company for a total amount of not less than PLN 240m VAT-inclusive; (ii) a blank promissory note with a promissory note declaration; (iii) assignment of monetary claims under a property insurance agreement; (iv) registered pledge over a set of movables and rights comprising the entire business of the Company; (v) joint mortgage for up to PLN 300m established on properties of which the Company is the owner or perpetual usufructuary, with the exception of selected property (see *Overview of the Group's business – Material property, plant and equipment, and intangible assets – Material property, plant and equipment*), together with assignment of monetary claims under a property insurance agreement; (vi) transfer (payment) of funds into a PKO BP account pursuant to Art. 102 of the Polish Banking Law; and (vii) representation on voluntary submission to enforcement issued by the Company (under Art. 97 of the Banking Law and Art. 777 of the Code of Civil Procedure). In addition, claims under payments from guarantees issued based on the MPCF Agreement are secured with the instruments specified in items (v) and (vi) above.

The MPCF Agreement provides for a number of additional terms and conditions, requiring the Company to, inter alia: (i) perform operations on the Company's bank accounts held with PKO BP for a certain amount; (ii) obtain PKO BP's opinions and approvals in the cases specified in the MPCF Agreement, including for the establishment of additional security; and (iii) promptly notify PKO BP of any material changes in the shareholder or ownership structure. The terms and conditions do not differ from customary terms and conditions commonly applied in contracts of this type.

As at March 31st 2015, the Company's debt under the MPCF Agreement included PLN 104.7m under the available credit facility and PLN 40.6m under the bank guarantee limit.

Material agreements executed outside the Group's ordinary course of business – sale of shares in FPM

On December 30th 2014, the Company concluded with TDJ S.A. a preliminary agreement for the sale of 1,376,508 shares in FPM, conferring the right to 1,376,508 votes at the general meeting of FPM (82.19% of total vote). Under the preliminary agreement, the Company agreed to sell the shares in FPM to TDJ S.A. for PLN 48m. The preliminary agreement was concluded under the following conditions precedent: (i) TDJ S.A. obtaining clearance for the business concentration from the President of the Office of Competition and Consumer Protection (President of UOKiK); or TDJ S.A.'s request for clearance being returned following President of UOKiK's declaration that there was no obligation to request such clearance; or the expiry of the deadline for the clearance without any decision on business concentration issued by the President of UOKiK; and (ii) the Company obtaining the Supervisory Board's approval for the sale of FPM shares. Once the conditions precedent were fulfilled, the final agreement was executed on February 23rd 2015 and 1,376,508 FPM shares were sold for PLN 48m. Following the transaction, the Company holds no FPM shares. The financial data for the financial years ended December 31st 2013 and December 31st 2012, presented in the Consolidated Financial Statements, were restated in connection with the recognition of discontinued operations (sale of FPM).

Material property, plant and equipment, and intangible assets

Material property, plant and equipment

The Group's material property, plant and equipment includes primarily land and buildings. In the case of property, given the nature of the Group's activities, property deemed material is primarily land with buildings erected thereon (industrial premises and production buildings/structures), as well as office space located at ul. Łąkowa and ul. Bukowa in Racibórz and ul. Pszczyńska in Wry. The buildings and structures erected on the land owned by the Company in Racibórz include five production facilities, warehouses, design office, office buildings for the sales force, project execution team, finance functions, HR department and plant engineering, central laboratory, school workshops and the Company's archive. The property in Wry comprises two production facilities, a social building and an office building. Additionally, as at the Prospectus Date, the Group owned a 1.7 ha investment property in Warsaw and a holiday centre in Zawoja. As at the Prospectus Date, the Group also used leased office space, primarily in Warsaw, Pszczyna, Jaworzno and Częstochowa, with a total area of over 2.5 thousand square metres. In addition to the building, the property leased in Pszczyna also includes land with an area of 0.4 ha.

The most important plant and machinery at the above locations include PEMA automatic welders, pipe bending machines, membrane wall bending machine, collecting electrode mill, automatic cutter and boring and milling machines. Other important items in this group of property, plant and equipment are an IT network and access control system.

The table below sets forth the carrying amounts of RAFAKO Group's property, plant and equipment as at the dates indicated.

	Net carrying amount as at Mar 31		Net carrying amount as at Dec 31	
	2015	2014	2013	2012
	(PLNm)			
	<i>(unaudited)</i>	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Land	23.8	23.8	28.4	28.3
Buildings	89.4	89.5	107.4	103.5
Plant and equipment	47.9	46.1	56.3	57.4
Vehicles	7.2	6.4	4.2	3.7
Property, plant and equipment under construction	3.1	6.0	1.3	8.7
Other	0.4	0.36	0.33	0.27
Total	171.8	172.2	197.9	201.9

Source: Consolidated Financial Statements, the Company.

The carrying amount of the Group's property, plant and equipment as at March 31st 2015, December 31st 2014, December 31st 2013 and December 31st 2012 was PLN 171.8m, PLN 172.2m, PLN 197.9m and PLN 201.9m, respectively, including the carrying amount of land, buildings and machinery and equipment of PLN 161.1m, PLN 159.4m, PLN 192.1m and PLN 189.2m, respectively. As at the Prospectus Date, the Group held property under perpetual usufruct and ownership rights. As at the Prospectus Date, the total area of material properties to which Group Companies hold perpetual usufruct rights was approximately 50.4773ha, while the total area of material properties owned by Group Companies was approximately 0.6655ha.

As at the Prospectus Date, the properties owned or held in perpetual usufruct by RAFAKO (with certain properties excluded), were subject to a mortgage for a total amount of approximately PLN 300m, serving as security for an overdraft facility granted by PKO BP (see *Overview of the Group's business – Material agreements - Material agreements executed outside the Group's ordinary course of business – financing agreements – Multi-purpose credit facility agreement with PKO BP*). Properties which, as at the Prospectus Date, are not encumbered with rights of third parties include: (i) residential properties with a total usable area of 299.3 square metres (five flats) in Racibórz, (ii) a 0.0753 ha land plot held for sale, located Racibórz outside the Group's production plant, (iii) four land lots with an aggregate area of 0.0746 ha and (iv) two land lots (with an aggregate area of 0.1488 ha), to which the Company acquired right of perpetual usufruct in April 2015. For further information on the current and future investments in property, plant and equipment and intangible assets, see *Operating and financial review – Capital expenditure – Current and scheduled investments*.

The Group uses motor vehicles and computer hardware under agreements classified as finance leases. The Group also owned and used, under a finance lease agreement, non-current assets with a gross carrying amount of approximately PLN 5.6m as at the date of acquisition of the leased assets. As at March 31st 2015, tangible assets (machinery, equipment and vehicles) worth PLN 135.3m served as security for the Company's liabilities. The Group set aside for sale tangible assets with an approximate value of PLN 1.0m as at March 31st 2015.

As at March 31st 2015, the Group did not have any contractual obligations to purchase property, plant or equipment. For information on the Group's capital expenditure on property, plant and equipment, see *Operating and financial review – Capital expenditure*.

Material intangible assets

Intangible assets include patents, licences and software. The largest assets are: (i) a licence for BENSON supercritical steam generators, with a carrying amount of approximately PLN 3.4m as at March 31st 2015, and (ii) a licence for catalytic flue gas denitrification, with a carrying amount of approximately PLN 0.8m as at March 31st 2015 (the amounts are carrying amounts used for amortisation purposes). As at March 31st 2015, intangible assets worth PLN 8.8m served as security for the Group's liabilities. For detailed information on the Issuer's intangible assets, see *Intellectual property* below.

Environmental protection

The RAFAKO Group's operations affect the natural environment, in particular through air emissions, waste generation, use of water and discharge of wastewater into water or ground. This impact is subject to regulations, mainly the provisions of the Environmental Protection Law, Water Law, Waste Act and secondary legislation on environmental protection. The Group has implemented the Environmental Management System, which is a component of the Integrated Quality, Environment and Safety Management System, developed in compliance with the requirements of the ISO 9001 and ISO 14001 standards, EMAS Regulation, PN-N-18001 standard and PED Directive, taking into consideration the requirements of the PN ISO 3834-2 standard. In 2005, the Company implemented, in its Racibórz plant, the Eco-Management and Audit Scheme (EMAS) and was entered in the national register under No. PL 2.24-001-5. The Environmental Management System is an integral part of the overall organisation management system. Special supervision covers all environmental-protection equipment, which is maintained in full working order and operated by qualified personnel. The Group's environmental management team performs regular environmental audits to assess the results of environmental protection activities against criteria following from applicable laws, administrative decisions, findings of the system reviews and internal audits, as well as data on current and earlier effects of RAFAKO's operations. RAFAKO's environmental policy is available to the public. The Company prepares Environmental Product Declarations in accordance with the EMAS Regulation. The environmental audit conducted by the Company also covers the Company's indirect environmental impact, such as the environmental impact of the Group's products, services and suppliers.

In its operations, the Company uses equipment adversely affecting the environment, including the boiler house, natural gas heating furnaces, automatic welders and painting booths. The Company operates pursuant to decisions required under applicable laws, defining the scope and manner of the use of the environment. It also obtains new permits as required. RAFAKO also operates units the emissions from which do not require sectoral permits, but which are subject to notification to environmental protection authorities. In their operations, Group Companies generate hazardous and non-hazardous waste. Waste management is governed by sectoral permits held by Group Companies. Group Companies maintain waste generation registers in accordance with applicable permits. Group Companies deliver waste to specialised companies authorised to manage waste. The Group produces both controlled and fugitive emissions. Controlled emissions come from emitters covered by administrative decisions under which permitted emissions volumes are defined for each source. Fugitive emissions are primarily caused by welding. The Group also holds water permits.

The most important permits held by the Company are:

Decision type	Expiry date
Decision of the County Governor of Racibórz of July 21st 2009, Ref. No. 97/09/SE – permit for air emissions of gases and particulate matter (as amended)	Jul 20 2019*
Decision of the County Governor of Mikołów of September 24th 2012, Ref. No. MNO.6224/9/2012/JK – permit for air emissions of gases and particulate matter (as amended)	Sep 24 2022
Decision of the County Governor of Racibórz of December 28th 2012, Ref. No. 276/12/SE – water permit for wastewater discharge to the Odra River on 47+250 km	Dec 31 2016
Decision of the County Governor of Mikołów of August 9th 2013, Ref. No. MNO.6341.1.14.2013.AC – water permit for stormwater discharge to a ditch	Aug 9 2023
Decision of the County Governor of Mikołów of November 5th 2007, Ref. No. OS-7644/3/14/07 – permit for waste generation	Nov 7 2017
Decision of the County Governor of Racibórz of December 22nd 2011, Ref. No. 205/11/SE – permit for waste generation (as amended)	Dec 21 2021
Decision of the County Governor of Racibórz of August 21st 2013, Ref. No. 165/13/SE – permit for waste generation	Aug 20 2023

Source: the Company.

*Where it refers to the painting booth, the decision expiry date is June 30th 2015.

The Management Board believes that the Group's business activities comply with the terms of permits held by Group Companies, as well as with environmental protection laws, and no issues have been identified in the Group's day-to-day operations which would be material to these activities.

Charges and penalties related to the use of the environment

The Group pays charges for the use of the environment (air emissions of gases and particulate matter). The table below sets forth charges for the use of the environment paid by the Group.

Component	Charge		
	2014	2013	2012
	<i>(PLN '000)</i>		
Air emissions of gases and particulate matter.....	142	159	174
Wastewater discharge to water or ground.....	8	10	8
TOTAL	150	169	182

Source: the Company.

In the period from January 1st 2012 to the Prospectus Date, no fine or penalty was imposed on any Group Company in connection with the use of the environment.

Intellectual property

As at the Prospectus Date, the Company was not dependent on any patents, licence agreements or other intangible assets.

Patents and licenses

As at the Prospectus Date, the Company, either alone or with other parties, held rights under 10 patents on the territory of Poland. The Company has also filed nine applications to patent its inventions, including with other parties.

The following table presents the Company's key patented inventions.

Name	Application date	Patent number	Holder of rights
Rotary regenerative heat exchanger	16.04.1996	179815	Rafako
Steam drum regeneration method	06.11.1996	181187	Rafako
Method and reactor for amine treatment of exhaust gases	05.09.2005	204324	Rafako
Method for obtaining calcium thiosulfate from semi-dry flue gas desulfurization waste	05.12.2005	205410	Rafako
Fabric pipe expansion joint	01.09.2008	209062	Rafako

Source: the Company.

The following table presents the Company's key patent applications.

Name	Application date	No. of application	Holder of rights
Method of installation of steam generators, in particular tower-type once-through steam generators	20.09.2010	392438	Przedsiębiorstwo Modernizacji Urządzeń Energetycznych Remak S.A.
Fluidised-bed steam generator for combustion of various fuel types, particularly biomass, and combustion method	30.09.2011	396504	Rafako Politechnika Częstochowska (Częstochowa University of Technology)
Water recirculation system in a slag removal unit	23.04.2012	398936	Rafako
Water cooling system in a slag removal unit	23.04.2012	398939	Rafako
Grate furnace	23.04.2012	398942	Rafako
Rotary regenerative heat exchanger	25.06.2012	399644	Rafako

Source: the Company.

In addition to its proprietary inventions, solutions and know-how, the Company uses the following third-party inventions, solutions and know-how: (i) BENSON supercritical steam generators (under a 10-year licence agreement with Siemens Aktiengesellschaft, dated April 22nd 2008); and (ii) a catalytic flue gas denitrification method (under a 10-year licence agreement with Termokimik Corporation Impianti e Procedimenti Industriali SpA, dated October 27th 2009).

Trademarks

As at the Prospectus Date, the Company holds protection rights under five trademarks and one application. The Company's key trademarks have also been registered as community trademarks and, through registration under the Madrid system at the World Intellectual Property Organization (WIPO), on the territory of such countries as Albania, Croatia, Montenegro, Macedonia, Norway, Russia, Serbia, Switzerland, Turkey, and Ukraine.

The following table presents the Company's registered trademarks.

Name	Trademark type	Application date	No. of protection right	Classes of goods	Territory
	word/figurative mark	03.10.1966	46067	6, 7, 9	Poland
	word/figurative mark	16.10.2008	223576	11, 35, 37, 40, 42	Poland
		06.03.2009	008141749	11, 37, 42	European Union
		17.08.2009	1028453	11, 37, 42	Albania, Croatia, Montenegro, Macedonia, Norway, Russia, Serbia, Switzerland, Turkey, Ukraine
	word/figurative mark	16.10.2008	223577	11, 35, 37, 40, 42	Poland
		06.03.2009	008141848	11, 37, 42	European Union
		17.08.2009	1029715	11, 37, 42	Albania, Croatia, Montenegro, Macedonia, Norway, Russia, Serbia, Switzerland, Turkey, Ukraine
	word/figurative mark	16.10.2008	223578	11, 35, 37, 40, 42	Poland
		06.03.2009	008141871	11, 37, 42	European Union
		17.08.2009	1029529	11, 37, 42	Albania, Croatia, Montenegro, Macedonia, Norway, Russia, Serbia, Switzerland, Turkey, Ukraine
	word/figurative mark	10.06.2013	415212	35, 37, 42	Poland

Source: the Company.

Internet domains

As at the Prospectus Date, the key domain maintained by the Company is 'rafako.com.pl', where the website containing information about the Company and its business is located. The Company also maintains the following domains: 'rafako.pl', 'rafako.eu' and 'denko.com.pl'.

IT systems

As at the Prospectus Date, the Company was not dependent on any IT system. The Company uses standard applications supporting its core operations, the most important of which are: (i) ERP software supporting the management of the Company's business (Baan IV and LN10, supplied and maintained by S&T Services Polska Sp. z o.o.), (ii) HR, payroll and work time monitoring software (supplied and maintained by DST Sp. z o.o.), (iii) work time tracking and access control systems (RCP and KD software, supplied and maintained by EDP Support Polska Sp. z o.o.), (iv) Primavera P6 EPPM – a comprehensive system for managing the Company's projects globally (supplied by Oracle, maintained by DAT Computer Concepts Sp. z o.o.), (v) ProjectWise – an integrated suite of software for managing, publishing and reviewing engineering projects and for managing project lifecycles (supplied by Bentley Systems, maintained by Bentley Systems Polska Sp. z o.o.), (vi) IBM Notes – an email client and workflow document management system (supplied by IBM), and (vii) CAD/CAM – specialist engineering and computing software (supplied by Bentley Systems, Siemens and AutoDesk). The Company uses the above-mentioned applications under standard licence agreements and has secured appropriate maintenance support, particularly in case of system errors or failures, and is entitled to receive new or upgraded versions of the systems.

The Company also uses the following systems dedicated to and integrated with its specialist equipment: (i) the HEIDENHAIN 530 control system for the BFM-130 boring and milling machine and the FWA-100 milling

machine, (ii) the HAAS control system for the EC-400 machining centre and the SL-20, SL-30 and SL-40 lathes, and (iii) the ZINSER 500 controller for the ZINSER 3000 cutter.

Research and development

The research work conducted by the Group in 2012–2014 primarily focused on pursuing new applications for technologically advanced materials and developing completely new products outside the Company's current specialisation, as well as on new forms of investment project organisation based on innovative solutions. The majority of the capital expenditure will be allocated to projects related to: (i) development of technologies for high performance low emission coal-fired units integrated with CO₂ capture from flue gas, (ii) assessing behaviour and forecasting long-term operation of new generation steel used in supercritical steam generators; (iii) the NewMat project (New Materials for Energy Systems); (iv) the ACoPP project (Advanced near zero emission Coal-fired Power Plant), and (v) the DeeCon system of flue gas treatment for marine diesel engines. RAFAKO's innovation spending is financed with internally generated funds and public funds obtained thanks to the Company's active participation in domestic projects managed by the National Centre for Research and Development and in EU projects.

The key initiatives in this area rely on cooperation as part of projects commissioned by the National Centre for Research and Development, EIT through Knowledge & Innovation Community, or by the European Commission. The Company also cooperates with science institutions, especially with the Wrocław University of Technology, Silesian University of Technology, Cracow University of Technology, AGH University of Science and Technology, Stanislaw Staszic Institute for Ferrous Metallurgy, and the Polish Institute of Welding.

In addition to ten active patents, the Company held nine patent applications as at the Prospectus Date (see *Overview of the Group's business – Intellectual property*), with more patent applications were being prepared.

In the financial year ended December 31st 2012, 2013 and 2014, the Group's research and development spending totalled PLN 2.7m, PLN 2.0m and PLN 2.7m, respectively.

Insurance

The Group's insurance coverage is similar in terms of scope and amounts to the insurance coverage applied by other companies from the industry. The Group cooperates with leading insurers. As a rule, the Group takes out insurance policies for one year or for the duration of the event covered by the insurance. All general insurances which are not related to the Group's major contracts are renewable. As at the Prospectus Date, the Group's main insurer was PZU, which provided all-risk property insurance for the Group's current and non-current assets (including insurance against damage resulting from business interruptions), property insurance against fire and other natural disasters, carriage insurance for domestic and international transport, as well as third-party business and property liability insurance.

Under a block policy, PZU also provides insurance coverage for construction and assembly works, property in the vicinity of the construction site, as well as construction site equipment and facilities (excluding construction machinery), unless the decision to take out insurance against these risks rests with the employer. The insurance extends to contracts launched during the term of the insurance agreement. RAFAKO has assumed the responsibility to provide contract insurance (except for contracts excluded due to their value or term, which are covered by separate insurance).

RAFAKO is also insured against third-party business and property liability and third-party liability for products introduced to trading. In addition, third-party liability insurance covers damage caused to a third party in the course of the Company's design work and design supervision (in both cases, third-party liability insurance is provided by PZU).

Furthermore, RAFAKO maintains insurance of its vehicles. Apart from the companies referred to above, the Group also purchases insurance from TUiR Warta S.A., Ergo Hestia S.A., TUiR Allianz Polska S.A., and UNIQA Towarzystwo Ubezpieczeń S.A.

Members of the governing bodies of Group Companies are covered by D&O third-party liability insurance, provided by TUiR Allianz Polska S.A. If the policy is not renewed or extended and if no other insurance agreement is executed, the insurance will cover claims reported to the insurer during the insurance period or the extended claim notification period (36 months).

Court, administrative and arbitration proceedings

In the ordinary course of business, Group Companies are parties to legal proceedings concerning their operating activities. These proceedings are primarily civil-law and commercial cases. To the Company's best knowledge, as at May 31st 2015 Group Companies were parties to 22 proceedings, chiefly actions for payment, where the total value of claims was approximately PLN 72.6m. Of that number, Group Companies acted as defendants in 15 court proceedings, where the total value of claims was approximately PLN 22.8m.

According to the information available to the Company as at the Prospectus Date and in the 12 months preceding the Prospectus Date, no arbitration, court, administrative or penal proceedings which might have a material effect on the Group's financial standing or operating performance were pending against the Company or any of the Group Companies, and there was no material risk of instigating such proceedings.

Below are described the key litigations and disputes in which RAFAKO was involved during the 12 months preceding the Prospectus Date:

Payment dispute between RAFAKO and ING

On November 3rd 2009, RAFAKO S.A. brought an action with the Regional Court of Warsaw, 20th Commercial Division, against ING for payment of PLN 8,996,566 in connection with the credit facility agreement of June 25th 2008 between RAFAKO, Fabryka Elektrolitów ELWO S.A. and ING ("**Credit Facility Agreement**"). In the Company's opinion, ING had no grounds to collect the amount and terminate the Credit Facility Agreement. On November 29th 2010, the court of first instance issued a ruling in which it awarded the entire disputed amount, plus statutory interest and litigation costs, to be paid by ING to RAFAKO. ING filed an appeal against the ruling of the court of first instance. On October 12th 2011, the Court of Appeals in Warsaw reversed the ruling of the Regional Court and remanded the case for re-examination by the court of first instance. In the grounds for its decision, the Court of Appeals stated that the court of first instance failed to consider the substance of the dispute. Following re-examination of the case, on April 1st 2014 the Regional Court in Warsaw, 20th Commercial Division, issued a ruling ordering ING to pay RAFAKO PLN 3,646,699.59, plus statutory interest for the period from November 3rd 2009 until the payment date. The court dismissed the remaining part of RAFAKO's claim. On May 29th 2015, the Court of Appeals in Warsaw changed the ruling issued by the Regional Court, awarding RAFAKO S.A. PLN 3,636,226.62 plus statutory interest for the period from November 25th 2009, and cancelling the cost of the appeal proceedings between the parties. The court dismissed the remaining part of RAFAKO's claim. After submitting a request for statement of reasons from, both parties will be able to lodge an appeal in cassation against the ruling of the Court of Appeals.

Compensation dispute between RAFAKO and Donetskoblenenergo of Ukraine

In 2008, RAFAKO filed a claim against an open joint-stock company Donetskoblenenergo ("**Donetskoblenenergo**") of Ukraine for failing to supply steam generator components under the supply agreement of May 16th 1994, executed by the parties to the dispute. The dispute is pending before Ukrainian courts. In 2009, courts of the first and second instance awarded RAFAKO compensation. However, the High Commercial Court, having examined a cassation appeal, reversed the rulings and remanded the case for re-examination. On August 6th 2010, the Judicial Chamber for business cases of the Supreme Court of Ukraine accepted the cassation appeal lodged by the Company on March 2nd 2010 and upheld the ruling of the Donetsk Commercial Court of Appeals of December 23rd 2008, whereby RAFAKO was awarded UAH 56.7m in compensation, default interest, court expenses and legal representation costs. In July 2012, the Commercial Court for the Donetsk region resumed the examination of the case having received Donetskoblenenergo's petition to declare the agreement of May 16th 1994 void. The proceedings are pending. According to the attorney, there are no new arguments or evidence to grant the petition. Due to the current situation in Ukraine, no date for the next hearing has been set.

Dispute between RAFAKO and Steinmüller Babcock Environment GmbH (formerly FISIA Babcock Environment GmbH)

On March 17th 2014, the Company received a claim for payment of approximately EUR 3.8m to Steinmüller Babcock Environment GmbH in connection with a licence agreement relating to a wet flue gas desulfurization unit. The action is pending before the International Court of Arbitration at the International Chamber of Commerce in Vienna. The principal claim concerns payment of an allegedly outstanding licence fee. In RAFAKO's opinion, the claims are groundless. To date, two hearings were held, on February 23rd and February 24th 2015. The court is yet to set the dates of further hearings and issue a ruling.

Dispute with Environmental Solutions and Project Development GmbH

On December 9th 2014, the Company received a claim for payment of EUR 644.5 thousand from Environmental Solutions and Project Development GmbH ("**ESPD**"). The Company's liability is alleged to arise out of the cooperation agreement signed between the parties, under which ESPD agreed to provide support for RAFAKO's efforts to win contracts for flue gas denitrification (DeNOx) units. RAFAKO's stance is that the fee claimed by ESPD is not due since no services have been provided. Value of the claim: EUR 644.5 thousand. The proceedings are pending before the Court of Arbitration at the Polish Chamber of Commerce in Warsaw.

Action initiated by a complaint against a tax ruling concerning classification of guarantee amounts returned to the bank as tax-deductible expense

In December 2011, the Company received from other consortium members a notice to pay contractual penalty amounts that had been demanded by the project's investor. The Company's failure to comply with the notice

triggered a bank guarantee. As a result, the Company had to return to the bank the amounts paid out by the bank under the guarantee. In January 2012, the Company applied for a tax ruling concerning the classification of guarantee amounts paid back to the bank as tax-deductible expense. The Head of the Tax Chamber of Katowice determined that the Company's position allowing the classification of those amounts as tax-deductible expense was not correct. However, following the Company's complaint, the Provincial Administrative Court of Gliwice repealed the ruling. The tax authority filed a cassation complaint against the ruling of the Provincial Administrative Court. Currently, the Company is waiting for the date of the hearing before the Supreme Administrative Court to be set.

In 2011, the Company recognised approximately PLN 58.6m of guarantee amounts paid back to the bank as tax-deductible expenses. Given that after obtaining the negative tax ruling the Company did not exclude the amounts from its tax-deductible expenses, there can be no assurance that the classification of the amounts as tax-deductible expenses will not be challenged by tax authorities and, consequently, that the Company will not be required to pay outstanding tax with interest. The risk of the correctness of the Company's tax settlements being challenged by tax authorities is discussed in *Risk factors – Regulatory risks – Risk of changes in tax laws or their interpretation and changes of private letter rulings*.

Dispute with the pension agency (Social Insurance Institution (ZUS), Rybnik Branch) related to social insurance matters

Following an inspection carried out by the Social Insurance Institution, Rybnik Branch, the pension agency, determined that additional social security contributions, health insurance contributions, contributions to the Labour Fund and contributions to the Guaranteed Employee Benefits Fund had to be made by RAFAKO. The pension agency challenged the allocation by RAFAKO of funds from the Company Social Benefits Fund towards special gift cards and payments to employees in the years 2008-2010. The decision assesses the Company's liability towards the Social Insurance Institution at PLN 2,369,923.72 (net of interest). RAFAKO appealed against the decision to the Regional Court of Gliwice, 9th Labour and Social Security Division. By virtue of a ruling of December 11th 2012, the Regional Court of Gliwice repealed the decision appealed against. The pension agency filed an appeal against the court's ruling. On May 8th 2014, the Court of Appeals dismissed the pension agency's appeal.

PBG arrangement bankruptcy proceedings

On June 4th 2012, the Management Board of PBG, the Company's parent, filed an arrangement bankruptcy petition with the District Court for Poznań-Stare Miasto of Poznań, 11th Commercial Insolvency and Arrangement Division.

On June 13th 2012, On June 13th 2012, the District Court for Poznań-Stare Miasto of Poznań, 11th Commercial Insolvency and Arrangement Division, declared PBG insolvent in voluntary arrangement. District Court Judge Łukasz Lipowicz was appointed Judge Commissioner, while Syndycy Wielkopolscy Bojarski, Senger-Kałat, Gnatowski spółka komandytowa was appointed as Court Supervisor.

On December 9th 2014, the District Court for Poznań-Stare Miasto of Poznań, 11th Commercial Insolvency and Arrangement Division, issued a decision approving the lists of claims prepared in PBG's insolvency proceedings. The total amount of acknowledged claims is PLN 2,848,491,916.62.

On April 28th 2015, the PBG Management Board finalised negotiations with the legal advisers of certain PBG creditors concerning the arrangement proposals, approved the arrangement proposals, and obtained a positive opinion of the PBG supervisory board. The arrangement proposals were filed with the District Court for Poznań-Stare Miasto in Poznań, 11th Commercial Insolvency and Arrangement Division, on April 29th 2015. At the same time, the PBG management board filed a request to set a date for a meeting of PBG creditors to vote on the arrangement between PBG and the creditors.

PBG's arrangement proposals of April 29th 2015 provide for the creditors to be divided into seven groups, depending on the category of interest they represent and the type and amount of their claims. All cash amounts due to creditors classified in group 1, group 3, group 4, group 5 and group 6 will be paid by PBG in instalments, in the amount representing a percentage of the claim which is to be satisfied in accordance with the arrangement. Repayment instalments and cash amounts due to creditors classified in group 2 and group 7 will be paid over the period starting on December 31st 2015 and ending on June 30th 2020, at dates set for each group.

Claims of group 1, group 2, group 3 and group 4 creditors whose payment is conditional (contingent claims) and which fall due after December 31st 2015 will be repaid on the dates of payment of the repayment instalments defined for a given group subsequent to the date on which a contingent claim became due. The amount of each repayment instalment will be equal to the amount of repayment instalments defined for a given group, and any portion thereof remaining after the payment will be paid on the date of payment of the last repayment instalment. A portion of group 5, group 6 and group 7 claims is subject to conversion into new PBG shares, as referred to in Art. 124.2 of the Bankruptcy and Restructuring Law. As a result of the conversion, PBG's share capital will be

increased by not less than PLN 14,009,100.00 through the issue of not fewer than 700,455,000 Series H ordinary shares with a par value of PLN 0.02 per share, which will carry the right to dividend as of January 1st 2014 and will be converted into book-entry form and admitted and introduced to trading on the regulated market operated by the Warsaw Stock Exchange. Claims of PBG subsidiaries will not be converted into shares.

PBG's arrangement proposals of April 29th 2015 also provide for the establishment under the arrangement of an ordinary pledge over Company shares held by PBG in favour of each creditor from group 1, group 2, group 4, group 5 and group 6. Also Company shares held by Multaros will be encumbered with ordinary pledges by way of an appropriate statement submitted by Multaros. The ordinary pledges will be established to secure the claims covered by the arrangement and it will not be possible to enforce them with prejudice to the registered pledge established by way of security for the bonds.

Within 60 (sixty) days of the date on which the court's decision to approve the arrangement becomes final, PBG will invite its creditors to acquire ordinary bearer bonds to be issued in the form of non-interest bearing securities. The issue price of each bond will be equal to its nominal value and will be paid by offsetting, on the bond issue date, the entire claim of a given creditor to be repaid by PBG against the issue price due to PBG. In the event that a creditor would be entitled to a fraction of a bond, that fraction will not be allocated and the corresponding amount of the claim will be cancelled. Creditors who do not accept the invitation to acquire the bonds will be paid in cash on the defined repayment instalment dates. On the issue date, the bonds will be secured with sureties provided by selected PBG subsidiaries. After the issue date, the bonds will be secured with (without limitation): (i) registered pledges over shares in selected PBG subsidiaries, including over all Company shares and all shares of PBG oil and gas sp. z o.o.; (ii) a registered pledge over receivables under the agreement on the operation of the bank account in which divestment proceeds will be deposited; (iii) a registered pledge over movable property and rights of PBG and PBG's subsidiaries acting as surety providers; (iv) mortgages over selected immovable property of PBG and PBG's subsidiaries acting as surety providers; (v) assignment by way of security of receivables of PBG and PBG's subsidiaries acting as surety providers, arising from insurance contracts relating to immovable property over which mortgages are established in respect of the creditors, and from loans granted by PBG to PBG subsidiaries; and (vi) representations on submission to enforcement made by PBG and PBG subsidiaries acting as surety providers. The Bonds will be converted into book-entry form and admitted and introduced to trading in the alternative trading system organised by the Warsaw Stock Exchange or BondSpot S.A.

With the exception of claims of group 7 creditors (shareholders holding shares representing 5% or more of voting rights at the general meeting of PBG), to the extent that the arrangement does not provide for full satisfaction of claims covered by the arrangement by way of cash payments or conversion of claims into shares, claims covered by the arrangement will be reduced as of the date on which the court's decision to approve the arrangement becomes final.

The Annual General Meeting of PBG was convened for April 24th 2015 to adopt the necessary resolutions related to PBG's restructuring process. On May 22nd 2015, the Annual General Meeting of PBG passed: (i) a resolution to amend Art. 36 of the PBG Articles of Association; (ii) a resolution to reduce the PBG share capital; (iii) a resolution to convert registered shares into bearer shares; and (iv) a resolution to establish a registered pledge or pledges over a set of movables and rights representing an organised whole, owned by PBG, and to approve any legal and practical steps that may be necessary to effect the issue of the bonds and create related security interests. Despite being included in the agenda, the resolution on conditional share capital increase at PBG was not adopted for the lack of the required quorum. The resolutions to amend the PBG Articles of Association and to change the composition of the PBG supervisory board were not considered either, given the ongoing negotiations with PBG creditors. To adopt all resolutions related to the restructuring, PBG must call another General Meeting.

On May 14th 2015, District Court for Poznań–Stare Miasto of Poznań, 11th Commercial Insolvency and Arrangement Division, issued a decision concerning the meeting of PBG creditors, and set the date of the meeting at (i) August 3rd and August 4th 2015 for group 1 and group 2 creditors; and (ii) August 5th 2015 for other groups of creditors.

Employees

The table below presents the number of Group employees employed under employment contracts (full- and part-time positions) as at the dates indicated.

	As at the Prospectus Date	As at Dec 31		
		2014	2013	2012
Rafako.....	2,148	2,155	2,087	2,030
Other Group Companies.....	199	180	122	99
Total	2,347	2,335	2,209	2,129

Source: the Company.

The Group employs its staff under employment contracts. As at the Prospectus Date, the Group's workforce comprised 2,347 employees, including 2,174 persons employed under permanent employment contracts and 132 under fixed-term employment contracts, 30 persons hired for a probationary period, and 11 persons under substitution contracts. The Company also employs juvenile workers to undergo professional training (166 workers as at the Prospectus Date). The Group also commissions work under temporary employment contracts (*umowa zlecenia*) and piecework contracts (*umowa o dzieło*). There were 114 such contracts as at the Prospectus Date.

As at May 31st 2015, the Group employed 988 blue-collar workers, 948 white-collar workers, and 411 engineering design staff. As at May 31st 2015, employees with university degree or secondary school diplomas accounted for 70% of the Group's personnel. As at May 31st 2015, employees of up to 40 years of age accounted for 42% of the Group's workforce, employees between 41 and 50 years of age – 23.2%, and employees above 50 years of age – 34.8% of the Group's personnel. Over 50% of the employees have served for over 20 years.

In accordance with internal remuneration systems, Group employees are entitled to jubilee benefits upon completion of a number of years in service and to retirement gratuity upon retirement due to old age or disability. In accordance with internal regulations, Group Companies also make transfers to the Company Social Benefits Fund. Within 30 days of the date of authorisation of the annual financial statements of Group companies, the Management Board, upon consultation with the trade unions, makes a decision on payment of a discretionary bonus to Group's employees. During the financial year, Group Companies recognise an accrual for the annual bonus in the amount provided for in the Company Collective Bargaining Agreement, unless their Management Boards decide not to recognise the accrual. The Company additionally recognises an accrual for bonuses to project managers, which are paid after completion of contracts. As at March 31st 2015, the Group recognised PLN 9.9m of accruals for annual bonuses.

As at March 31st 2015, the accrual recognised by the Group for the cost of future employee benefits (including retirement severance payments, contributions to the Company Social Benefits Fund and jubilee benefits) stood at PLN 27.2m, including a non-current accrual of PLN 25.1m and a current accrual of PLN 2.1m.

Accidents at work

In the period covered by the historical financial information and in the first quarter of 2015, a total of 226 accidents at work occurred at the Group. None of the accidents were fatal.

Trade unions

As at March 31st 2015, three trade union organisations were active at the Group, including: (i) Międzyzakładowa Organizacja Związkowa Niezależnego Samorządnego Związku Zawodowego "Solidarność" RAFAKO S.A. with 165 members; (ii) Niezależny Samorządny Związek Zawodowy Pracowników Zakładów Pracy RAFAKO S.A. with 420 members, and (iii) Związek Zawodowy Pracowników RAFAKO S.A. with 355 members. In 2012–2014, there were no strike actions at the Group.

Collective Bargaining Agreements

The Company Collective Bargaining Agreement of July 24th 1989 was effective at the Company as at the Prospectus Date. Under the Company Collective Bargaining Agreement, Company employees and other entitled persons are entitled to a number of extra benefits, such as: position allowance, special rewards (e.g. paid out for Christmas, Easter or other holidays), bonuses, benefits in kind, length-of-service benefits, retirement and disability severance payments, and compensatory allowances.

Employee programmes

The Company does not operate any employee stock option plans. The table below presents the number of shares in the Company and Company's related entities held by members of the Management and Supervisory Boards as at March 31st 2015.

Management/supervisory staff member	Company name	Total number of shares	Par value of shares (PLN)
Edward Kasprzak	RAFAKO	2,000	4,000
Jarosław Dusiło	PBG	100	100
Tomasz Tomczak	PBG	3,250	3,250
Małgorzata Wiśniewska	PBG	3,279	3,279
Jerzy Wiśniewski	PBG	3,881,224	3,881,224

Source: the Company.

MARKET ENVIRONMENT

The information contained in this Section has been obtained from external public sources deemed credible by the Company, including publications of the Central Statistics Office, Eurostat, European Commission, NBP, the Gdańsk Institute for Market Economics, URE, PwC, Ministry of Economy, Centrum Informacji o Rynku Energii, and Agencja Rynku Energii. The scope of information provided in this Section is closely associated with the scope of reports available on the market and used by the Company for the purposes of this Section.

Before reading this Section, investors should refer to Section Important Information - Macroeconomic, industry and statistical data, which includes information on third-party information sources. Furthermore, the information contained in this Section should be analysed in conjunction with the information contained in the Abbreviations and definitions Section.

Macroeconomic environment

The market on which the Group operates is closely correlated with the general macroeconomic situation in Poland and the macroeconomic condition of the countries to which the Group exports its products and services.

Economic situation in the European Union

The global financial crisis and the ensuing state debt crisis had a major impact on real GDP growth in the EU, as reflected in the growth rate of real GDP in the EU. According to Eurostat data, the EU economy contracted both in 2009 and 2012. Poland was the only EU member state to maintain real GDP growth in 2009, and one of few to achieve this in 2012. Germany, the main importer of Polish goods, registered a 5.1% decline in real GDP in 2009, and in 2012 recorded a growth of real GDP of 0.7%.

The table below presents the real GDP growth rate in 2009-2014, and forecasts for 2015 and 2016 in the EU and selected EU member states.

Member state/EU	2009	2010	2011	2012	2013	2014	2015P*	2016P*
Czech Republic.....	(4.5)	2.5	1.8	(1.0)	(0.7)	2.0	2.5	2.6
Estonia.....	(14.1)	2.6	9.6	3.9	1.6	2.1	2.3	2.9
France.....	(3.1)	1.7	2.0	0	0.3	0.4	1.1	1.7
Spain.....	(3.8)	(0.2)	0.1	(1.6)	(1.2)	1.4	2.8	2.6
Germany.....	(5.1)	4.0	3.3	0.7	0.1	1.6	1.9	2.0
Poland	1.6	3.9	4.5	2.0	1.7	3.4	3.3	3.4
Slovakia	(4.9)	4.4	3.0	1.8	1.4	2.4	3.0	3.4
Hungary	(6.8)	1.1	1.6	(1.7)	1.5	3.6	2.8	2.2
United Kingdom.....	(5.2)	1.7	1.1	0.3	1.7	2.8	2.6	2.4
EU.....	(4.5)	2.0	1.6	(0.4)	0.0	0.9	1.5	1.9

Source: Eurostat.

*Forecast – European Commission, Economic Forecast – Spring 2015.

Economic situation in Poland

Since Poland is one of the Group's main markets, the local macroeconomic situation has affected, and will continue to affect, the Group's standing, financial performance and development.

The table below presents changes of basic macroeconomic indicators in Poland in the period from 2009 to Q1 2015.

	Year ended December 31st						Three months ended March 31st
	2009	2010	2011	2012	2013	2014	2015
	(%)						
Real GDP growth rate	1.6	3.9	4.5	2.0	1.7	3.4	3.6
Domestic demand.....	(1.1)	4.6	3.6	(0.1)	0.2	4.9	-
Consumer Price Index.....	3.5	2.6	4.3	3.7	0.9	0.0	(1.5)
Total average monthly real gross remuneration in national economy	2.0	1.4	1.4	0.1	2.8	3.4	5.8

Source: Central Statistics Office.

Poland is one of the fastest growing economies in the EU and one of the most populous countries in the Union. According to Eurostat data as at January 1st 2014, Poland ranked sixth in the European Union in terms of

population (38 million in 2014). With a GDP of EUR 412.1bn in 2014, the Polish economy was the seventh largest in the EU (source: Eurostat). Against the background of the global financial crisis, Poland was the only EU member state to record a growth of real GDP in 2009. In 2010, Poland's real GDP growth stood at 3.9%, to accelerate to 4.5% in 2011. In 2012, 2013 and 2014, Poland was able to maintain the pace of real GDP growth at, respectively, 2.0%, 1.6% and 3.3%, and in 2014 the Polish economy was classified as the fourth fastest growing economy in the EU (source: Eurostat), outpacing such countries as the United Kingdom, Germany and France (whose GDP growth rates amounted to, respectively, 2.8%, 1.6% and 0.4%) (source: Eurostat). Statistics published by the Central Statistics Office show that in 2014 the Polish GDP grew by 3.4% year on year. According to the Gdańsk Institute for Market Economics, in 2014 the main GDP growth driver was domestic demand with some momentum added by foreign demand. Poland's economic performance in 2014 was also supported by a stable political and legal climate, high exports and robust internal demand, as well as a marked improvement in the construction sector.

The European Commission forecasts that in 2015 and 2016, Polish real GDP growth will stand at 3.3% and 3.4%, respectively, as compared to 1.5% and 1.9%, respectively, forecast for the entire EU. The NBP anticipates that the main engine of economies in the CEE region will be domestic demand supporting external demand which drove growth in the previous years. Factors underlying GDP growth in the CEE region in the following years will also include continued recovery in the eurozone, which is expected to translate into increased activity in the industry and growth of exports, less stringent fiscal policy and accommodative monetary policy boosting domestic demand, the expected continued slow improvement on labour markets, which should in turn improve consumption among businesses and individuals.

According to the forecasts of the Gdańsk Institute for Market Economics, the GDP growth rate in Poland will amount to 3.5% and 3.8%, respectively, exceeding values from the previous years. Moreover, domestic demand is expected to grow in 2015 and 2016 by 5.1% and 5.4%, respectively, elevated by increasing investments, expenditure on property, plant and equipment, and individual household consumption. The growth drivers supporting investments will include high investment activity of businesses and increased public investments coupled with declining unemployment. All these elements of the forecasted GDP growth should improve disposable household income thereby stimulating consumption levels.

Power market

The primary market for the Group's products and services is the domestic and foreign power market. The development of the power market, including investments and the structure of the power mix in Poland and globally, is very significant to the Group's operations, demand for its products and services, as well as growth prospects.

The power market is divided into: (i) the commercial segment, wherein the core business is generation and distribution of electricity (e.g. power plants, CHP plants, transmission networks and distribution networks) and (ii) the industrial segment, wherein the generation of electricity is a secondary activity. Companies operating in the industrial segment are the staple of the Group's customers.

Electricity producers include:

- commercial power plants; currently in Poland there are 19 power plants (so-called baseload power plants also referred to as commercial power plants) which generate electricity using hard coal and lignite. These account for 75% of electricity consumed in Poland. The largest power plants include Bełchatów, Opole and Turów, as well as Połaniec, Koźienice, Rybnik and Dolna Odra;
- CHP plants which simultaneously generate heat and electricity (a process referred to as co-generation); Poland currently has 50 CHP plants located near large urban areas, for example, Elektrociepłownia Żerań in Warsaw operated by PGNiG Termika and Kogeneracja in Wrocław;
- companies operating in the industrial segment, generating electricity for their own needs; in Poland there are 160 CHP plants located within major industrial sites.

Depending on the type of energy produced, the industrial segment is divided into: (i) the electricity market and (ii) the heat market.

Electricity market in Poland

The Polish electricity market (National Power System [KSE]) is among the largest in Europe. As at the end of 2014, the power generating capacity of the system stood at approximately 39 GWh. Some 78% of this capacity was installed in industrial power plants and CHP plants. Hard coal- and lignite-fired industrial power plants have a dominant role in the capacity structure (29.5 GW), accounting for over 74.9% of total installed capacity, with lignite-fired power plants representing 51.5% and coal-fired 23.4% of the total. The table below presents installed capacity in Poland as at 31 December 2014, grouped by type of generating unit.

Type of generating unit	Installed capacity (MWh)
TOTAL	39353.0
Commercial thermal power plants	31086.7
Lignite-fired	9220.5
Hard coal-fired.....	20291.1
Gas-fired.....	927.2
Commercial hydroelectric power plants	2207.7
Pumped-storage power plants.....	1330.0
Industrial CHP plants	1871.5
Independent RES power plants	4187.2
Wind farms.....	3866.0

Source: Centrum Informacji o Rynku Energii based on Agencja Rynku Energii data.

According to the data published in the draft of ‘Poland’s Energy Policy until 2050’ (‘PEP 2050’) of August 2014, nearly 45% of Poland’s electricity generation facilities are over 30 years old and 77% are more than 20 years old. As the expected useful life of coal-fired generation units is between 40 and 45 years, it will be necessary to install 13–18 GW in new generation capacities just to renew the current generation potential.

In 2013, gross domestic electricity consumption stood at 157,980 GWh and was 0.6% higher than in 2012. Domestic energy consumption levels are correlated with the low GDP growth recorded in 2013 which, according to preliminary estimates of the Central Statistics Office, reached 1.6%. Consequently, the volume of gross domestic electricity production in 2013 was 162,501 GWh and was approximately 1.7% higher relative to 2012. The recorded surplus of electricity generated over domestic consumption was caused by the economic situation in foreign energy trade favouring Polish producers. Throughout 2013, surplus of energy exports over imports totalled 4,521 GWh.

The table below presents the amount of energy produced in Poland in 2011-2013, broken down by source type.

	2011	2012	2013
	(GWh)		
TOTAL	163,153	159,853	162,501
Hard-coal fired power plants.....	90,813	84,493	84,566
Lignite-fired power plants	53,623	55,593	56,959
Gas-fired power plants.....	4,355	4,485	3,149
Industrial power plants.....	9,000	8,991	9,171
Commercial hydroelectric power plants	2,529	2,265	2,762
Wind and other renewable sources	2,833	4,026	5,895
Net electricity imports/exports	(5,243)	(2,840)	(4,521)
Domestic electricity consumption	157,910	157,013	157,980

Source: ‘Report on the activities of the President of URE’, URE based on Polskie Sieci Elektroenergetyczne data.

The Polish power sector has traditionally relied of fossil fuels, a resource Poland has an abundance of. Two main fuels, hard coal and lignite, form the staple of electricity generation. Together these account for 87.1% of electricity generated in Poland.

As part of the commercialisation process conducted in 1993-1994, electricity generation and distribution companies were transformed into commercial-law companies and the power sector underwent partial privatisation. Despite the privatisation effort, the State Treasury still owns a lion’s share of entities from the sector.

In 2007, the State Treasury launched a consolidation process to boost their financial and market potential to the levels required for their continued growth. In consequence, in May 2007 four energy groups were incorporated:

(i) the PGE Group, managed by PGE, (ii) the Tauron Group, led by Tauron, (iii) the Enea Group, and (iv) the Enea Group, managed by Enea. The core business of these Groups is generation, distribution and trading in electricity. The PGE Group still boasts the largest share in the generation subsector, while the Tauron Group dominates sales to end users. The share of the PGE Group in the electricity generation sector in 2013 stood at 39.3%, as compared to 40.5% in 2012. In 2013, the Tauron Group held a 13.6% share in the market, which represents a 0.1 percentage point decline year on year. In 2013, the share of the Enea Group and Energa Group accounted for 8.1% and 3.2%, respectively, of total electricity fed into the distribution system.

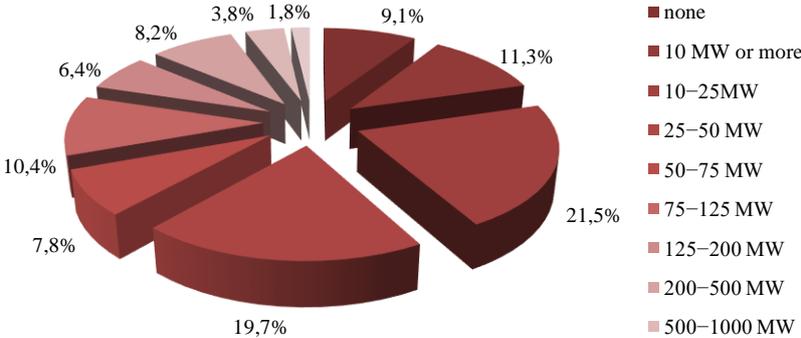
Apart from the abovementioned four main players, the Polish power market also comprises EDF (9.7% share in total electricity fed into the distribution system in 2013), Zespół Elektrowni Pątnów-Adamów-Konin S.A. (7.3% share in total electricity fed into the distribution system in 2013), GDF SUEZ (5.1% in total electricity fed into the distribution system in 2013), PGNIG (2.6% share in total electricity fed into the distribution system in 2013), Dalkia (1.6% share in total electricity fed into the distribution system in 2013), and ČEZ (1.6% share in total electricity fed into the distribution system in 2013).

As per URE data, in 2013 the three largest producers (i.e. producers belonging to the PGE, TAURON, EDF Groups) accounted for over a half of installed capacities and over two-thirds of electricity generated in Poland.

Heat market in Poland

According to the ‘Heating industry figures for 2013’ study compiled by URE, heat companies have highly diversified and fragmented technical capabilities, which can be described with the use of two key indicators - installed heat generating capacity and length of distribution network. Licensed companies generate heat from sources with different capacities, but predominantly from small units with a capacity of up to 50 MW (57.8% in 2013). Eight companies had a maximum capacity of more than 1,000 MW, and their aggregate maximum capacity represented one-fourth of the total capacity of all licensed heat sources in Poland. These entities were also active in electricity generation. In 2013, the total installed heat generating capacity of licensed producers was 56,521 MW and their maximum capacity stood at 55,744.1 MW.

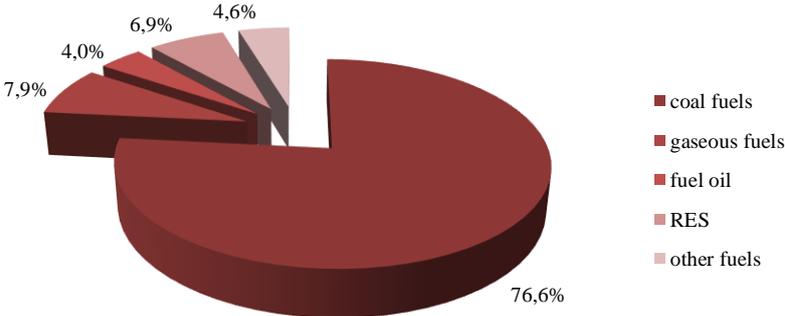
The graph below illustrates the structure of heat companies by installed capacity in 2013.



Source: ‘Heating industry figures for 2013’, URE.

In 2013, coal fuels accounted for 76.6% of fuels consumed in sources of heat in Poland.

The graph below shows the structure of fuels used for heat generation in Poland in 2013.



Source: ‘Heating industry figures for 2013’, URE.

Power market and environmental protection regulations

The power market, especially its commercial segment, is subject to extensive regulation governing both the way it operates and its future development and structure in the context of increasingly stringent environmental protection norms. The highly-regulated nature of the segment follows from the power market's strategic importance to energy security of each country, with environmental protection and reduced CO₂ emissions becoming a global priority in international relations. Such regulations include both legislation and general objectives of national and EU-level power policies concerning environmental protection.

Because of the introduction of more stringent environmental protection norms, businesses generating flue gases during production, such as CHP plants and power plants, are required to upgrade their existing units and install new equipment to reduce air emissions. This translates into more projects in the power segment, including construction of low-emission, high-efficiency power plants and upgrade of old power plants to make them comply with the strict environmental requirements imposed under EU law, which may in turn boost demand for products and services offered by the Group.

Regulatory environment in Poland

The key legal document regulating the operation of the Polish power sector is the Energy Law. The President of the Energy Regulatory Office (URE) is responsible for fuels and energy management and promoting competition in the energy sector in Poland. As a rule, operation in the energy sector requires a licence granted by the President of URE. The powers and responsibilities of the President of URE also include approval and monitoring the use of tariffs for gaseous fuels, electricity and heat, drawn up by energy companies and implemented as applicable to customer groups specified in those tariffs.

'Poland's Energy Policy until 2030' ('PEP 2030') prepared by the Ministry of Economy, plays a material role in setting the development directions for the energy sector. The Policy's objectives include: (i) improving electricity generation efficiency through the construction of high-efficiency generating units and a two-fold increase in the quantity of electricity from high-efficiency co-generation (by 2020); and (ii) increasing the share of renewable energy sources in total energy consumption in Poland to 15% in 2020 and 20% in 2030. It is also planned that the share of biofuels in the fuel market will reach 10% in 2020. The Policy also highlights the need to reduce the environmental impact of the energy sector (including the reduction of CO₂, SO₂ and NO_x emissions), which would enable Poland to meet its international obligations. Among the objectives relating to electricity and heat supplies, the Policy lists the construction of new generating capacities to balance the domestic electricity demand and maintain an operationally available capacity surplus of at least 15% of the maximum domestic demand for electricity during the peak use of total capacity of the domestic conventional and nuclear generation sources. The Policy defines the key priorities and directions in which Poland's energy policy, and thus the Polish energy market, will develop.

The work on 'Poland's Energy Policy until 2050' has also begun. The draft of August 2014 indicates three operating objectives leading to the achievement of the main goal: (i) ensuring national energy security; (ii) increasing competitiveness and energy efficiency of the national economy; (iii) reducing environmental impact of the energy industry. Moreover, 'Poland's Energy Policy until 2050' provides for three scenarios of the national power sector's development: the primary scenario assuming continuation of the current trends, with coal having a predominant share in the energy mix, and two additional scenarios. First of the two assumes the dominance of nuclear energy (45%-60% of the energy mix), while the second is based on gas and renewable energy (50%-55% of the energy mix). As at the Prospectus Date, the document was still under preparation and has not yet been approved by the Council of Ministers.

Environmental protection regulatory environment in the EU

Regulations adopted at the EU level concern chiefly environmental protection and reducing the share of coal-based generation in the energy mix of EU member states.

The principal legal framework for the EU energy policy with respect to environmental protection is laid down in the climate and energy package. The three main targets of the package for 2020, expressed by the '3x20' principle, include: (i) a 20% increase in efficiency of energy consumption; (ii) higher share of RES energy in the energy balance to 20% of the total final consumption of energy in the European Union (each country was assigned a binding target – the share of RES for Poland's final consumption is 15%); and (iii) CO₂ emissions reduction by 20%. Additionally, at the Paris climate conference in December 2015, participating countries are to sign a global climate agreement applicable to the period beyond 2020. As a result, the European Commission has issued an announcement defining new objectives in terms of climate change and energy for 2030 assuming: (i) a 40% reduction of CO₂ emissions compared with 1990 levels and (ii) increasing the share of RES energy to 27% of energy generated across the EU.

Power generated from conventional sources remains a major source of emissions of not only greenhouse gases (mainly CO₂), but also SO₂, NO_x and particulate matter. The legal requirements applicable to the emissions of

the abovementioned substances by combustion sources, including by power generating units, are set out in directives of the European Parliament and of the Council, among others, the LCP Directive, Directive 2001/81/EC and Directive 2008/50/EC (OJ L 152/1 of June 1st 2009) on ambient air quality and cleaner air for Europe. Moreover, the IED Directive sets out new rules on integrated prevention and control of pollution arising from industrial activities, including requirements concerning emission standards and the obligation to control pollution arising from industrial activities, as well as requirements concerning emission standards and BAT conclusions.

Power sector investments

Energy infrastructure in Poland

Given the continuing wear and tear of the power generation units and the ever more stringent EU emission standards, the existing units will be phased out or upgraded. According to 'Poland's Energy Policy' until 2050, almost 45% of Poland's electricity generation facilities are more than 30 years old, and approximately 77% are more than 20 years old. As the expected useful life of coal-fired generation units is between 40 and 45 years, it will be necessary to install 13–18 GW in new generation capacities just to renew the current generation potential.

In 'Poland's Energy Policy until 2030', the new capacities to come on stream or existing capacities to be replaced with new generation units are estimated at 4.9 GWh in 2011–2015, 8.5 GWh in 2016–2020, 8.2 GWh in 2021–2025, and approximately 10.4 GWh in 2026–2030. Factoring in the phase-out of existing electricity generation capacities in the Polish power grid, the maximum net capacity of the country's generation units is expected to increase to the region of 46.4 GW in 2030. The largest decline in maximum net capacity is expected in the case of hard coal-fired commercial power plants (fall from 14,536 MWh in 2008 to 5,433 MWh in 2030). Since lignite-fired power plants will be gradually replaced with new units, their maximum capacity is to remain stable until 2025, when it should begin to grow. Nuclear power plants planned to be built will bring combined installed capacity of 4,500 MW. Generation capacities will increase the most in the case of renewable energy sources, particularly wind farms and biogas plants. By 2030, onshore and offshore wind farms should contribute an additional 6,000 MWh and 2,550 MW in installed capacities respectively, although the new capacities are not expected to translate into higher power output due to the wind farm capacity factor. Biomass-fired power and CHP plants should reach a combined capacity of some 1,400 MWe by 2030, while biogas-fired units should contribute an additional 631 MWe. New capacities are planned to be built in response to an expected increase in electricity demand in Poland.

Investments in energy infrastructure

The Ministry of Economy forecasts a steady increase in electricity demand in Poland, to 194.6 TWh in 2020 and 217.4 TWh in 2030. The rising demand for electricity will translate into more investment projects in the power sector. In accordance with the internal estimates of the Company (based on public data), power companies are planning to invest over PLN 129bn in Poland by 2020.

Ongoing projects include the construction of two power generating units at the Opole Power Plant, and one power generating unit at each of the Jaworzno III Power Plant and the Kozienice Power Plant. In aggregate, these projects will deliver nearly 4 thousand MW of new capacity.

Among large power units currently being built, three most advanced projects to construct power generating units should be specifically mentioned, all implemented under contracts signed in 2012: (i) construction of a 449 MW CCGT unit at the Stalowa Wola CHP Plant (Elektrociepłownia Stalowa Wola) for Tauron/PGNiG by Abener Energia, valued at PLN 1.6bn (VAT exclusive) – the unit will be placed in service in 2015; (ii) construction of a 1,075 MW hard coal-fired unit at the Kozienice power plant for Enea by Polimex-Mostostal in cooperation with Hitachi Power Europe, valued at more than PLN 5.1bn (VAT exclusive), and (iii) construction of a 463 MWe gas-fired unit at the Włocławek power plant for PKN Orlen by the General Electric International SA and SNC-Lavalin Polska consortium, with the value estimated at about PLN 1.4bn – the unit is expected to come online in the fourth quarter of 2015.

In H2 2013, other projects were also launched, which were less cost-intensive. Those include a 50 MW coal-fired unit at the Tychy plant and a 75 MW coal-fired unit at the Zofiówka plant, built for Tauron and Jastrzębska Spółka Węglowa, respectively, by Energoinstal and Elektrobudowa, with the total value of approximately PLN 1.1bn, as well as a 138 MW CCGT unit at the Gorzów plant, to be constructed for PGE by Siemens, valued at approximately PLN 0.5bn.

Other projects under way in 2014 included the construction of a 200-270 MW CCGT unit in Szczecin (PGE) and a 596 MW CCGT unit in Płock, constructed for PKN Orlen by a consortium of Siemens AG and Siemens Spółka z o.o. The estimated VAT-exclusive value of the contract is PLN 1.3bn. The unit is scheduled to come online by the end of 2017.

Another planned project involves the construction of a 1,000 MW coal-fired power generating unit in Wola for Kompania Węglowa. PGNiG is planning to build a 400-500 MW CCGT unit at the Żerań CHP plant, while Tauron is contemplating construction of a 412-490 MW gas-fired unit at the Power Plant in Łagisza.

By 2020, PGE is planning to allocate some PLN 50bn to investments, primarily to new conventional capacity, as well for modernisation and development, of which PLN 6bn for distribution and PLN 14bn for generation. The Tauron Group assumes that the value of its investment projects in 2014–2023 will reach PLN 37bn. In 2013, France's EDF commenced to modernise its Polish assets. The value of EDF's entire investment programme is estimated at about PLN 3.3bn. The largest project will involve comprehensive modernisation of the Rybnik Power Plant, at an estimated cost of about PLN 1.4bn. The Enea Group, in turn, anticipates spending PLN 20bn on investments in 2014-2020, whereas the Energa Group plants to earmark PLN 18.2bn for this purpose in 2014-2022.

In accordance with the URE data, a trend to expand generation capacities has been recently seen in the heat segment, including the construction of twelve advanced municipal waste thermal treatment plants under the Infrastructure and Environment Operational Programme. Work has begun on projects in Szczecin, Bydgoszcz, Białystok, Poznań, Konin, and Kraków, to be completed by the end of 2015.

Environmental protection construction projects

In accordance with the "Environmental Protection 2014" report prepared by the Central Statistics Office, the last decade has seen an increase in spending on property, plant and equipment used for environmental protection purposes. In 2013, the expenditure was approximately PLN 10.9bn – up by 7% on 2012. Spending on environmental protection assets has remained at 0.6–0.8% of GDP for several years. Spending on property, plant and equipment for environmental protection purposes in Poland's capital expenditure has been around 5% over the past years. The data points to a potential increase in environmental protection spending in the coming years and greater investment in environmental protection construction projects.

In accordance with the General Inspectorate for Environmental Protection's 2014 'State of the Environment' report, the share of investors' own funds in environmental protection projects is 40–50% of total expenditure on property, plant and equipment for environmental protection purposes.

Ecological funds – such as environmental protection and water management funds (National Fund for Environmental Protection and Water Management) and provincial funds for environmental protection and water management – remain an important source of financing of environmental protection projects. In 2012, their share in expenditure on property, plant and equipment for environmental protection and water management purposes was 13.9% and 17.3% respectively. The funds are financed with charges for economic use of the environment, fines for violations of environmental protection standards, and from the repayment of loans advanced to investors. Environmental protection and water management projects are also financed from the budgets of individual counties and municipalities.

The share of budget funding, taking into account all levels of financing (including central and provincial), was close to 10% in the case of environmental protection projects and nearly 20% for water management projects.

In 2012, the largest item of expenditure on property, plant and equipment for environmental protection purposes was wastewater management (55.9%), while 22.9% was allocated to air and climate protection projects, and 7.5% to waste management projects.

Competitive environment

The Group operates on a market dominated by large, mainly international players. On this market, contracts are typically awarded as part of tenders announced by customers, and projects can take as much as several years to complete.

Given the significance of factors such as experience, credentials and technological and financial capabilities in bidding for new contracts, the Group faces a limited number of competitors, which are typically companies specialising in EPC projects. In line with market requirements, the majority of the Group's projects are also implemented in this format.

The Group operates on the Polish market (89.4% of revenue in Q1 2014 came from domestic sales) and foreign markets (10.6% of revenue in Q1 2015). Given the limited number of projects and customers on each market, as well as specific contract requirements, contractors competing with the Company over projects in Poland (major foreign companies often have branches in Poland) usually also bid for foreign contracts.

There is considerable competition in terms of the products and services which are part of EPC projects. Each company which the Company believes to be a significant competitor has proprietary energy generation technologies, extensive credentials and many years' experience in EPC contracts. While some of them specialise in specific types of steam generators, others offer a comparable range of products and have access to

technologies allowing them to bid for contracts within the same product scope as the Group. Complete generating units are constructed by Alstom, Mitsubishi Hitachi Power Europe, Doosan Power Systems, COVEC, CNEEC, SEC, Bilfinger Berger Power Systems, Foster Wheeler, and CNIM, all of which have proprietary energy generation technologies, as well as organisational capacities necessary to pursue EPC contracts. These companies, as well as the Group, offer products necessary to construct complete generating units utilising any kind of fuel.

On the Polish market, there exist several companies, such as WARBUD, BUDIMEX and POLIMEX, which plan to enter the power construction industry by including EPC contracts in their offering or, at the very least, by offering assembly and construction services. However, the companies do not have any technologies on a par with those of the Group and their role is essentially that of subcontractors. Developing capabilities necessary to design and manufacture equipment for the power sector is complicated and requires considerable expenditures over long periods of time. In their competition with the Group, the companies rely solely on the technologies and products supplied by the Group's direct competitors, including Alstom, Mitsubishi Hitachi Power Europe, Doosan Power Systems, Bilfinger Berger Power Systems, and CNIM.

With respect to specific products, such as steam generators, desulfurization units, denitrification units and waste incineration facilities, the Group's major competitors again include Alstom, Mitsubishi Hitachi Power Europe, Doosan Power Systems, Bilfinger Berger Power Systems, Foster Wheeler, and CNIM, as well as Andritz, Metso and Strabag.

The market is also seeing a number of Chinese companies, whose competitive edge consists primarily in offering lower prices and different – uncertain in the Company's opinion – technical specifications. As at the Prospectus Date, the Group believes that customers on the Polish and European markets, including Turkey, perceive the offering of Chinese companies as unreliable, but the situation may well change if the Chinese competitors are able to maintain low prices while improving the technological quality of their products. Then the companies may become important players on the market of electricity generation technologies.

Furthermore, given the nature of large EPC contracts, it cannot be ruled out that the Group will not partner with the above-mentioned companies for certain projects with Chinese partners acting as subcontractors tasked with supplying steam generators, their pressurised components or flue gas desulfurization units.

REGULATORY ENVIRONMENT

Public Procurement Law

A significant number of contracts concluded by the Company are contracts governed by the provisions of the Public Procurement Law. The Public Procurement Law specifies (i) the rules and procedures for granting public procurement contracts; (ii) the right to remedies for, among others, entities that participated in a public procurement procedure, submitted a bid or entered into a public procurement contract (an appeal to the National Appeal Chamber, a complaint to a court); (iii) oversight over the process of granting public procurement contracts; and (iv) the bodies competent for matters regulated in the Public Procurement Law.

Within the meaning of the Public Procurement Law, a public procurement contract is an agreement concluded against payment between a contracting authority obliged to comply with the provisions of the Public Procurement Law and a contractor, concerning the performance of services, deliveries or construction works. The Public Procurement Law applies to the award of public procurement contracts with a unit value exceeding the PLN equivalent of EUR 30,000 by a contracting authority required to comply with the provisions of the Public Procurement Law. Contracts entered into pursuant to the Public Procurement Law are subject to special requirements, in particular with respect to amendments to the contractual terms, withdrawal from the contract, its term, circumstances in which the contract may be voided, as well as permitted security instruments for the contract (including performance bond, advance payment bond, security instruments during the period of liability for defects).

The Public Procurement Law provides for a special procedure for the selection of entities to which contracts are awarded. The main procedures for awarding public procurement contracts are: (i) open tender (a single-stage and competitive procedure, instigated by publication of a contract notice, all interested contractors may submit their bids after they have received the relevant terms of reference), and (ii) limited tender (in response to a public contract notice, contractors apply for admission to the tender procedure and bids may be submitted only by the contractors invited to tender). Apart from the main procedures, the Public Procurement Law also provides for special procedures which may only be applied in circumstances expressly indicated in the Law. The special procedures are: (i) negotiated procedure with a prior contract notice (after a public contract notice, the contracting authority invites contractors admitted to take part in the procedure to submit preliminary bids without quoting the price, conducts negotiations with them and then invites them to submit bids); (ii) competitive dialogue procedure (after a public contract notice, the contracting authority conducts a dialogue with selected contractors and then invites them to submit bids); (iii) negotiated procedure without a contract notice (the contracting authority negotiates the terms and conditions of the public procurement contract with selected contractors and then invites them to submit bids); (iv) single-source procurement procedure (the contracting authority awards a contract following negotiations with only one contractor); (v) request for quotation, RFQ (the contracting authority sends requests for quotation to selected contractors and invites them to submit bids); and (vi) electronic auction (a repetitive process whereby the contractors, using a special form available from a website, keep revising their bids (increments), which are automatically ranked).

In 2014, a new set of directives on public procurement was passed. They modify the previous criteria for bid evaluation (the most economically advantageous bid and the lowest price bid), placing particular focus on criteria other than the price. The deadline for implementing the new directives in the national legislation of EU member states expires on April 18th 2016, i.e. 24 months after they come into force.

Environmental protection

Introduction

Environmental protection is governed by an extensive set of laws, with the Environmental Protection Law being the principal piece of national legislation. It imposes regulations and restrictions not only on projects planned or underway, but also on the operation of existing installations with a potential impact on the environment.

Under the Environmental Protection Law, operation of installations may, as a rule, require sectoral permits or integrated permits (depending on the type and scale of operations), and may be subject to charges for economic use of the environment. Generally, operation of installations should cause no deterioration of the environment and pose no threat to human life or health. The Environmental Protection Law stipulates that relevant permits are required for: (i) air emissions of gases and particulate matter, (ii) wastewater discharge to water or ground, (iii) waste generation. The regulation of the Minister of the Environment on cases where the release of gases and particulate matter into the air requires no permit, dated July 2nd 2010, defines the types of installations for which no permit for gas and particulate matter emissions is necessary. According to the regulation, no permit is also required when: (i) the installation produces fugitive emissions, through no dedicated technical systems or through gravity ventilation systems; (ii) none of the released substances is subject to limit or reference values; or (iii) the installation is used exclusively for the purposes of research, development or testing of new products or

technological processes for the period of up to two years. Additionally, the Minister of the Environment's Regulation of July 2nd 2010 on the types of installations whose operation requires notification contains a list of installations whose operations does not require a permit, but must be notified to a competent environmental protection authority. In the case of installations whose operation may, because of the type and scale of the business, cause significant contamination of the environment as a whole or its particular elements, an integrated permit is required to define emission and environmental impact parameters and regulate the operation of the installations.

Furthermore, installation operators must meet the requirements of the Best Available Techniques or Best Available Technology (BAT), as well as use BAT Reference Documents (BREFs), drafted by the European Commission as a tool supporting the identification and encouraging the use of BAT. BREFs contain technical and economic assessment of pollution and consumption of raw materials and utilities in a given sector and describe how it can be prevented and limited. Under the current legal regime, BREFs are not acts of law. They help define reference levels for a correct definition of BAT requirements for an installation.

The Environmental Protection Law also defines the cases when charges for the economic use of the environment must be paid. Administrative penalties are imposed if emission limits are exceeded. Businesses operating without the required permits for air emissions of gases and particulate matter, abstraction of water, or wastewater discharge to water or ground are required to pay 500% higher charge for the economic use of the environment.

Act on Disclosure of Information about the Environment and its Protection

A project which is likely to have (always or potentially) significant effects on the environment may only be carried out after an environmental permit (*decyzja o środowiskowych uwarunkowaniach*) is obtained. The procedural framework and rules of issuing environmental permits are governed by the Act on Disclosure of Information about the Environment and its Protection, implementing the EU legislation covering environmental impact assessment.

An environmental permit must be obtained prior to other permits, including: (i) a building permit, approval of construction design, consent for construction works to be resumed, decision permitting the use of a building or its part for a different purpose; (ii) local zoning plan and planning permit; (iii) water-law permit necessary to build hydro-engineering structures and facilities; and (iv) permit for waste collection and treatment, issued under the Waste Act.

Environmental permit is issued following an environmental impact assessment. In accordance with the Act on Disclosure of Information about the Environment and its Protection, an environmental impact assessment must be carried out for each project which has or is likely to have (always or potentially) significant effects on the environment if such a requirement has been made by the environmental protection authority competent for issuing environmental permits. Furthermore, an assessment of environmental impact on Natura 2000 sites may have to be made for projects of a type other than those specified above if the project is likely to have significant effects on such sites and is not directly related to their protection. Detailed list of project types which may have effects on the environment is to be found in the Regulation of the Council of Ministers of November 9th 2010 on projects likely to have significant effects on the environment.

The matters analysed and evaluated in an environmental impact assessment procedure include direct and indirect effects of the project on the environment, human life and living conditions, property, historical monuments, as well as possibility and methods of limiting the project's negative environmental impact and the extent of required monitoring. The Act on Disclosure of Information about the Environment and its Protection requires that for projects which are likely to have significant environmental effects, depending on the project type, an environmental impact report must be made. The report should include, among other things, a description of the planned project (with a specification of the expected environmental effects if the project is not carried out), a description of the option which offers the most benefits, and a description of the option proposed by the project owner (with a reasonable alternative).

Prevention and remediation of environmental damage

If an imminent threat of environmental damage or actual environmental damage occur due to the activities of an operator, the provisions of the Act on Prevention and Remediation of Environmental Damage apply. The Act implements Directive 2004/35/EC of the European Parliament and of the Council, of April 21st 2004, on environmental liability with regard to the prevention and remedying of environmental damage into the Polish legal framework.

The Act on Prevention and Remediation of Environmental Damage lays down the rules governing responsibility for preventing and remedying environmental damage. The principal rule introduced by the Act is that the entity that causes environmental damage is obliged to remedy it in accordance with the 'polluter pays' principle. Thus, any operator that has caused environmental damage or an imminent threat of such damage should bear the cost of any necessary preventive and remedial measures. The provisions of the Act on Prevention and Remediation of

Environmental Damage do not apply, inter alia, if more than 30 years have passed since the emission or event resulting in the imminent threat of environmental damage or an actual environmental damage. Other significant solutions introduced by the Act on Prevention and Remediation of Environmental Damage include: (i) the obligation to notify the environmental protection authority of a damage or imminent threat of damage, (ii) identification of cases where the environmental protection authority takes preventive or remedial measures and, at its own discretion, determines how the cost it has incurred is to be recovered, and (iii) the operator's obligation to determine the extent of the remedial measures, as well as the manner and date of their completion, together with the environmental protection authority.

In the case of environmental damage that occurred before April 30th 2007, as well as damage caused by activities which ended before that date (i.e. the effective date of the Act on Prevention and Remediation of Environmental Damage), the Act specifies that the then applicable rules of land surface protection must be observed. Thus, the responsibility for remedying such damage, including for land reclamation, rests with the entity that holds the given land, whether or not the damage was caused by it.

Waste management

The Waste Act defines, inter alia, the measures to prevent and reduce the negative effect of waste production and management on the environment and human health. Waste is defined in the Waste Act as any substance and items which are disposed of by their owner (generator or holder) or which their owner intends or is obliged to dispose of.

Waste generator and subsequent owners are obliged to handle the waste in accordance with the waste management rules laid down in the Waste Act. Waste generators have the duty to manage the waste they have generated. Waste generator may manage the waste on its own or may have it managed by another waste owner, provided that such an entity meets the requirements set out in the Act, including in particular the requirements to hold specific permits. Responsibility for proper management of waste lies with the generator. Pursuant to the Waste Act, the responsibility may be passed to a subsequent owner of the waste, provided that it holds a permit to manage waste or is entered in the register, maintained by the county governor, of entities exempted from the obligation to obtain the permit.

Issues of waste generation permits are regulated by the Environmental Protection Law. A permit (or integrated permit) is required for generation of more than 1Mg of hazardous waste or more than 5,000 Mg of non-hazardous waste annually. Waste collection and waste processing permits are regulated by the Waste Act.

The Waste Act came into force on January 23rd 2013. Compared with the previous legislation, the formal and legal requirements concerning waste generation were reduced (e.g. the requirement to obtain approval of the hazardous waste management programme and the waste management programme and to provide information on what waste is generated and how it is managed was removed). With a few exceptions, permits issued under the previously binding law remain valid until the end of their original validity periods. Approvals of hazardous waste management programmes and waste management programmes issued under the previous law expired on the date when the Waste Act came into force. Decisions issued under the previous waste law, allowing the holder to: (i) recover, dispose of, collect or transport waste under the permit for waste generation or approval of hazardous waste management programme rather than a separate licence, (ii) collect or transport waste under the permit for waste recovery or disposal rather than a separate licence, remain valid until the end of their original validity periods, but in no case longer than until January 23rd 2015. Holders of such decisions may continue waste collection and management as defined in the applicable Waste Act until that date.

EMAS Regulation and EMAS Act

The Company has joined the Eco Management and Audit Scheme (“EMAS”). EMAS is an instrument developed by the EU and introduced by the EMAS Regulation. It seeks to encourage organisations (businesses, plants, institutions) to continuously improve their environmental performance, particularly by developing and implementing environmental management systems, performing regular assessment of their efficiency, providing information about their environmental performance and organising training. Organisations join the scheme voluntarily. As specified in the EMAS Regulation, in order to register with EMAS an organisation must conduct an environmental review of all aspects of its activity with an impact on the environment, develop and implement an environmental management system that factors in the environmental review findings, perform an internal audit and make an environmental statement. To transpose the EMAS Regulation into the Polish legal framework, the EMAS Act has been enacted. It defines the institutions competent for performing tasks resulting from the EU regulations on participation in EMAS. In Poland, the EMAS register is maintained by the General Director for Environmental Protection. Registration is valid for three years, after which it may be extended. EMAS-registered organisations publish and then update their environmental statements. Their other duties include making periodic environmental audits. EMAS-registered organisations are also verified by environmental verifiers who check whether all the requirements for registration are met.

PED regulations

The Group manufactures pressure equipment and assemblies. Therefore, it is subject to EU and domestic regulations specifying the requirements to be met by such products. The Group's products are compliant with the technical safety standards set in the regulations discussed below. The main legal act applicable to pressure equipment is the Pressure Equipment Directive (PED). It was implemented into the Polish legal framework with the Minister of Economy's Regulation on Essential Requirements for Pressure Equipment and Assemblies dated December 21st 2005. The two legal acts define the essential requirements with regard to the safety and protection of health of persons that must be met at the stage of designing and manufacturing of pressure equipment exposed to the maximum allowable pressure PS greater than 0.5 bar and of pressure equipment assemblies, such as pressure vessels, heat exchangers, steam generators, boilers, industrial piping, safety accessories and pressure accessories. They also regulate the conditions and procedures for checking compliance of pressure equipment and assemblies, compliance assessment procedures, manner of labelling and CE marking the equipment and assemblies.

As of June 1st 2015, PED will be replaced by Directive 2014/68/EU of the European Parliament and of the Council of May 15th 2014 on the harmonisation of the laws of the Member States relating to the making available on the market of pressure equipment. The new directive should be implemented into the Polish legal framework by June 19th 2016.

GROUP OVERVIEW

Company overview

Name and legal form:	RAFAKO Spółka Akcyjna (joint-stock company)
Registered office and address:.....	ul. Łąkowa 33, 47-400 Racibórz, Poland
Telephone:	(+ 48 32) 410 10 00
Fax:.....	(+ 48 32) 415 34 27
Website:.....	www.rafako.com.pl
Email:	info@rafako.com.pl
Number of entry in the National Court Register (KRS):.....	0000034143
Industry Identification Number (REGON):.....	270217865
Tax Identification Number (NIP):	6390001788

The Company has been incorporated as a result of transformation of the state-owned enterprise operating under the name of Raciborska Fabryka Kotłów RAFAKO of Racibórz into a joint-stock company. On February 12th 1993, the Company was entered in the Commercial Register maintained by the District Court of Katowice under number RHB 9245 and name Fabryka Kotłów RAFAKO S.A. As at the Prospectus Date, the District Court for Gliwice, 10th Commercial Division of the National Court Register, was the competent registry court for the Company.

The Company was incorporated for an indefinite term.

The Company operates on the basis of the Commercial Companies Code and other applicable laws, as well as on the basis of its Articles of Association and internal regulations.

Business profile

The Company acts as general contractor for complete power generating units, and is engaged in designing, manufacturing, constructing and servicing of power sector equipment and facilities. The Company's core business activity, specified in detail in Art. 6 of the Articles of Association, consists in the manufacture of steam generators and other activities specified therein.

Share capital

Share capital structure

As at the Prospectus Date, the Company's share capital was PLN 139,200,000 and was made up of 69,600,000 shares with a par value of PLN 2.00 per share, including:

- 900,000 Series A bearer shares;
- 2,100,000 Series B bearer shares;
- 300,000 Series C bearer shares;
- 1,200,000 Series D bearer shares;
- 1,500,000 Series E bearer shares;
- 3,000,000 Series F bearer shares;
- 330,000 Series G bearer shares;
- 8,070,000 Series H bearer shares;
- 52,200,000 Series I bearer shares.

All the Shares are in book-entry form and are introduced to trading on the WSE main market.

The Shares carry no preference in terms of voting rights, the right to dividend or the right to a share in the Company's assets in the event of its liquidation.

Pursuant to Art. 7a of the Articles of Association, the Management Board is authorised to increase the company's share capital within the limits of the authorised share capital through an issue of new shares with a total par value of up to PLN 30,663,996, by way of one or more share capital increases within the limits specified above; The Management Board's authorisation to increase the share capital and issue new shares within the authorised share capital limit expires after three years from April 30th 2014. The Management Board's resolution on determination of the issue price for shares issued within the authorised share capital limit requires approval of the Company's Supervisory Board. With the Supervisory Board's approval, the Management Board may disapply in whole or in part, the existing shareholders' pre-emptive rights with respect to the shares to be issued within the authorised share capital limit.

Pursuant to Art. 34.6 of the Articles of Association, the Company may issue notes and bonds, including notes and bonds convertible into shares.

As at the Prospectus Date:

- no Shares existed which would not represent the Company's share capital (an interest in the Company's equity),
- the Company held no Shares in treasury and no Shares were held by any of its Subsidiaries or any third party acting for or on behalf of the Company,
- no options existed over the Company's share capital or the share capital of any of its Subsidiaries; there were no arrangements, whether conditional or unconditional, whereby options would be created over the share capital of any of the aforementioned entities;
- there were no securities which would be convertible into or exchangeable for the Company's securities (including the Shares); the Company had issued no securities with warrants.

The Articles of Association do not stipulate the Share ownership thresholds which, if exceeded, would require disclosure of the number of Shares held by the shareholder of the Company. The Articles of Association contain no provisions imposing stricter conditions for changing the share capital of the Company than those stipulated in the applicable laws.

Share capital changes

On March 24th 2014, the General Meeting passed a resolution authorising the Management Board of the Company to increase the share capital by up to PLN 30,663,996 through an issue of new Shares within the authorised share capital limit. The amendment to the Articles of Association setting the maximum amount of the authorised share capital at PLN 30,663,996 was registered by the District Court of Gliwice, 10th Commercial Division of the National Court Register, on April 30th 2014. In 2014, no shares of the Company were issued.

No changes other than those specified above were made to the Company's share capital in the period covered by the Consolidated Financial Statements until the Prospectus Date.

On January 15th 2014, under a shareholders' resolution passed by the general meeting of ENERGOTECHNIKA ENGINEERING, its share capital was increased by PLN 190 thousand (from PLN 755 thousand to PLN 945 thousand). The increase was effected through the issue of 380 new shares with a par value of PLN 500.00 per share and with an aggregate value of PLN 190 thousand. The new shares were taken up for cash contributions by natural persons related to ENERGOTECHNIKA ENGINEERING. The share capital was registered by the National Court Register on April 2nd 2014.

On June 24th 2014, the extraordinary general meeting of ENERGOTECHNIKA ENGINEERING passed a resolution to increase the company's share capital by issuing 410 new shares with a par value of PLN 500.00 per share; as a result, the company's share capital was increased by PLN 205 thousand, i.e. to PLN 1.15m. All the new shares were acquired by RAFAKO Engineering. The share capital increase was registered in the National Court Register on September 22nd 2014.

Subsidiaries

Key information on the Company's direct and indirect Subsidiaries is presented below. Early 2015 saw a material change as on February 23rd 2015 the Company sold 82.19% of shares in FPM to TDJ for PLN 48m. Following the transaction, RAFAKO holds no FPM shares. As at the Prospectus Date, the Group comprised eight entities – RAFAKO (the Parent) and its seven Subsidiaries:

PGL DOM

The Company holds 100% of shares in the share capital of PGL DOM, representing 100% of votes at its general meeting.

Basic information:

Name and legal form: Przedsiębiorstwo Gospodarki Lokalami DOM Spółka z ograniczoną odpowiedzialnością (limited liability company)

Registered office and address: ul. Bukowa 1, 47-400 Racibórz, Poland

Share capital: PLN 23,270,000.00

Principal business activity: housing community management

RAFAKO Engineering

The Company holds 100% of shares in the share capital of RAFAKO Engineering, representing 100% of votes at its general meeting.

Basic information:

Name and legal form: RAFAKO ENGINEERING Spółka z ograniczoną odpowiedzialnością (limited liability company)

Registered office and address: ul. Łąkowa 33, 47-400 Racibórz, Poland

Share capital: PLN 1,000,000.00

Principal business activity: construction and process design, urban planning

ENERGOTECHNIKA ENGINEERING

RAFAKO Engineering holds 40% of shares in the share capital of ENERGOTECHNIKA ENGINEERING, representing 57.14% of votes at its general meeting; PGL DOM holds 43.48% of shares in the share capital of the company, representing 31.06% of votes at its general meeting.

Basic information:

Name and legal form: ENERGOTECHNIKA ENGINEERING Spółka z ograniczoną odpowiedzialnością (limited liability company)

Registered office and address: ul. Bojkowska 43C, 44-100 Gliwice, Poland

Share capital: PLN 1,150,000.00

Principal business activity: construction and process design, urban planning and engineering consultancy

RAFAKO ENGINEERING SOLUTION doo.

The Company holds 77% of shares in the share capital of RAFAKO ENGINEERING SOLUTION doo., representing 77% of votes at its general meeting.

Basic information:

Name and legal form: RAFAKO ENGINEERING SOLUTION doo (limited liability company)

Registered office and address:..... Bulevar Arsenija Čarnojevica 86, unit 5 and 6

Share capital: EUR 50,000.00

Principal business activity:..... process design, construction, industry, and environmental protection consultancy and supervision

RAFAKO Hungary

The Company holds 100% of shares in the share capital of RAFAKO Hungary, representing 100% of votes at its general meeting.

Basic information:

Name and legal form: RAFAKO Hungary Kft. (limited liability company)

Registered office and address:..... ul. Vörösmarty 67, 1067 Budapest, Hungary

Share capital: HUF 40,000,000.00

Principal business activity:..... equipment assembly in the power and chemical industries

E001RK

The Company holds 100% of shares in the share capital of E001RK, representing 100% of votes at its general meeting.

Basic information:

Name and legal form: E001RK Spółka z ograniczoną odpowiedzialnością (limited liability company)

Registered office and address:..... ul. Łakowa 33, 47-400 Racibórz, Poland

Share capital: PLN 5,000.00

Principal business activity:..... development of building projects; construction of roads and highways, railways and subways, bridges and tunnels; engineering activities and technical and scientific consultancy; production, repair and maintenance of machinery and equipment, generation and transmission of and trading in electricity

E003B7

The Company holds 100% of shares in the share capital of E003B7, representing 100% of votes at its general meeting.

Basic information:

Name and legal form: E003B7 Spółka z ograniczoną odpowiedzialnością (limited liability company)

Registered office and address:..... ul. Łakowa 33, 47-400 Racibórz, Poland

Share capital: PLN 5,000.00

Principal business activity:..... development of construction projects, business consultancy and construction design, engineering and technology

MANAGEMENT AND CORPORATE GOVERNANCE

Pursuant to the provisions of the Commercial Companies Code, the Company's management and supervisory bodies are the Management Board and the Supervisory Board. The following description of the Management Board and the Supervisory Board has been prepared on the basis of the Commercial Companies Code, the Articles of Association, the Rules of Procedure for the Management Board, and the Rules of Procedure for the Supervisory Board effective as at the Prospectus Date.

Management Board

The Company's management body is the Management Board.

Composition of the Management Board

Pursuant to the Articles of Association, the Management Board is composed of two to eight members. The Management Board is composed of the President, from one to four Vice-Presidents and up to three members.

The Management Board is appointed by the Supervisory Board for a joint term of three years.

A Management Board member may be removed from office or suspended from duties for a good reason by way of a Supervisory Board resolution. A member of the Management Board may also be removed from office or suspended from duties by way of resolution of the General Meeting.

Powers and responsibilities of the Management Board

The Management Board manages the Company's business and assets, and represents the Company before courts, government authorities and third parties. The Management Board makes decisions in all matters which are not exclusively reserved for the Supervisory Board or the General Meeting under the Articles of Association or the applicable laws. The manner of operation of the Management Board is specified by the Rules of Procedure for the Management Board approved by the Supervisory Board.

All Management Board members are authorised and obliged to collectively manage the Company's affairs. Affairs within the scope of the Company's ordinary activities do not require a Management Board resolution, but in accordance with the Rules of Procedure for the Management Board such resolution is required for the following matters: (i) any matters as to which the final decision lies with the Supervisory Board or the General Meeting and which the Management Board is required to prepare and submit to these bodies, (ii) acceptance of half-year and full-year financial statements and written reports on the Company's operations submitted to supervisory authorities, (iii) convening of a General Meeting and drawing up its agenda, (iv) approval and amendment of the Company's Organisational Rules, (v) requests to convene a Supervisory Board meeting, (vi) approval of the Company's general and detailed annual business plans, (vii) approval of amendments to the Company Collective Labour Agreement and the Work Rules, (viii) approval of the objectives of the annual remuneration and staffing policies, (ix) approval of the Company's top management staff, (x) appointment and removal of commercial proxies and granting permanent powers of proxy, (xi) acquisition and disposal of securities or shares in other companies, (xii) approval and amendment of the Rules of Procedure for the Management Board before their submission for approval to the Supervisory Board, (xiii) acquisition and disposal of property or interests in property, (xiv) reports on the implementation of post-inspection recommendations, (xv) grant of loans and issue of sureties and guarantees in respect of third parties' liabilities, (xvi) contracting bank loans. A Management Board's resolution is also required in the case of other decisions which concern matters of particular importance to the Company.

Operation of the Management Board

Management Board resolutions are adopted by simple majority of votes unless a given resolution is subject to stricter legal requirements. In the case of a voting tie, the President of the Management Board has the casting vote. In accordance with the Rules of Procedure for the Management Board, in order for Management Board resolutions to be valid at least two-thirds of the Management Board members must be present.

Declarations on behalf of the Company (representations) may be made by two Management Board members acting jointly or one Management Board member acting jointly with a commercial proxy. Appointment of a proxy requires a unanimous resolution adopted by all Management Board members. Powers of proxy may be revoked by any Management Board member.

The Management Board may pass resolutions by written ballot or by using means of remote communication, provided that all Management Board members have been notified of the contents of the draft resolutions.

Members of the Management Board

As at the Prospectus Date, the Management Board was composed of five members. Information on members of the Management Board is presented below.

First name and surname	Age	Position	Date of appointment for the current term of office	End date of the current term of office
Agnieszka Wasilewska-Semail	43	President of the Management Board	September 8th 2014	June 25th 2017*
Krzysztof Burek	52	Vice-President of the Management Board	June 25th 2014	June 25th 2017
Jarosław Dusiło	40	Vice-President of the Management Board	June 25th 2014	June 25th 2017
Edward Kasprzak	64	Vice-President of the Management Board	June 25th 2014	June 25th 2017
Tomasz Tomczak	42	Vice-President of the Management Board	June 25th 2014	June 25th 2017

Source: the Company, representations submitted by Management Board members.

* During the current term of office, Mr Paweł Mortas was the President of the Management Board from June 25th 2014 to September 8th 2014.

The mandate of a Management Board member expires on or before the date of the General Meeting approving the financial statements for the last full financial year in which the member held the office, that is for 2016.

Presented below is a brief description of the qualifications and professional experience of the current members of the Management Board.

Agnieszka Wasilewska-Semail

Agnieszka Wasilewska-Semail began her professional career in 1996 at Bank Brussels Lambert S.A. (subsequently ING Belgium S.A.), where she was employed until 2002. In 2002-2005, she worked at ING Bank Śląski S.A., and in 2002-2005 she was Head of Cash Management Department and Head of Payments Division at Kredyt Bank S.A. (currently BZ WBK S.A.). In subsequent years she served as Executive Director for Alternative Distribution Channels at Bank Handlowy w Warszawie S.A. (2006-2007) and later as Head of Transaction Banking Division and Head of Client Relations Division at PKO Bank Polski S.A. (2007-2014).

She joined the Company in September 2014 as President of the Management Board. She also serves on the Supervisory Boards of the E001RK and E003B7 Subsidiaries.

Agnieszka Wasilewska-Semail graduated from the Faculty of Law and Administration of the University of Warsaw, and received the degree of Master of Laws at Katholieke Universiteit Leuven of Belgium.

Her current office address is RAFAKO S.A., ul. Łąkowa 33, 47-400 Racibórz, Poland.

Krzysztof Burek

Krzysztof Burek joined RAFAKO's Design Office in 1986, and subsequently held the following positions: Head of the Acquisitions and Cooperation with External Companies Department, Head of the Export Department, Director of the Boiler Equipment Plant and Commercial Director. Since 2009, he has served as Vice-President of the Management Board and Commercial Director. In his career he was member of the Supervisory Board of Energomontaż Północ Bełchatów Sp. z o.o. and Fabryka Elektrofiltrów ELWO S.A. w upadłości likwidacyjnej (in liquidation bankruptcy) (2003-2009), and since 2014 he has served on the Supervisory Boards of the following Subsidiaries: RAFAKO Engineering, E001RK and E003B7. He has also held the position of a Management Board member at Sanbei-Rafako of China (since 2002).

In 1986, Krzysztof Burek graduated from the Faculty of Mechanical and Power Engineering at the Silesian University of Technology receiving a degree of MSc in mechanical engineering. In 1994, he also completed studies at the Faculty of Marketing and Management at the University of Warsaw. In the same year, he received an MBA from the University of Illinois at Urbana Champaign. Krzysztof Burek also completed a course for candidates for supervisory board members at state-owned companies (1993).

His office address is RAFAKO S.A., ul. Łąkowa 33, 47-400 Racibórz, Poland.

Jarosław Dusiło

Jarosław Dusiło started his professional career in 1998 as Chief Accountant at Huta Baildon S.A. in Katowice, where he worked until 2001. In 2001-2007, he held the following positions at Hydrobudowa Śląsk S.A.: Commercial Director, Vice-President of the Management Board, Economic Director, and Commercial Proxy. In 2007, he served as Vice-President of the Management Board of Hydrobudowa Włocławek S.A. and in 2007-2010 as Member of the Supervisory Board of INFRA S.A. In 2008-2012, Jarosław Dusiło was Vice-President of

the Management Board of Hydrobudowa Polska, Hydrobudowa 9 S.A., and Chairman of the Supervisory Board of Przedsiębiorstwo Robót Górniczych Metro Sp. z o.o. In 2012-2013, he held the position of Vice-President of the Management Board of Miko-Tech Sp. z o.o., and in 2013-2014 he served as Supervisory Board member at E003B7 and E001RK.

Since 2014, Jarosław Dusiło has been Vice-President of the Management Board of E003B7 and President of the Management Board of TMPM Sp. z o.o.

In 1998, Jarosław Dusiło received a Master's degree from the University of Economics in Katowice (finance and banking). He attended a postgraduate course in controlling in 2007-2008. Jarosław Dusiło completed training courses in finance and accounting, and project management based on PRINCE2 methodology and IT systems, and holds a bookkeeping certificate issued by the Ministry of Finance.

His office address is RAFAKO S.A., ul. Łąkowa 33, 47-400 Racibórz, Poland.

Edward Kasprzak

Edward Kasprzak began his professional career in 1975 at Zakłady Azotowe of Chorzów, where he worked until 1988 as a design engineer, designer and deputy manager of the Central Mechanical Workshops. In 1988-2007 at Hydrobudowa Śląsk S.A. (subsequently Hydrobudowa Włocławek S.A.) he served as Deputy Technical Director and Director of the Industrial Production Plant, Supervisory Board member delegated to serve as President of the Management Board, and Vice-President of the Management Board. In 2007-2012, he was Vice-President of the Management Board of Hydrobudowa Polska, and then a proxy for the company's Management Board. Between November 2011 and March 2013 he held the position of President of the Management Board of Miko-Tech Sp. z o.o., and in the period from March 2012 to July 2013 he was Member of the Supervisory Board of INTROL S.A. In 2013-2015, Edward Kasprzak was Member of the Supervisory Board of FPM.

Since November 2013, Edward Kasprzak has been President of the Management Board of E003B7.

In 1975, Edward Kasprzak graduated from the Faculty of Mechanical and Power Engineering at the Silesian University of Technology in Gliwice, having received a MSc (Eng) degree, and he holds an MBA from Wielkopolska Business School at the Poznań University of Economics.

His office address is RAFAKO S.A., ul. Łąkowa 33, 47-400 Racibórz, Poland.

Tomasz Tomczak

In 1997, Tomasz Tomczak worked as a sales representative, then deputy service manager at Volvo-Service Zbigniew Przymusiński. In 1998, he became a technical assistant at PIECOBIOGAZ s.c. J. Wiśniewski, M. Wiśniewska. In 1998-2014, he held various positions at PBG (previously TECHNOLOGIE GAZOWE PIECOBIOGAZ Sp. z o.o.), including site manager, project manager and technical director. Since 2004, he has served on the PBG Management Board (in 2005-2014 as Vice-President). In 2012-2014, Tomasz Tomczak was also President of the Management Board of PBG Oil and Gas Sp. z o.o., and later became its Vice-President. On May 6th 2014, he was appointed member of RAFAKO Management Board. Also, since July 2014 Tomasz Tomczak has served on the Supervisory Boards of the following Subsidiaries: E003B7 and ENERGOTECHNIKA ENGINEERING (Chairman of the Supervisory Board). He was also Chairman of the Supervisory Board of RAFAKO Engineering and a Supervisory Board member at FPM.

In 1997, Tomasz Tomczak graduated from the Poznań University of Technology, Faculty of Machines and Motor Vehicles, receiving a MSc (Eng) degree. He also graduated from the Canadian International Management Institute and completed a post-graduate course in hydrocarbon borehole mining at the AGH University of Science and Technology in Kraków. He completed an Executive Master of Business Administration programme run by the Wielkopolska Business School at Poznań University of Economics in partnership with Nottingham Trent University.

His office address is RAFAKO S.A., ul. Łąkowa 33, 47-400 Racibórz, Poland.

Positions held by the members of the Management Board at other companies

Listed below are other companies and partnerships in which, during the last five years, Management Board members: (i) held positions on their management and supervisory bodies, (ii) held equity interests (in the case of companies listed on the WSE or other regulated market in Poland or abroad – in a number representing more than 1% of total voting rights at the general meeting of such company) or (iii) were shareholders/partners.

First name and surname	Company	Position held	Was the position held as at the Prospectus Date?
Agnieszka Wasilewska-Semail	E001RK*	Member of the Supervisory Board	Yes
	E003B7*	Member of the Supervisory Board	Yes
	PKO BP Leasing S.A.	Member of the Supervisory Board	No
	PKO BP Factoring S.A.	Member of the Supervisory Board	No
	Centrum Elektronicznych Usług Płatniczych E-Service S.A.	Member of the Supervisory Board	No
	Centrum Elektronicznych Usług Płatniczych E-Service sp. z o.o.	Member of the Supervisory Board	No
Krzysztof Burek	RAFAKO Engineering*	Chairman of the Supervisory Board	Yes
	E001RK*	Member of the Supervisory Board	Yes
	E003B7*	Member of the Supervisory Board	Yes
	Sanbei-Rafako	Member of the Management Board	Yes
Jarosław Dusiło	AVATAR Centrum Usług Rachunkowych Sp. z o.o.	Shareholder	No
	TMPM Sp. z o.o.	Shareholder	No
	E001RK*	Member of the Supervisory Board	No
	E003B7*	Member of the Supervisory Board	No
	E003B7*	Vice-President of the Management Board	Yes
	INFRA S.A.	Member of the Supervisory Board	No
	Przedsiębiorstwo Robót Górniczych Metro Sp. z o.o.	Chairman of the Supervisory Board	No
	Hydrobudowa Polska	Vice-President of the Management Board	No
	Hydrobudowa 9 S.A.	Vice-President of the Management Board	No
	Miko-Tech Sp. z o.o.	Vice-President of the Management Board	No
	TMPM Sp. z o.o.	President of the Management Board	Yes
Edward Kasprzak	Miko-Tech Sp. z o.o.	Shareholder	No
	AVATAR Centrum Usług Rachunkowych Sp. z o.o.	Shareholder	No
	TMPM Sp. z o.o.	Shareholder	Yes
	FPM**	Member of the Supervisory Board	No
	E003B7*	President of the Management Board	Yes
	Hydrobudowa Polska	Vice-President of the Management Board	No
	Miko-Tech Sp. z o.o.	President of the Management Board	No
	INTROL S.A.	Member of the Supervisory Board	No
Tomasz Tomczak	E003B7*	Member of the Supervisory Board	Yes
	FPM**	Member of the Supervisory Board	No
	ENERGOTECHNIKA ENGINEERING*	Chairman of the Supervisory Board	Yes
	RAFAKO Engineering*	Chairman of the Supervisory Board	No
	PBG Oil and Gas Sp. z o.o.	Vice-President of the Management Board	No

First name and surname	Company	Position held	Was the position held as at the Prospectus Date?
	PBG	Vice-President of the Management Board	No
	PBG	Shareholder	Yes
	Hydrobudowa Polska	Shareholder	No
	PBG Technologia Sp. z o.o. w upadłości likwidacyjnej (in liquidation bankruptcy)	Chairman of the Supervisory Board	Yes
	ENERGOMONTAŻ-POŁUDNIE w upadłości likwidacyjnej (in liquidation bankruptcy)	Member of the Supervisory Board	Yes
	PBG Energia Sp. z o.o.	Member of the Supervisory Board	No
	PBG Foundation	Member of the Foundation's Programme Board	Yes

Source: representations submitted by the Management Board members.

* Group Company.

** As at the Prospectus Date FPM was not a member of the RAFAKO Group.

Supervisory Board

The Supervisory Board exercises ongoing supervision over the Company's business in each area of its activity.

Composition of the Supervisory Board

The Supervisory Board is composed of five to seven members who are appointed for a joint term and removed from office by the General Meeting. The Supervisory Board's term of office is two years. The number of the Supervisory Board members is determined by the General Meeting.

The Supervisory Board elects the Chairperson, Deputy Chairperson and – if necessary – the Secretary of the Supervisory Board from among its members.

Supervisory Board members meeting the independence criteria

In accordance with Art. 17.3 of the Articles of Association, the Supervisory Board should include members who meet the independence criteria specified in applicable laws and corporate governance principles applicable to public companies, in a number specified in such laws and principles.

As at the Prospectus Date, Supervisory Board members meeting the independence criteria set out in Art. 86.5 in conjunction with Art. 56.3.1, 56.3.3 and 56.3.5 of the Act on Qualified Auditors and qualified in the field of accounting or financial auditing in accordance with Art. 86.4 of the Act on Qualified Auditors were: Przemysław Schmidt and Adam Szyszka. As at the Prospectus Date, members of the Audit Committee meeting these criteria were Przemysław Schmidt and Adam Szyszka.

As at the Prospectus date, Przemysław Schmidt and Dariusz Szymański met the independence criteria set out in the Commission Recommendation and the Code of Best Practice for WSE-Listed Companies.

Powers and responsibilities of the Supervisory Board

In accordance with Art. 21 of the Articles of Association, apart from the matters specified in the Commercial Companies Code, the powers and responsibilities of the Supervisory Board include: (i) appointment and removal from office of Management Board members, (ii) determination of the rules and amounts of remuneration of Management Board members, (ii) inclusion in the remuneration of Management Board members of the right to a share in the Company's profit for a given year allocated for distribution to the shareholders, provided that the General Meeting grants a relevant authorisation to the Supervisory Board, (iv) suspension of Management Board members from duties for a good reason, (v) delegation of Supervisory Board members to temporarily substitute for a Management Board member who is unable to perform their duties or is suspended or removed from office, (vi) taking appropriate measures to change the composition of the Management Board if any Management Board member is unable to perform their duties, (vii) grant of approval for establishing or liquidating foreign branches of the Company, (viii) grant of approval to Management Board members to serve on the governing bodies of companies outside the Group, (ix) representation of the Company in agreements and disputes between the Company and its Management Board members unless the General Meeting appoints a proxy, (x) assessment of the Directors' Report on the Company's operations and the financial statements for the previous financial year in terms of their consistency with the Company's accounts, documents and the actual state of affairs, (xi) assessment of the Management Board's recommendations regarding the distribution of profit or coverage of loss,

(xii) submission to the General Meeting of written reports on findings of the assessments referred to in item (x) and (xi), (xiii) assessment of the Directors' Report on the Group's operations and the consolidated financial statements for the previous financial year in terms of their consistency with the Group's accounts, documents and the actual state of affairs, and submission to the General Meeting of written reports on findings of such assessments, (xiv) appointment of an auditor to audit the financial statements, (xv) determination of the scope and submission dates of annual budgets as well as long-term strategic plans, (xvi) issuing opinions on the Company's long-term strategic plans, (xvii) approving and issuing opinions on the Company's annual budgets, (xviii) approval of the Company's annual debt limits, (xix) approval of the consolidated text of the Company's Articles of Association prepared by the Management Board, (xx) approval of the Rules of Procedure for the Company's Management Board, (xxi) adoption of the Rules of Procedure for the Supervisory Board, (xxii) approval of the Company's organisational rules, (xxiii) issuing opinions on all matters submitted by the Management Board to the General Meeting for consideration, (xxiv) examining of all Company documents, requesting reports and explanations from the Company's Management Board and employees, and reviewing the Company's assets, (xxv) determining the dividend payment date if no such date is specified in a General Meeting's resolution, (xxvi) convening the Annual General Meeting if the Management Board fails to do so within the prescribed time-frame, and convening Extraordinary General Meetings if the Supervisory Board deems it advisable, (xxvii) proposing draft resolutions on matters which have been placed or are to be placed on the agenda prior to the scheduled date of the Company's General Meeting, (xxviii) appealing against General Meeting's resolutions by moving for repealing of a resolution or declaration of its invalidity, (xxix) determination of the issue price of new shares and dates of opening and closing of the subscription period, provided that the Supervisory Board is authorised to do so by the General Meeting under a resolution on share capital increase, (xxx) determination of the final amount of the share capital increase, in the case of new shares offered in a public offering under a prospectus or approved information memorandum, provided that the Supervisory Board is authorised to do so by the General Meeting under a relevant resolution on share capital increase, (xxxi) issuing opinions on the Management Board's requests for execution of an underwriting agreement related to issue of shares or approval of execution of such agreement, (xxxii) appointment of an auditor of the balance sheet, statement of profit or loss and notes prepared in connection with a share capital increase to be financed with the Company's own funds if such auditor is not the auditor of the Company's financial statements. The powers and responsibilities of the Company's Supervisory Board also include granting consent to the Management Board for: (i) acquisition, disposal or encumbrance of property, an interest in property or perpetual usufruct right, (ii) assuming liabilities or executing transactions with a value equal to or in excess of PLN 20m, (iii) acquisition, subscription for, disposal, encumbrance, or disapplication of pre-emptive rights to shares, (iv) acquisition of securities issued by third parties, (v) payment of interim dividend, (vi) supporting non-profit organisations, charity and sponsorship activities, in excess of an annual limit of PLN 500,000, (vii) Management Board's resolutions on determination of the issue price and delivery of shares in exchange for non-cash contributions within the limit of the authorised share capital, (viii) disapplication of pre-emptive rights, in whole or in part, as part of the share capital increase within the limit of authorised share capital.

Operation of the Supervisory Board

The Supervisory Board meetings are held at least once a quarter.

Resolutions of the Supervisory Board are valid only if all members of the Supervisory Board have been invited to the meeting.

Supervisory Board resolutions are passed by an absolute majority of votes cast, with at least half of the Supervisory Board members present, unless mandatory laws provide for stricter terms. In case of a voting tie, the Chairman of the Supervisory Board has the casting vote.

A Supervisory Board member may vote on a resolution of the Supervisory Board in writing through another member of the Supervisory Board. Issues put on the agenda during the meeting of the Supervisory Board may not be voted on in writing.

The Supervisory Board may also pass resolutions by written ballot or by using means of remote communication, provided that all Supervisory Board members have been notified of the contents of the draft resolutions.

The special procedure for passing resolutions does not apply to appointment of the Chairperson, Deputy Chairperson, and Management Board members, as well as their removal and suspension from duties.

The Supervisory Board operates on the basis of the rules of procedure adopted by the Supervisory Board.

Supervisory Board committees

In accordance with Art. 22a of the Articles of Association, the Supervisory Board may appoint standing or *ad hoc* committees to act as the Supervisory Board's advisory and opinion-giving bodies composed of individual Supervisory Board members, advisers and experts. Under the Rules of Procedure for the Supervisory Board, an

Audit Committee, with members appointed by the Supervisory Board from among its members, was set up. The Audit Committee operates on the basis of its Rules of Procedure approved by a Supervisory Board resolution. As at the Prospectus Date, the Audit Committee was composed of Dariusz Sarnowski, Adam Szyszka and Przemysław Schmidt.

The Audit Committee's responsibilities include: (i) monitoring the work of the Company's auditors and giving proposals to the Supervisory Board as to the selection and remuneration of the auditors, (ii) before each audit of the full-year financial statements – discussing the nature and scope of the audit with the Company's auditors and monitoring the coordination of work between the Company's auditors, (iii) reviewing the Company's interim and full-year financial statements (separate and consolidated), with particular focus on: (a) any changes in accounting standards, principles and practices, (b) key areas of judgement, (c) significant adjustments following from an audit, (d) going concern statements, (e) compliance with applicable accounting laws, (iv) discussing any issues or reservations that may arise from the audit of financial statements, (v) analysing letters to the Management Board from the Company's auditors, the independence and objectivity of the audit and the Management Board's response, (vi) reviewing the management accounting system, providing opinions on the reporting and accounting procedures, (vii) reviewing the internal control systems of the Company and its Group (including control mechanisms in finance, operations, compliance, risk assessment and management), (viii) analysing reports prepared by the Company's internal auditors and key observations made by other internal analysts, as well as the Management Board's responses to these observations; verifying the independence of internal auditors, (ix) annual review of the internal audit schedule, coordination of work of internal and third-party auditors, and inspection of work conditions of internal auditors, (x) cooperating with the Company's organisational units responsible for audit and control and periodic assessment of their work, (xi) considering any other issues pertaining to the audit of the Company raised by the Committee or the Supervisory Board, (xii) reporting any material issues related to the Committee's operations to the Supervisory Board.

Supervisory Board members

As at the Prospectus Date, the Supervisory Board was composed of seven members. Information on members of the Supervisory Board is presented below.

First name and surname	Age	Position	Date of appointment for the current term of office	End of term
Jerzy Wiśniewski	58	Chairman of the Supervisory Board	June 18th 2015	June 18th 2017
Dariusz Sarnowski	41	Deputy Chairman of the Supervisory Board	June 18th 2015	June 18th 2017
Piotr Wawrzynowicz	35	Secretary of the Supervisory Board	June 18th 2015	June 18th 2017
Dariusz Szymański	45	Member of the Supervisory Board	June 18th 2015	June 18th 2017
Małgorzata Wiśniewska	56	Member of the Supervisory Board	June 18th 2015	June 18th 2017
Przemysław Schmidt	52	Member of the Supervisory Board	June 18th 2015	June 18th 2017
Adam Szyszka	39	Member of the Supervisory Board	June 18th 2015	June 18th 2017

Source: The Company, representations of the Supervisory Board members.

The mandate of a member of the Supervisory Board expires on or before the date of the General Meeting approving the financial statements for the last full financial year in which the member held the office, i.e. for 2016.

Brief description of the qualifications and professional experience of each Supervisory Board member is presented below.

Jerzy Wiśniewski

Jerzy Wiśniewski started his professional career in 1984 as head of gas transmission system operations at PGNiG S.A. In 1994-1998, he was the owner of Piecobiogaz J. Wiśniewski, M. Wiśniewska s.c. He also worked at Gazmontaż S.A. In 1998-2004, he served as President of the Management Board of Technologie Gazowe Piecobiogaz Sp. z o.o. and in 2004-2012 he was President of the Management Board of PBG, where in 2012-2014 he held the position of Chairman of the Supervisory Board. Since 2014, he has been President of the Management Board of PBG in company voluntary arrangement. He has been a member of the Supervisory Board of RAFAKO since February 2012, currently as its Chairman, and he is also a member of the Supervisory Boards of the Subsidiaries E001RK and E003B7 and other companies, including PBG Dom Sp. z o.o., PBG Erigo Sp. z o.o. In the past, he was member of the Supervisory Board of City Development Sp. z o.o. and PBG Oil and Gas Sp. z o.o. (where he currently holds the position of President of the Management Board).

Jerzy Wiśniewski graduated from the Faculty of Civil Engineering at the Poznań University of Technology in 1984, having received an MSc degree. In 2004, he completed an Executive MBA programme run by the Gdańsk Foundation for Management Development, University of Gdańsk and Rotterdam School of Management – Erasmus Graduate School of Business. In 2000, Jerzy Wiśniewski also completed the Management 2000 professional development course for managers organised by the Canadian International Management Institute. He also completed a course for candidates for supervisory board members at state-owned companies (2002). He also holds numerous certificates confirming his qualifications in construction.

Jerzy Wiśniewski's office address is ul. Skórzewska 35, Wysogotowo near Poznań, 62-081 Przeźmierowo, Poland.

Dariusz Sarnowski

Dariusz Sarnowski began his professional career in 1996 at W. Frąckowiak i Partnerzy Sp. z o.o., as an assistant in the Consulting Department, and subsequently in the Audit Department. In 1998, Dariusz Sarnowski worked as an Inspector at BZ WBK S.A.'s Capital Markets Department Advisory Division, in 1999 as a Manager at the Trade Institute - Reemtsma Polska S.A. (currently Imperial Tobacco Polska S.A.), and in 2000 as an assistant at BDO Polska Sp. z o.o.'s Audit Department. In 2000-2003, he held the position of assistant, senior and then head of the audit department at HLB Frąckowiak i Wspólnicy Sp. z o.o. In 2003-2004, Dariusz Sarnowski served as Vice-President of the Management Board of Usługi Audytorskie DGA Sp. z o.o. In 2004-2009, he held the position of President of the Management Board at Sarnowski & Wiśniewski Spółka Audytorska Sp. z o.o., and in 2009-2015 he was member of the Management Board of SWGK Audyt Sp. z o.o.

Since 2011, Dariusz Sarnowski has been a member of the Management Board of SWGK Podatki Sp. z o.o. and SWGK Księgowość Sp. z o.o., and since 2014 he has served as President of the Management Board of SWGK Consulting Sp. z o.o.

In 1993, Dariusz Sarnowski graduated from a Vocational Technical High School for Computer Science, and in 1998 from the Poznań University of Economics, having completed a company management programme and earning an MA degree. In 2004, he received the statutory auditor certificate from the National Chamber of Statutory Auditors.

His office address is ul. Wojskowa 4, Poznań, Poland.

Piotr Wawrzynowicz

Piotr Wawrzynowicz commenced his career in 2002 at the Marketing Department of the Head Office of Bank Inicjatyw Społeczno – Ekonomicznych BISE S.A. In 2003-2006, he worked at the National Office of Platforma Obywatelska (Civic Platform political party) and the Platforma Obywatelska National Campaign Headquarters. He was also chief marketing officer at Lindeya Park S.A., and in 2008-2010 – chief PR officer at Elektrim-Volt S.A.

Piotr Wawrzynowicz sat on the Supervisory Boards of GAZSTAL S.A. (Chairman in 2008-2011), PGL DOM Sp. z o.o. (2009-2012), FPM (2010-2015), Elektrim Volt S.A. (2011-2012), Polnord S.A. (2012-2013), Megadex Serwis Sp. z o.o. (2011-2012), and RAFAKO Engineering (2009-2012).

He is currently a member of the Supervisory Board of Exact Systems Sp. z o.o. and Fabryka Elektrofiltrów ELWO S.A. w upadłości likwidacyjnej (in liquidation bankruptcy). He has been a member of the Company's Supervisory Board since November 2009, with the exception of the period from May to November 2011, when he served as a Management Board member (from May 2010 to May 2011, as a Member of the Supervisory Board he was temporarily delegated to serve on the Management Board). In addition to holding positions at the Supervisory Boards of many companies, he is also partner and managing director at Agencja Reklamowa United Media Corporation Dorota Wawrzynowicz, and the owner of Centrum Doradztwa Społecznego. Mr Wawrzynowicz was also a member of the Management Board of Energia Nova S.A. (2011-2012) and Polkomtel Business Development Sp. z o.o.

In 2005, Piotr Wawrzynowicz received a Master's degree from the Faculty of Journalism and Political Science of the University of Warsaw, major: political marketing.

His office address is ul. Łąkowa 33, 47-400 Racibórz, Poland.

Dariusz Szymański

Dariusz Szymański started his professional career in 2001 by establishing his own legal counsel firm. In 2005-2015, he served as President of the Management Board of Pomerania Development Spółka z o.o. In 2008-2012, he was partner at the Skoczyński Wachowiak Strykowski Kancelaria Prawna law firm. Dariusz Szymański was President of the Management Board of the following companies: Domus S.A. (2007-2012), Domdar Spółka z o.o. (2007-2015), Jastarport Spółka z o.o. (2007-2015), Mierzeja Development Sp. z o.o. (2007-2015), Słowian

Invest Spółka z o.o. (2008-2015), Avelar Spółka z o.o. (2010-2011), Colima Spółka z o.o. (2010-2012), Tambora Spółka z o.o. (2010-2015) and Tacamo Spółka z o.o. (2011-2015).

As at the Prospectus Date, Dariusz Szymański was member of the Supervisory Boards of Domus S.A. (from March 2015) and Landus S.A. (from May 2015) and partner at the Kancelaria Radców Prawnych Andrzej Wilczyński i Wspólnicy law firm, and also ran his own legal counsel firm.

Mr Dariusz Szymański graduated from the Faculty of Law and Administration at the Adam Mickiewicz University in Poznań in 1995 and since 2001 he has been a legal counsel at the Regional Chamber of Legal Counsels in Poznań. His office address is Kancelaria Radcy Prawnego Dariusz Szymański – legal counsel, Os. Piastowskie 47/28, 61-152 Poznań, Poland.

Małgorzata Wiśniewska

Ms Małgorzata Wiśniewska began her professional career in 1984 as an assistant designer at Przedsiębiorstwo Uprzemysłowionego Budownictwa Rolniczego of Poznań, where she worked until 1991. In 1998-2006, she worked at Technologie Gazowe Piecobiogaz Sp. z o.o. (currently PBG) – in 1998-2001 as quality system director and public relations director, and then she joined the Management Board (as member in 2001-2004 and Vice-President in 2004-2006). In 2001-2006, she was employed at TGP Jerzy Wiśniewski i Wspólnicy sp.j., and in 2008-2010 at INFRA S.A. (currently in company voluntary arrangement). From January to April 2015, Ms Wiśniewska served as a Supervisory Board member at PBG Avatia Sp. z o.o., delegated to perform the duties of President of the company's Management Board.

Since 1997, she has been President of the Management Board of Poznańskie Stowarzyszenie Oświatowe (Poznań Education Association), and since 2010 – President of the Management Board of the PBG Foundation of Wysogotowo.

In 1998, she received an MSE degree from the Faculty of Civil Engineering at the Poznań University of Technology, and in 1996 she completed a post-graduate course in management and public relations at the WSB University in Poznań. In 1999-2000, Ms Wiśniewska participated in a one-year Management 2000 professional development course for managers organised by the Canadian International Management Institute. In 2004, she received the Executive MBA degree after completing Post-Graduate Course for Managers at the Gdańsk Foundation for Management Development, University of Gdańsk and Rotterdam School of Management – Erasmus Graduate School of Business.

Małgorzata Wiśniewska' office address: the PBG Foundation, ul. Skórzewska 35, Wysogotowo near Poznań, 62-081 Przeźmierowo, Poland.

Przemysław Schmidt

Mr Przemysław Schmidt began his professional career as a junior lecturer in the Chair of Civil, Commercial and Economic Law at Adam Mickiewicz University in Poznań (1987-1993) and as a legal counsel at law firm Sołtysiński Kawecki & Szlęzak (1990-1995). In 1995-1996, he was the Managing Director at MeesPierson, an ABN AMRO investment bank. Subsequently, in 1997-2000 he served as Vice-President of @Entertainment, Inc., the largest cable and satellite TV operator in Central and Eastern Europe, a NASDAQ-listed company. In 2001-2013, Mr Schmidt was a Managing Partner and Chairman of the Supervisory Board of Trigon Dom Maklerski S.A. He also was a member of Supervisory Boards and Audit Committees of the following companies: Poland Communications, Inc., Vistula S.A., PPWK S.A., AmRest SE, Sygnity S.A., Sferia S.A., and Czerwona Torebka S.A. Until May 2015, he served as a Supervisory Board member at Polskie Inwestycje Rozwojowe S.A. Currently, he serves as Deputy Chairman of the Supervisory Board of Pekaes S.A. and member of the Supervisory Boards of RAFAKO (as of June 2013), Private Equity Managers S.A. and Hyperion S.A.

Mr Schmidt graduated with honours from the Faculty of Law of Adam Mickiewicz University in Poznań (1987). Between 1991 and 1992, he was a Fulbright scholar at the University of California, Hastings College of the Law. He has also participated in post-graduate programmes at Georgetown University, Leiden University and TMC Asser Institute and completed a number of training courses in management and finance.

His office address is ul. Łąkowa 33, 47-400 Racibórz, Poland.

Adam Szyszka

Mr Adam Szyszka began his professional career at PwC (previously Coopers&Lybrand) in 1997, in the Business Assurance department, where he worked until 1998. In 1999, he was employed at the Department of Investment Banking at Bank Millennium (then BIG BANK GDAŃSKI S.A.). In 2006-2007, he was member of the Supervisory Board of PIB Hydrobudowa 9 S.A., and in 2007-2008 – an independent member of the Supervisory Board of Iławskie Zakłady Naprawy Samochodów S.A. In 1999-2013, Mr Szyszka worked at the Poznań University of Economics (as junior lecturer, assistant professor, and then professor at the Chair of Investments and Capital Markets).

Since 2011, he has been a professor at the Chair of Capital Markets, Global Economy College of the Warsaw School of Economics.

Since 2002, he has served as President of the Management Board of AT INVEST Sp. z o.o., since 2007 – as Deputy Chairman of the Supervisory Board of Pani Teresa Medica S.A., and since 2012 – as President of the Management Board of SpeedUp Innovation Sp. z o.o. S.K.A.

In 1997-1998, Mr Szyszka participated in a one-year Corporate Finance and Accounting course at the University of Liverpool. In 1999, he received a Master's degree in economics from the Poznań Academy of Economics, and in 2001 he was awarded a PhD in economics at the Poznań University of Economics (investments and capital markets).

Mr Szyszka graduated from the Adam Mickiewicz University of Poznań in 2002 with a Master's degree in law. In 2002-2003, he was a post-doctoral visiting scholar as part of the Kościuszko Foundation scholarship at the Columbia University in New York. In 2008, he received a post-doctoral degree in economics (majoring in investments and capital markets) at the Poznań University of Economics and in 2015 he was awarded the title of a professor of economics at the Warsaw School of Economics.

His office address is Warsaw School of Economics, al. Niepodległości, Warsaw, Poland.

Positions held by Supervisory Board members at other companies

Listed below are other companies and partnerships in which, during the last five years, Supervisory Board members: (i) held positions on their management and supervisory bodies, (ii) held equity interests (in the case of companies listed on the WSE or other regulated market in Poland or abroad – in a number representing more than 1% of total voting rights at the general meeting of such company) or (iii) were shareholders/partners.

First name and surname	Company	Position held	Was the position held as at the Prospectus Date?
Jerzy Wiśniewski	PBG	President of the Management Board	Yes
	PBG	Chairman of the Supervisory Board	No
	HYDROBUDOWA 9 S.A.	Commercial Proxy	No
	INFRA S.A. w upadłości układowej (in company voluntary arrangement)	Commercial Proxy	No
	PBG Dom Sp. z o.o.	Member of the Supervisory Board	Yes
	PBG Erigo Sp. z o.o.	Member of the Supervisory Board	Yes
	PBG Oil and Gas Sp. z o.o.	Member of the Supervisory Board	No
	PBG Oil and Gas Sp. z o.o.	President of the Management Board	Yes
	PBG Oil and Gas Sp. z o.o.	Shareholder	Yes
	City Development Sp. z o.o.	Member of the Supervisory Board	No
	Mjw Patrimonium Sp. z o.o.	President of the Management Board	Yes
	Mjw Patrimonium Sp. z o.o.	Shareholder	Yes
	Zawisza Bydgoszcz S.A.	Shareholder	Yes
	Elektrociepłownia Biogazowa Zielona Energia Sp. z o.o.	Shareholder	Yes
	PBG Capital Group Sp. z o.o.	Shareholder	Yes
	EGBP MANAGEMENT Sp. z o.o.	Member of the Supervisory Board	No
	Stand4them Promotions Sp. z o.o.	Commercial Proxy	Yes
	Dwór w Smółsku Sp. z o.o.	Shareholder	Yes
	E001RK*	Member of the Supervisory Board	Yes
	E003B7*	Member of the Supervisory Board	Yes
Dariusz Sarnowski	PBG	Member of the Supervisory Board	Yes
	SW 1 Sp. z o.o.	Shareholder	Yes
	SWGK AUDYT 2 Sp. z o.o.	Shareholder	Yes
	SWGK AUDYT 1 Sp. z o.o.	Shareholder	Yes
	Preventicon Sp. z o.o.	Shareholder	Yes
	DPW INVESTMENT Sp. z o.o.	Shareholder	Yes

First name and surname	Company	Position held	Was the position held as at the Prospectus Date?
	SWGK Legal Sp. z o.o.	Shareholder	Yes
	SWGK Consulting Sp. z o.o.	Shareholder	Yes
	BUSINESS RELATIONS INSTITUTE Sp. z o.o.	Shareholder	Yes
	SWGK IT Sp. z o.o.	Shareholder	Yes
	ECDF Księgowość Sp. z o.o.	Shareholder	No
	SWGK Audyt Sp. z o.o.	Shareholder	Yes
	SW 1 Sp. z o.o.	President of the Management Board	Yes
	SWGK AUDYT 2 Sp. z o.o.	Member of the Management Board	Yes
	SWGK AUDYT 1 Sp. z o.o.	Member of the Management Board	Yes
	Preventicon Sp. z o.o.	Member of the Management Board	Yes
	DPW INVESTMENT Sp. z o.o.	Member of the Management Board	Yes
	INEA S.A.	Member of the Supervisory Board	No
	ALUSTA S.A.	Member of the Supervisory Board	Yes
	SWGK Podatki Sp. z o.o.	Member of the Management Board	Yes
	SWGK KSIĘGOWOŚĆ Sp. z o.o.	Member of the Management Board	Yes
	YOUNG BUSINESS KANCELARIA PODATKOWA Sp. z o.o.	Member of the Management Board	Yes
	SWGK Podatki Sp. z o.o.	Member of the Management Board	Yes
	SWGK Legal Sp. z o.o.	Member of the Management Board	Yes
	SWGK Consulting Sp. z o.o.	President of the Management Board	No
	SARNOWSKI & WIŚNIEWSKI MARKETING Sp. z o.o.	Member of the Management Board	Yes
	BUSINESS RELATIONS INSTITUTE Sp. z o.o.	Member of the Management Board	Yes
	SWGK IT Sp. z o.o.	Member of the Management Board	Yes
	DMP Inwestycje Sp. z o.o.	Member of the Management Board	Yes
	SWGK Audyt Sp. z o.o.	Member of the Management Board	No
Piotr Wawrzynowicz	Fabryka Elektrofiltrów ELWO S.A. w upadłości likwidacyjnej (in liquidation bankruptcy)	Member of the Supervisory Board	Yes
	RAFAKO Engineering*	Member of the Supervisory Board	No
	PGL DOM Sp. z o.o.*	Member of the Supervisory Board	No
	FPM	Member of the Supervisory Board	No
	GASTAL S.A.	Member of the Supervisory Board	No
	Elektrim Volt S.A.	Member of the Supervisory Board	No
	Energia Nova S.A. w upadłości likwidacyjnej (in liquidation bankruptcy)	Member of the Management Board	No
	Megadex Serwis Sp. z o.o.	Member of the Supervisory Board	No
	Polnord S.A.	Member of the Supervisory Board	No
	Exact Systems Sp. z o.o.	Member of the Supervisory Board	Yes
	Polkomtel Business Development Sp. z o.o.	Member of the Management Board	No
	Elektrociepłownia Biogazownia Zielona Energia Sp. z o.o.	Shareholder	Yes
	Agencja Reklamowa United Media Corporation Dorota Wawrzynowicz	Shareholder	Yes
	Centrum Doradztwa Społecznego	Owner	Yes
Dariusz Szymański	Apartamenty Poznańskie Spółka z o.o.	President of the Management Board	No
	Apartamenty Poznańskie Spółka z o.o.	Shareholder	Yes

First name and surname	Company	Position held	Was the position held as at the Prospectus Date?
	Avelar Spółka z o.o.	President of the Management Board	No
	Avelar Spółka z o.o.	Shareholder	Yes
	Awdar Spółka z o.o.	Shareholder	No
	Bonartis Spółka z o.o.	Shareholder	Yes
	Colima Spółka z o.o.	President of the Management Board	No
	Colima Spółka z o.o.	Shareholder	Yes
	Domdar Spółka z o.o.	President of the Management Board	No
	Domdar Spółka z o.o.	Shareholder	Yes
	Domus S.A.	Member of the Supervisory Board	Yes
	Domus S.A.	President of the Management Board	No
	Energia Wiatrowa.Pl Spółka z o.o.	Shareholder	Yes
	Jastarport Spółka z o.o.	President of the Management Board	No
	Jastarport Spółka z o.o.	Shareholder	Yes
	Kalinia Spółka z o.o. w likwidacji (in liquidation)	Shareholder	Yes
	Kancelaria Radców Prawnych Andrzej Wilczyński i Wspólnicy Spółka Komandytowa	Limited partner	Yes
	Landus S.A.	Member of the Supervisory Board	Yes
	Mierzeja Development Sp. z o.o.	President of the Management Board	No
	Mierzeja Development Sp. z o.o.	Shareholder	Yes
	Pomerania Development Spółka z o.o.	President of the Management Board	No
	Pomerania Development Spółka z o.o.	Shareholder	Yes
	Skoczyński Wachowiak Strykowski Kancelaria Prawna Spółka Komandytowa	Limited partner	No
	Słowian Invest Spółka z o.o.	President of the Management Board	No
	Słowian Invest Spółka z o.o.	Shareholder	Yes
	Tacamo Spółka z o.o.	President of the Management Board	No
	Tacamo Spółka z o.o.	Shareholder	Yes
	Tambora Spółka z o.o.	President of the Management Board	No
	Tambora Spółka z o.o.	Shareholder	Yes
	Kancelaria Radcy Prawnego Dariusz Szymański – legal counsel	Shareholder	Yes
Małgorzata Wiśniewska	MJW Patrimonium Sp. z o.o.	Shareholder	Yes
	Hydrobudowa Polska	Member of the Supervisory Board**	Yes
	GAS OIL Engineering A.S.	Member of the Supervisory Board	No
	KRI S.A. (currently DUON DYSTRYBUCJA S.A.)	Member of the Supervisory Board	No
	PBG	Member of the Supervisory Board	Yes
	APRIVIA S.A. (w upadłości likwidacyjnej) (in liquidation bankruptcy)	Member of the Supervisory Board	Yes
	HYDROBUDOWA 9 S.A.	Member of the Supervisory Board	No

First name and surname	Company	Position held	Was the position held as at the Prospectus Date?
Przemysław Schmidt	PBG Dom Sp. z o.o.	Member of the Supervisory Board	Yes
	INFRA S.A. w upadłości układowej (in company voluntary arrangement)	President of the Management Board	No
	PBG AVATIA Sp. z o.o. (w upadłości układowej) (in company voluntary arrangement)	Member of the Supervisory Board***	Yes
	PBG Oil and Gas Sp. z o.o.	Member of the Supervisory Board	Yes
	PBG Erigo Sp. z o.o.	Member of the Supervisory Board	Yes
	City Development Sp. z o.o.	Member of the Supervisory Board	No
	Poznańskie Stowarzyszenie Oświatowe	President of the Management Board	Yes
	PBG Foundation	President of the Management Board	Yes
	Trigon Dom Maklerski S.A.	Chairman of the Supervisory Board	No
	Trigon TFI S.A.	Member of the Supervisory Board	No
	Trigon Investment Banking Sp. z o.o.	Member of the Supervisory Board	No
	Bondtrust Polskie Towarzystwo Powiernicze S.A.	President of the Management Board	No
	Ibanq S.A. w likwidacji (in liquidation)	Member of the Management Board	No
	3 GON Polska Sp. z o.o.	Member of the Management Board	No
	3 GON Polska Sp. z o.o.	Shareholder	Yes
	3 GON Europe Sp. z o.o.	Member of the Management Board	No
	3 GON Europe Sp. z o.o.	Shareholder	Yes
	3 GON Europe Sp. z o.o. & Wspólnicy Sp. K.	General partner	Yes
	Sygnity S.A.	Member of the Supervisory Board	No
	AWR Wprost Sp. z o.o.	Member of the Supervisory Board	No
	Comanche Investments Sp. z o.o.	Member of the Supervisory Board	No
	Comanche Investments Sp. z o.o.	Shareholder	Yes
	Czerwona Torebka S.A.	Member of the Supervisory Board	No
	Sferia S.A.	Chairman of the Supervisory Board	No
	Polskie Inwestycje Rozwojowe S.A.	Member of the Supervisory Board	No
	Pekaes S.A.	Deputy Chairman of the Supervisory Board	Yes
	Pętkiewicz Schmidt Sykulski S.K.A.	General partner	Yes
	Nomad Management GmbH SKA	Member of the Supervisory Board	No
	AmRest Holdings SE	Member of the Supervisory Board	No
	Hyperion S.A.	Member of the Supervisory Board	Yes
	Private Equity Managers S.A.	Member of the Supervisory Board	Yes
	Fundacja Wspólna Droga	Deputy Chairman of the Supervisory Board	Yes
	Fundacja Świat Idei	Member of the Supervisory Board	Yes
Adam Szyszka	Biznes i Nauka Sp. z o.o.	Shareholder	Yes
ATI Real Estate Sp. z o.o.	Shareholder	Yes	
Kupiec Poznański S.A.	Shareholder	Yes	
AT Invest Sp. z o.o.	Shareholder	Yes	
AT Invest Sp. z o.o.	President of the Management Board	Yes	
Eko-developer Sp. z o.o.	Shareholder	Yes	
SpeedUp Innovation Sp. z o.o. s.k.a.	Shareholder	Yes	
Swiss Bakery Sp. z o.o.	Shareholder	Yes	

First name and surname	Company	Position held	Was the position held as at the Prospectus Date?
	Pani Teresa Medica S.A.	Deputy Chairman of the Supervisory Board	Yes
	SpeedUp Innovation Sp. z o.o. s.k.a.	President of the Management Board	Yes

Source: Representations of the Supervisory Board members.

* Group Companies.

** From November 30th 2012 to December 6th 2013 she was delegated to perform the duties of a Management Board member.

*** From January 9th 2015 to April 9th 2015 she was delegated to perform the duties of President of the Management Board.

Other information about members of the Management Board and the Supervisory Board

Shareholder of a public company holding more than 1% of the total vote at its general meeting;

As at the Prospectus Date, Mr Jerzy Wiśniewski held 3,881,224 PBG shares (for more information, see *Major shareholders – Control of the Company – Indirect control of the Company*) and is also a shareholder of Multaros, a subsidiary of PBG, holding the Shares. Consequently, PBG holds 61.01% of the Shares.

Thus Mr Jerzy Wiśniewski may directly influence the Company and the Group Companies.

Activity outside the Company and Subsidiaries which may be of material importance to the Company or Subsidiaries

As at the Prospectus Date, Mrs Małgorzata Wiśniewska, Mr Jerzy Wiśniewski and Mr Dariusz Sarnowski held positions on the management and supervisory bodies of PBG. Mr Jerzy Wiśniewski and Mr Tomasz Tomczak (who was also Vice-President of the PBG Management Board in 2005–2014) are shareholders in PBG, the Company's Parent, which is subject to bankruptcy proceedings (for more information, see *Overview of the Group's business – Court, administrative and arbitration proceedings – PBG arrangement bankruptcy proceedings*). Given the ineffectiveness of the agreement on PBG's disposal of the shares in ENERGOMONTAŻ-POLUDNIE to RAFAKO S.A., the Company has a claim for the return of the price paid for the shares (for a more detailed description, see *Overview of the Group's business – Court, administrative and arbitration proceedings – PBG arrangement bankruptcy proceedings* and *Risk Factors – Risks specific to the Group – PBG and Hydrobudowa Polska may fail to repay the Company's claims in full or in part*). The claim has been acknowledged and entered in the list of claims against PBG in the nominal amount of PLN 160.1m.

As at the Prospectus date and in the period covered by the historical financial information, Mrs Małgorzata Wiśniewska, Mr Jerzy Wiśniewski, Mr Dariusz Sarnowski, Mr Tomasz Tomczak, Mr Edward Kasprzak and Mr Jarosław Dusiło held positions on the management and supervisory bodies of companies which have provided services to the Group Companies or used services provided by the Group Companies, participated in joint projects with the Group Companies and concluded loan agreements with the Group Companies. For detailed information, see *Positions held by the members of the Management Board at other companies* and *Positions held by Supervisory Board members at other companies*.

In 2007–2014, Ms Agnieszka Wasilewska-Semail worked for PKO Bank Polski S.A. as Head of Transaction Banking Division and Head of Corporate Banking Division. Her responsibilities included managing the relations with the Company and preparation of financing structures for the execution of the Group's projects. In 2011–2014, she also sat on the Supervisory Board of PKO BP Leasing S.A., which provided leasing services to the Company.

Public prosecution and sanctions

From January 1st 2012 to December 31st 2014, disciplinary proceedings were pending against Mr Dariusz Sarnowski, charged with a violation of professional standards under the Act on Qualified Auditors. The proceedings concluded with a final decision. Dariusz Sarnowski voluntarily submitted to reprimand. As at the Prospectus Date, the reprimand had not been erased from the register.

Administrative, management and supervisory positions held in companies in liquidation

Over the last five years the following members of the Management and Supervisory Boards have held administrative, management and supervisory positions in liquidation:

- As at the Prospectus Date, Mr Jerzy Wiśniewski was President of the Management Board of PBG, Mrs Małgorzata Wiśniewska was member of the PBG Supervisory Board, and in 2005-2014 Mr Tomasz Tomczak was Vice-President of the Management Board of PBG, the Company's Parent, subject to pending bankruptcy proceedings. The PBG bankruptcy proceedings are described in *Overview of the Group's business – Court, administrative and arbitration proceedings – PBG*

arrangement bankruptcy proceedings.

- Mr Jarosław Dusiło (in 2008–2012) and Mr Edward Kasprzak (in 2007– 2011) were Vice-Presidents of the Management Board of Hydrobudowa Polska, a PBG Group company, and as at the Prospectus Date Mrs Małgorzata Wiśniewska was member of the Supervisory Board of Hydrobudowa Polska. On June 11th 2012, Hydrobudowa Polska was declared insolvent in arrangement bankruptcy. On September 13th 2012, the District Court for Poznań-Stare Miasto of Poznań, 11th Commercial Insolvency and Arrangement Division declared Hydrobudowa Polska bankrupt by liquidation.
- As at the Prospectus Date, Mrs Małgorzata Wiśniewska was the Supervisory Board member delegated to act as President of the Management Board of PBG AVATIA sp. z o.o., a PBG Group company. On October 29th 2012, PBG AVATIA sp. z o.o. was declared insolvent in voluntary arrangement. On April 2nd 2014, the District Court for Poznań-Stare Miasto of Poznań, 11th Commercial Insolvency and Arrangement Division approved the arrangement between PBG and its creditors, and on May 26th 2014 a decision to close the bankruptcy proceedings was issued.
- As at the Prospectus Date, Mrs Małgorzata Wiśniewska was member of the Supervisory Board of APRIVIA S.A., a PBG Group company. On July 27th 2012, the District Court for Poznań-Stare Miasto of Poznań, 11th Commercial Insolvency and Arrangement Division declared APRIVIA S.A. bankrupt by liquidation.
- In 2008–2010, Mr Jerzy Wiśniewski was a commercial proxy, in 2007–2010 Mr Jarosław Dusiło was member of the Supervisory Board and in 2008–2010 Mrs Małgorzata Wiśniewska was President of the Management Board of INFRA S.A., a PBG Group company. On October 8th 2014, the District Court for Poznań-Stare Miasto of Poznań, 11th Commercial Insolvency and Arrangement Division, declared INFRA S.A. insolvent in voluntary arrangement.
- As at the Prospectus Date, Mr Tomasz Tomczak was member of the Supervisory Board of ENERGOMONTAŻ POŁUDNIE, a PBG Group company. On January 18th 2013, the District Court for Katowice-Wschód opened arrangement bankruptcy proceedings against ENERGOMONTAŻ POŁUDNIE. On August 28th 2013, that company was declared bankrupt by liquidation. The Management Board of ENERGOMONTAŻ POŁUDNIE submitted a petition for initiating bankruptcy proceedings after that company had lost liquidity as it had been unable to pay the amount defined in sureties issued in connection with PBG bonds.
- As at the Prospectus Date, Mr Tomasz Tomczak was Chairman of the Supervisory Board of PBG Technologia sp. z o.o., a PBG Group company. On November 6th 2012, the District Court for Poznań-Stare Miasto of Poznań, 11th Commercial Insolvency and Arrangement Division declared PBG Technologia sp. z o.o. bankrupt by liquidation. The Management Board of PBG Technologia sp. z o.o. submitted a petition for initiating bankruptcy proceedings after the company had lost liquidity as it had been unable to pay the amount defined in sureties issued in connection with PBG bonds.
- As at the Prospectus Date, Mr Piotr Wawrzynowicz was member of the Supervisory Board of Fabryka Elektrofiltrów ELWO S.A., a Subsidiary. On February 26th 2009, the District Court for Katowice-Wschód of Katowice, 10th Commercial Division, declared that company's bankruptcy by liquidation of its assets.
- In 2011–2012, Mr Piotr Wawrzynowicz was member of the Management Board of ENERGIA NOVA S.A. On February 8th 2014, the General Meeting of the company resolved to dissolve and liquidate the company, and on February 28th 2014 liquidation proceedings were initiated against the company.
- As at the Prospectus Date, Mr Dariusz Sarnowski is entered in the National Court Register as member of the Supervisory Board of Swarzędz Meble S.A. On March 10th 2009, the Extraordinary General Meeting of the company resolved to dissolve and liquidate the company. On July 7th 2010, the District Court for Poznań-Stare Miasto of Poznań, 11th Commercial Insolvency and Arrangement Division, declared the bankruptcy of Swarzędz Meble S.A. by liquidation of its assets.
- As at the Prospectus Date, Mr Dariusz Szymański is a shareholder of Kalinia Spółka z o.o. That company was placed in liquidation under a notary deed of June 4th 2014.

Pursuant to the statements submitted by the members of the Management Board and Supervisory Board, save as described in this Prospectus (see also *Management and corporate governance – Management Board – Positions held by the members of the Management Board at other companies* and *Management and corporate governance*

– *Supervisory Board – Positions held by Supervisory Board members at other companies*), within the last five years members of the Management Board and Supervisory Board have not:

- performed any administrative, supervisory or management functions at any other company or held any important positions outside the Company which could be relevant to the Company;
- been a shareholder in any company or a partner in any partnership;
- been a shareholder in a public company with more than 1% of the total vote at its general meeting;
- conducted any activity outside the Company and Subsidiaries which could be relevant to the Company or Subsidiaries
- been convicted of fraud;
- been officially and publicly charged by any statutory or regulatory bodies (including recognised professional organisations) or subjected to any sanctions by a public authority or any other supervisory authority (including recognised professional organisations);
- been disqualified by a court from holding positions in administrative, management or supervisory bodies of any company or from performing managerial functions or conducting the affairs of any company;
- been a member of an administrative, management or supervisory body or a member of senior management at any entity placed under administration or subject to bankruptcy, liquidation or other similar proceedings before, during or after their term of office.

Family links

As at the Prospectus date, Mr Jerzy Wiśniewski, Chairman of the Supervisory Board, is the husband of Mrs Małgorzata Wiśniewska, who has been member of the Supervisory Board since 2011. No other family links exist between members of the Management Board and Supervisory Board.

Conflicts of interests

Pursuant to the statements submitted by the members of the Management Board and Supervisory Board, the following members of the Management Board and Supervisory Board have stated that due to the presented personal or capital links, facts or legal circumstances, to the best of a given member's knowledge, a conflict of interests involving such member occurs:

Małgorzata Wiśniewska

A potential conflict of interests involving Mrs Małgorzata Wiśniewska is due to the fact that:

- As at the Prospectus Date, she was member of the Supervisory Boards of PBG Dom sp. z o.o., Hydrobudowa Polska, PBG AVATIA sp. z o.o. w upadłości układowej (in company voluntary arrangement) and PBG Oil and Gas sp. z o.o., and President of the Management Board of the PBG Foundation; in 2008–2013 she was member of the Supervisory Board of GasOil Engineering a.s. These entities have been providing services to and using the services of the Group Companies, participating in joint projects with the Group Companies, advanced loans to the Group Companies (see *Risk Factors – Risks specific to the Group – PBG and Hydrobudowa Polska may fail to repay the Company's claims in full or in part*) and received loans from the Group Companies;
- As at the Prospectus Date, she is the wife of Mr Jerzy Wiśniewski, Chairman of the Company's Supervisory Board, having significant influence over the Company.
- As at the Prospectus Date, she was member of the Supervisory Board of PBG. The conflict of interests arises due to a personal link with the Company resulting from the position held by Mrs Wiśniewska in PBG, which is the Company's Parent and thus has direct control of the Company. Thus, to the extent permitted by law, Mrs Małgorzata Wiśniewska is able to influence PBG's decisions relating to the Company, which has equity links with PBG.

Jerzy Wiśniewski

A potential conflict of interests involving Mr Jerzy Wiśniewski is due to the fact that:

- As at the Prospectus Date, he was member of the Supervisory Board of PBG Dom sp. z o.o. and President of the Management Board of PBG Oil and Gas sp. z o.o. In 2011–2014, he was member of the Supervisory Board of EGBP MANAGEMENT sp. z o.o. These entities have been providing services to and using the services of the Group Companies, participating in joint projects with the Group Companies, advancing loans to and receiving loans from the Group Companies;

- As at the Prospectus Date, he was the husband of Mrs Małgorzata Wiśniewska, member of the Company's Supervisory Board;
- As at the Prospectus Date, he had personal links with the Company as a shareholder in and President of the Management Board of PBG, which is the Company's Parent and thus has a direct control of the Company. Thus, to the extent permitted by law, Mr Jerzy Wiśniewski is able to influence PBG's decisions relating to the Company, which has equity links with PBG.

Dariusz Sarnowski

A potential conflict of interests involving Mr Dariusz Sarnowski is due to the fact that as at the Prospectus Date he was member of the Supervisory Board of PBG. The conflict of interests arises due to a personal link with the Company resulting from the position held by Mr Sarnowski in PBG, which is the Company's Parent and thus has direct control of the Company. Thus, to the extent permitted by law, Mr Dariusz Sarnowski is able to influence PBG's decisions relating to the Company, which has equity links with PBG.

Tomasz Tomczak

A potential conflict of interests involving Mr Tomasz Tomczak is due to the fact that in 2012–2014 he was member of the Management Board of PBG Oil and Gas sp. z o.o., an entity which provided services to the Company. In 2005–2014, he was also Vice-President of the Management Board of PBG. The conflict of interests arises due to a personal link with the Company resulting from the position held by Mr Tomczak in PBG, which is the Company's Parent and thus has direct control of the Company. Thus, to the extent permitted by law, Mr Tomasz Tomczak was able to influence PBG's decisions relating to the Company, which has equity links with PBG.

Jarosław Dusiło

A potential conflict of interests involving Mr Jarosław Dusiło is due to the fact that in 2008–2012 he was Vice-President of the Management Board of Hydrobudowa Polska. In 2012, the Company advanced a loan to Hydrobudowa Polska (see *Risk Factors – Risks specific to the Group – PBG and Hydrobudowa Polska may fail to repay the Company's claims in full or in part*).

Edward Kasprzak

A potential conflict of interests involving Mr Edward Kasprzak is due to the fact that in 2007–2011 he was Vice-President of the Management Board of Hydrobudowa Polska and then, until 2012, he was Management Board's proxy at that company. In 2012, the Company advanced a loan to Hydrobudowa Polska (see *Risk Factors – Risks specific to the Group – PBG and Hydrobudowa Polska may fail to repay the Company's claims in full or in part*).

According to the statements submitted by the Management Board and the Supervisory Board members, save as presented above, with respect to the Management and Supervisory Board members, neither actual nor potential conflicts of interests exist between their private interests and their duties or obligations toward the Company.

Agreements and arrangements on appointment of Management Board and Supervisory Board members with major shareholders, customers, suppliers and other parties

According to the statements submitted by the Management Board and Supervisory Board members, no agreements or arrangements on appointment of Management or Supervisory Board members with major shareholders (see *Management and corporate governance- Major shareholders*), customers, suppliers or other parties exist or the Management Board and Supervisory Board members are not aware of any such arrangements.

Participation of the Management and Supervisory Board members in the Offering

As at the Prospectus date, Mr Jerzy Wiśniewski had not decided whether he would participate in the Offering.

To the extent required by applicable laws, the Company will announce Mr Jerzy Wiśniewski's decision concerning his participation in the Offering in the form of a supplement to this Prospectus, after it has been approved by the PFSA.

As at the Prospectus Date, Mr Adam Szyszka, Mr Piotr Wawrzynowicz, Ms Agnieszka Wasilewska-Semail, Mr Edward Kasprzak, Mr Jarosław Dusiło, Mr Krzysztof Burek, Mr Tomasz Tomczak and Mr Dariusz Sarnowski had not decided whether they would participate in the Offering, and the members of the Management Board and the other members of the Supervisory Board did not intend to participate in the Offering.

To the extent required by applicable laws, the Company will announce any decision made by the persons referred to above and concerning their participation in the Offering or intention to place a subscription order covering at least 5% of the Offer Shares, in the form of a supplement to this Prospectus after it has been approved by the PFSA.

Additionally, given the fact that these persons perform functions in the Company's governing bodies, the information on their transactions in Shares will be published in accordance with the applicable laws, including Art. 160 of the Act on Trading in Financial Instruments.

Shares or Allotment Certificates held by members of the Management and Supervisory Boards

As at the Prospectus Date, Mr Edward Kasprzak held 2,000 Shares.

With the exception of Mr Kasprzak, no other member of the Management Board or Supervisory Board held any Existing Shares, Allotment Certificates or Offer Shares as at the Prospectus Date.

There are no other restrictions agreed by the Management or Supervisory Board members as regards disposal of the Company shares held by them in a specified period.

Remuneration and terms of employment contracts and other contracts executed with the Management and Supervisory Board members

Remuneration, rules of remuneration and terms of employment of the Management Board members

The table below presents the amounts of remuneration received by the Management Board members from the Company and its Subsidiaries for 2014.

First name and surname	Remuneration from the Company		Remuneration from the Subsidiaries	
	Base pay	Additional remuneration	Base pay	Additional remuneration
	<i>(PLN '000)</i>			
Agnieszka Wasilewska-Semail	226	3	71	-
Jarosław Dusiło	542	240	241	-
Krzysztof Burek	542	192	115	-
Tomasz Tomczak	380	30	200**	-
Edward Kasprzak	542	199	349**	-
Maciej Modrowski*	234	339	20	-
Paweł Mortas*	438	867	112	-

Source: the Company.

* In 2014, Paweł Mortas was President of the Management Board until September 8th 2014 and Maciej Modrowski was Member of the Management Board until June 25th 2014.

** The amount comprises remuneration paid by FPM (see Material agreements executed outside the Group's ordinary course of business – sale of shares in FPM), where Tomasz Tomczak and Edward Kasprzak served as Members of the Supervisory Board.

The aggregate amount of remuneration received by the above Management Board members for 2014 was PLN 5.9m. The amount of remuneration (discussed in detail below) comprises the base pay paid under managerial contracts by (i) the Company, (ii) the Subsidiaries, (iii) additional remuneration in the form of an annual bonus (up to 40% of annual remuneration), and (iv) non-cash benefits. The total value of non-cash benefits received by the Management Board members in 2014 was PLN 51,400 and comprised: (i) cost of company apartment – PLN 13,000, (ii) reimbursement of the cost of using a private car for business purposes – PLN 18,000, and (iii) cost of a third-party liability insurance policy – PLN 20,400.

The Management Board members are covered by D&O liability insurance (see *Overview of the Group's business – Insurance*). Other than the benefits described in this Section, as at the Prospectus Date there were no contingent or deferred benefits payable to the members of the Management Board by the Company or the Subsidiaries.

The table below presents information on contracts between the Management Board members and the Company, under which the Management Board members perform their duties.

First name and surname	Type of contract	Contract date	Term of contract
Agnieszka Wasilewska-Semail.....	managerial contract	September 9th 2014	indefinite term
Krzysztof Burek.....	managerial contract	June 25th 2014	indefinite term
Jarosław Dusiło.....	managerial contract	June 25th 2014	indefinite term
.....	managerial contract	June 25th 2014	indefinite term
Tomasz Tomczak.....	managerial contract	June 25th 2014	indefinite term

Source: the Company.

The managerial contracts with the Management Board members were signed by Jerzy Wiśniewski, the then-Chairman of the Supervisory Board. The contracts are made for an indefinite term and terminate when a Management Board member loses the mandate (e.g. when a member is removed from office or is not reappointed for another term of office). A managerial contract may be terminated by the Management Board members on three months' notice. If the contract is terminated, the Management Board members are entitled to a severance pay equal to their six months' remuneration.

Under the managerial contracts, the Management Board members receive a monthly remuneration of PLN 50 thousand, and in the case of the President of the Management Board – PLN 60 thousand. Furthermore, all Management Board members are entitled to an annual bonus of up to 40% of their annual remuneration, which is granted by the Supervisory Board. The final decision on the payment and amount of the bonus is made by the Supervisory Board. The Company also covers the costs of the Management Board members' business travel and accommodation related to the performance of their duties at the Company. Additionally, the Management Board members can use company cars, mobile telephones and IT equipment, and the cost of their use for business purposes is covered by the Company. Management Board members are also entitled to company apartments. The Company provides health insurance to the Management Board members.

The managerial contracts with the Management Board members contain non-compete clauses effective for the duration of the contracts, including a ban on conducting business activity on their own account without the consent of the Supervisory Board. The non-compete clause is binding on the President and Vice-Presidents of the Management Board for six months from mandate expiry. Within the effective term of the non-compete clause upon expiry of the terms of office, the Company pays a monthly remuneration equal to 50% of the base salary that the Management Board member received during the term of service on the Management Board.

Amounts and rules of remuneration of the Supervisory Board members

Rules of remuneration of the Supervisory Board members were determined by Extraordinary General Meeting's resolution of November 21st 2011. For serving on the Supervisory Board, the Chairman of the Supervisory Board receives monthly remuneration of PLN 20 thousand, Deputy Chairman of the Supervisory Board – PLN 19 thousand, Secretary of the Supervisory Board – PLN 12 thousand, and Supervisory Board members – PLN 9 thousand. Supervisory Board members delegated to independently perform certain supervisory functions receive additional remuneration, defined by resolution of the Supervisory Board. In 2014, the remuneration for members delegated to independently perform supervisory functions covered the following activities:

- supervisory activities performed by Jerzy Wiśniewski with respect to bids and contracts related to tenders for key investment projects, corporate governance, corporate actions, company organisation and HR policy concerning key positions – PLN 50 thousand per month. The delegation covers the years 2014–2015;
- supervisory activities performed by Piotr Wawrzynowicz with respect to the Finance Division's tasks within the organisational structure, the process of obtaining insurance guarantees and developing and implementing an insurance policy, obtaining bank guarantees and other guarantees in order to participate in public and non-public procurement procedures, and implementation of investments – PLN 30 thousand per month. The delegation covers the years 2014–2015;
- supervisory activities performed by Przemysław Schmidt with respect to the Offer Shares issue, involving consultations and meetings with the Company advisers and analyses related to the Offering – PLN 20 thousand per month. The delegation covers the period from May 6th 2014 to April 30th 2015;
- supervisory activities performed by Dariusz Sarnowski with respect to the Offer Shares issue, involving consultations and meetings with the Company advisers and analyses related to the Offering – PLN 30 thousand per month. The delegation covers the period from July 1st 2014 to April 30th 2015.

The table below presents the remuneration received by the Supervisory Board members from the Company for 2014.

First name and surname	Remuneration from the Company	
	<i>(PLN '000)</i>	
Jerzy Wiśniewski		836
Piotr Wawrzynowicz		504
Edyta Senger-Kałat**		108
Dariusz Sarnowski		326
Przemysław Schmidt		265
Małgorzata Wiśniewska		108
Adam Szyszka		56
Agenor Gawrzyła*		
Dariusz Szymański***		147

Source: the Company.

* Until June 24th 2014, Agenor Gawrzyła sat on the Supervisory Board, serving as its Chairman until May 6th 2014 and as Deputy Chairman until June 24th 2014.

** Edyta Senger-Kałat was Member of the Supervisory Board until June 18th 2015.

*** Dariusz Szymański was appointed Member of the Supervisory Board on June 18th 2015.

The aggregate amount of remuneration received by the Supervisory Board members from the Company for 2014 was PLN 2.4m. The amount of remuneration (discussed in detail below) comprises the base pay, (ii) remuneration for members delegated to independently perform supervisory functions, and (iii) non-cash benefits. The total value of non-cash benefits received by the Supervisory Board members in 2014 was PLN 32,200 and comprised the cost of a third-party liability insurance policy.

The Supervisory Board members are covered by D&O liability insurance (see *Overview of the Group's business – Insurance*).

As at the Prospectus Date, there were no contingent or deferred benefits payable to the members of the Supervisory Board by the Company or the Subsidiaries.

Corporate governance and the Code of Best Practice for WSE Listed Companies

In accordance with the WSE Rules, companies listed on the main market of the WSE should apply the corporate governance principles stipulated in the Code of Best Practice for WSE Listed Companies. The Code of Best Practice for WSE Listed Companies is a set of recommendations and principles of conduct applicable, in particular, to governing bodies and shareholders of listed companies. The WSE Rules and the resolutions of the WSE Management Board and Supervisory Board specify the method of provision, by listed companies, of information on their implementation of corporate governance rules and the scope of the related information to be submitted. If a specific principle is not permanently applied by a listed company or there has been an isolated case of non-compliance, the listed company is required to publish information on this fact in a current report. A listed company is also required to annex to its annual report a report on the scope of application of the Code of Best Practice for WSE Listed Companies in a given financial year.

The Company seeks to ensure transparency of its activities, quality of its communication with investors, protection of its shareholders' rights, including in areas not regulated by legislation. Therefore, the Company has taken or will take certain steps to ensure as full observance of the Code of Best Practice for WSE Listed Companies as possible.

The Management Board intends to apply all corporate governance principles as stipulated in the Code of Best Practice for WSE Listed Companies, with the following exceptions:

- Section I of the Code of Best Practice for WSE Listed Companies:

Recommendation 12

The Company did not broadcast the proceedings of its General Meeting. In the Management Board's opinion, the publication of all resolutions passed by the General Meeting on the Company's website and on publicly accessible websites, such as www.gpwinfostrefa.pl/, ensures broad access to information and adequate communication with the Shareholders. However, the Company does not rule out implementation of this rule in the future.

- Section II of the Code of Best Practice for WSE Listed Companies:

Recommendation 1.7)

Shareholders' questions and answers given by the Management Board members attending the General Meeting are recorded by a notary public in the book of minutes, available on request.

Recommendation 1.9a)

After each General Meeting, the Management Board will announce that the General Meeting was audio- or video-recorded and that the recording is available on the Company's website.

Recommendation 1.11)

The Company has in place a procedure for obtaining information from Supervisory Board members on any relationship of a member of the Supervisory Board with a shareholder who holds shares representing not less than 5% of total voting rights at the Company's General Meeting. The information so obtained is available on request at the Company's registered office.

Recommendation 2

The Company does not operate an English-language website due to high costs involved. Since January 21st 2009, the Company has published on line selected corporate documents and materials in English, but their list is not as extensive as that recommended by Rule II.2.

- Section III of the Code of Best Practice for WSE Listed Companies:

Recommendation 8

On December 18th 2008, the Supervisory Board passed a resolution appointing an Audit Committee, which operates in accordance with the Rules of Procedure approved by the Supervisory Board and the applicable legal regulations. The Supervisory Board has not appointed a Remuneration Committee or a Nominations Committee.

- Section IV of the Code of Best Practice for WSE Listed Companies:

Recommendation 10

Shareholders may attend General Meetings via electronic means of communication. However, decisions regarding the use of electronic means of communication during a General Meeting and relevant rules are made in each case by the Management Board, and announced in the notice of the General Meeting.

MAJOR SHAREHOLDERS

Major shareholders

Given the fact that the Company is a public company, whose Existing Shares are traded on the WSE's main market, the Company does not have detailed information on its shareholding structure as at the Prospectus Date. Below is presented information on the shareholding structure based on notifications submitted by the Company's major shareholders under Art. 69 of the Public Offering Act or under other applicable laws. Based on the notifications, major shareholders holding 5% or more of the total voting rights at the General Meeting are as follows:

- Multaros, holding 34,800,001 Company shares, representing 50% + 1 share in the Company's share capital and conferring the right to 50% + 1 of total voting rights at the General Meeting (based on the Company's Current Report No. 16/2015 of June 19th 2015);
- PBG, holding 7,665,999 Company shares, representing 11.01% of the Company's share capital and conferring the right to 11.01% of total voting rights at the General Meeting (based on the Company's Current Report No. 16/2015 of June 19th 2015);
- Investment funds managed by ING Towarzystwo Funduszy Inwestycyjnych S.A., holding 3,508,403 Company shares, representing 5.04% of the Company's share capital and conferring the right to 5.04% of total voting rights at the General Meeting (based on the Company's Current Report No. 16/2015 of June 19th 2015).

Given the fact that Multaros is PBG's subsidiary, the Company is indirectly controlled by PBG, which holds, directly and indirectly, 42,466,000 Company shares, representing 61.01% of the Company's share capital and conferring the right to 61.01% of total voting rights at the General Meeting (see *Risk factors – PBG may lose control of the Company if PBG is placed in liquidation bankruptcy or if enforcement action is taken by creditors who are not included in the arrangement*).

All Existing Shares held by shareholders indicated above are ordinary shares, each of which entitles the holder to one vote at the General Meeting. Shareholders indicated above do not hold any other voting rights at the General Meeting.

As at the Prospectus Date, the Company was not aware of any of the major shareholders referred to above intending to participate in the Offering and thus acquire 5% of the Offer Shares.

Control of the Company

PBG's control of the Company

As at the Prospectus Date, the Company was directly controlled by Multaros. Given the fact that Multaros is a subsidiary of PBG, the Company is indirectly controlled by PBG, which holds (jointly with Multaros) Company shares conferring the right to 61.01% of total voting rights at the General Meeting.

Multaros and PBG exercise shareholder rights defined in particular in the Commercial Companies Code and the Articles of Association. Being entitled to a total of 61.01% of total voting rights at the General Meeting (including 11.01% held directly and 50% plus one share held indirectly, through Multaros), Multaros and PBG make decisions on all corporate matters falling within the powers of the General Meeting, such as amendments to the Articles of Association, issuance of new Company Shares, reduction of the Company's share capital, issuance of convertible bonds, dividend payment, appointment of Supervisory Board members, and other actions which, according to the Commercial Companies Code or the Articles of Association, require an ordinary or qualified majority of votes at the General Meeting.

The Articles of Association stipulate no provisions which would prevent, in particular, possible abuse of control by the majority shareholder of the Company.

The provisions of the Commercial Companies Code and the Public Offering Act which serve as the legal basis for protection of minority shareholders give, in particular, the following rights to minority shareholders: (i) the right to convene the General Meeting and submit requests to include specific matters in its agenda; (ii) the right to include specific matters in the agenda of the Meeting; (iii) the right to present draft resolutions concerning the matters included in the agenda of the General Meeting; (iv) the right to request that the Supervisory Board members be elected by block voting; (v) the right to appoint a special auditor; and (vi) the provision requiring that the most material resolutions of the General Meeting be adopted by qualified majority.

In addition to complying with the mandatory provisions of law, in terms of mechanisms which prevent abuse of control of the Company by major shareholders the Management Board intends to apply corporate governance principles stipulated in the Code of Best Practice for WSE Listed Companies (with exceptions as specified in

detail in section *Management and corporate governance – Corporate governance and the Code of Best Practice for WSE Listed Companies*) from the time of admission of the Offer Shares to trading on the main market of the WSE.

Indirect control of the Company

PBG shareholders are:

- Mr Jerzy Wiśniewski, holding 3,881,224 shares, including 3,735,054 Series A preference registered shares representing 27.15% of the company's share capital and 42.23% of total voting rights at the company's General Meeting (based on PBG's financial statements for 2014), and
- the other shareholders hold a total of 72.85% shares in the share capital and 57.77% of total voting rights at PBG's General Meeting.

Shareholding structure following the issue of Offer Shares

The table below sets forth the shareholding structure as at the Prospectus Date and the expected shareholding structure following the acquisition of all Offer Shares by investors.

	As at the Prospectus Date		After the Offer Shares issue*	
	Number of shares	% of votes at GM	Number of shares	% of votes at GM
PBG.....	7,665,999	11.01	7,665,999	9.03
Multaros.....	34,800,001	50% + 1 share	34,800,001	40.97
Investment Funds managed by ING Towarzystwo Funduszy Inwestycyjnych S.A.....	3,508,403	5.04	3,508,403	4.13
Other shareholders.....	23,625,597	33.95	38,957,595	45.87
Total	69,600,000	100.00	84,931,998	100.00

Source: The Company.

* Assuming that all Offer Shares are offered and acquired by Investors in the Offering.

RELATED-PARTY TRANSACTIONS

The Company has concluded and intends to conclude transactions with related parties, as defined in IAS 24 – *Related Party Disclosures* (Appendix to Commission Regulation (EC) No 1126/2008 of 3 November 2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council).

The Company concludes the following related-party transactions:

- transactions between the Company and its subsidiaries (such transactions are subject to intra-Group elimination under Section 4 of IAS 24 and are not disclosed in the Consolidated Financial Statements; nevertheless, information on such transactions is provided below);
- transactions between the Company and its Parent;
- transactions between the Company and the other members of the Parent’s Group;
- transactions with parties related through members of the Company’s governing bodies; and
- transactions with members of the Company’s governing bodies.

Save as described below, in the period from January 1st 2012 to March 31st 2015 and to the Prospectus Date, no other material transactions occurred between the Company and its related parties as defined in IAS 24.

In the Company’s opinion, the terms of its related-party transactions do not differ from market terms.

Given the financial reporting and controlling systems implemented at the Group, this section presents the most recent (with respect to the Prospectus Date) available data, that is data as at March 31st 2015 or May 31st 2015 with respect to transactions with members of the Company’s governing bodies. In the opinion of the Company, the data does not differ materially from the data as at the Prospectus Date.

In the period from March 31st 2015 to the Prospectus Date, no related-party transactions were concluded other than on an arm’s length basis or in accordance with the same terms as the terms of earlier transactions. After March 31st 2015 (or May 31st 2015 in the case of transactions with members of the Company’s governing bodies), the Company did not conclude any related-party transactions other than standard related-party transactions. Further, between March 31st 2015 (or May 31st 2015, respectively, with respect to transactions with members of the Company’s governing bodies) and the Prospectus Date, no material related-party transactions were concluded other than in the course of the Company’s ordinary operating activities.

Transactions between the Company and its Subsidiaries

In the period covered by the Consolidated Financial Statements and until the Prospectus Date, the companies indicated below were included in the Group and were subject to Company’s control within the meaning of IAS 24. Hence they were the Company’s subsidiaries.

Information on transactions between the Company and its subsidiaries, as defined in IAS 24, is presented separately for each subsidiary. The information on the transactions concluded by the Company with a given subsidiary, presented in this Prospectus, was derived from the Company’s separate financial statements for the financial years ended on December 31st 2012, 2013 and 2014 and from the Company’s internal data. The presentation of such information reflects the classification of those transactions adopted for the purposes of the financial statements referred to above.

Transactions between the Company and PGL DOM

The table below presents information on the transactions between the Company and PGL DOM for the periods and as at the dates shown in the table.

	3 months ended Mar 31	Year ended Dec 31		
	2015	2014	2013	2012
	<i>(unaudited)</i>	<i>(audited)</i>		
		<i>(PLN '000)</i>		
Sales to a related party	-	-	-	-
Purchases from a related party	13	60	63	69
Receivables from a related party*	-	-	-	-
Liabilities to a related party*	1	23	23	2

	3 months ended	Year ended Dec 31		
	Mar 31			
	2015	2014	2013	2012
	<i>(unaudited)</i>	<i>(audited)</i>		
<i>(PLN '000)</i>				
Loans received.....	2,118	2,102	2,053	-
Interest expenses	16	75	113	-

Source: The Company.

* Discounted items.

The transactions concluded between the Company and PGL DOM in 2012–2014 and in the three months ended March 31st 2015 included in particular a loan of PLN 2m plus interest advanced to the Company and rental of flats used for the purposes of the Group’s operations. Between April 1st 2015 and the Prospectus Date, the Company did not conclude with PGL DOM any other transactions.

Transactions between the Company and RAFAKO Engineering

The table below presents information on the transactions between the Company and RAFAKO Engineering for the periods and as at the dates shown in the table.

	3 months ended	Year ended Dec 31		
	Mar 31			
	2015	2014	2013	2012
	<i>(unaudited)</i>	<i>(audited)</i>		
<i>(PLN '000)</i>				
Sales to a related party	13	40	35	167
Purchases from a related party	-	9,953	1,804	2,889
Receivables from a related party*	8	4	1	37
Liabilities to a related party*	26	903	1,137	18
Receivables under advanced notes.....	-	-	-	471
Interest income	-	-	7	25

Source: The Company.

* Discounted items.

The transactions concluded between the Company and RAFAKO Engineering in 2012–2014 and in the period from January 1st 2015 to the Prospectus Date primarily related to welding and assembly services, as well as purchases of materials for the contracts executed by the Company.

Transactions between the Company and RAFAKO Engineering Solution

The table below presents information on the transactions between the Company and RAFAKO Engineering Solution for the periods and as at the dates shown in the table.

	3 months ended	Year ended Dec 31		
	Mar 31			
	2015	2014	2013	2012
	<i>(unaudited)</i>	<i>(audited)</i>		
<i>(PLN '000)</i>				
Sales to a related party	-	-	186	5,960
Purchases from a related party	114	1,246	1,093	415
Receivables from a related party*	-	-	60	17
Liabilities to a related party*	264	170	568	41

Source: The Company.

* Discounted items.

The transactions concluded between the Company and RAFAKO Engineering Solution in 2012–2014 and in the period from January 1st 2015 to the Prospectus Date primarily related to designing services for the contracts performed on the Balkan markets.

Transactions between the Company and FPM

The table below presents information on the transactions between the Company and FPM for the periods and as at the dates shown in the table.

	3 months ended	Year ended Dec 31		
	Mar 31	2014	2013	2012
	2015*	(audited)		
	(unaudited)	(PLN '000)		
Sales to a related party	-	-	-	-
Purchases from a related party	-	3	19	712
Receivables from a related party**	-	-	-	-
Liabilities to a related party**	-	-	22	99
Dividends received.....	-	2,797	-	-

Source: The Company.

* On February 23rd 2015, an agreement was signed for the sale of FPM shares to TDJ. Following the Company's sale of FPM shares, FPM ceased to be the Company's related party within the meaning of IAS 24.

** Discounted items.

The transactions concluded between the Company and FPM in 2012–2014 and in the period from January 1st 2015 to the Prospectus Date included primarily the payment of dividend from the 2013 profit. As at March 31st 2015, FPM was classified as a group held for sale and as discontinued operations. On October 14th 2014, the Company and FPM concluded an agreement for the supply of a slag removal unit together with a slag hopper and equipment, as well as for the supply of mills and equipment with a total value of PLN 6.9m, to be executed by June 30th 2015. Save for this transaction, to be completed by June 30th 2015, by the Prospectus Date the Company had not concluded any transactions with FPM in view of the sale of the FPM Group.

On February 23rd 2015, an agreement was signed for the sale of FPM shares to TDJ. As at the Prospectus Date, the Company held no shares in FPM. No links existed between the Company or the members of the Company's Management Board and Supervisory Board, and TDJ or members of TDJ's governing bodies (see *Overview of the Group's business – Material agreements – Material agreements executed outside the Group's ordinary course of business – sale of shares in FPM*).

Transactions between the Company and RAFAKO Hungary

The table below presents information on the transactions between the Company and RAFAKO Hungary for the periods and as at the dates shown in the table.

	3 months ended	Year ended Dec 31		
	Mar 31	2014	2013	2012
	2015	(audited)		
	(unaudited)	(PLN '000)		
Sales to a related party	-	684	-	-
Purchases from a related party	-	-	-	-
Receivables from a related party*	-	14	-	-
Liabilities to a related party*	-	-	-	-

Source: The Company.

* Discounted items.

The transactions concluded between the Company and RAFAKO Hungary in 2012–2014 and in the period from January 1st 2015 to the Prospectus Date included primarily the sale of pressure equipment of steam generators to the Company's customers operating on the Hungarian market.

Transactions between the Company and ENERGOTECHNIKA ENGINEERING

The table below presents information on the transactions between the Company and ENERGOTECHNIKA ENGINEERING for the periods and as at the dates shown in the table.

	3 months ended Mar 31	Year ended Dec 31		
	2015	2014	2013	2012
	<i>(unaudited)</i>	<i>(audited)</i>		
		<i>(PLN '000)</i>		
Sales to a related party	12	48	32	-
Purchases from a related party	2,803	17,643	8,612	780
Receivables from a related party*	5	10	5	-
Liabilities to a related party*	2,942	5,300	1,702	242

Source: The Company.

* Discounted items.

The transactions concluded between the Company and ENERGOTECHNIKA ENGINEERING in 2012–2014 and in the period from January 1st 2015 to the Prospectus Date primarily related to designing services for the contracts executed by the Company.

Transactions between the Company and E001RK

The table below presents information on the transactions between the Company and E001RK for the periods and as at the dates shown in the table.

	3 months ended Mar 31	Year ended Dec 31		
	2015	2014	2013	2012**
	<i>(unaudited)</i>	<i>(audited)</i>		
		<i>(PLN '000)</i>		
Sales to a related party	2	6	-	-
Purchases from a related party	146	388	-	-
Receivables from a related party*	-	1	2	-
Liabilities to a related party*	60	61	-	-

Source: The Company.

* Discounted items.

** In 2012, no transactions were concluded between the Company and E001RK as E001RK was established in 2013 (and entered into the Register of Entrepreneurs of the National Court Register on October 9th 2013).

The transactions concluded between the Company and E001RK in 2012–2014 and in the period from January 1st 2015 to the Prospectus Date primarily involved coordinating the implementation of the Opole Project. The Company was obliged to provide the coordination services to the employer, PGE Opole.

Transactions between the Company and E003B7

The table below presents information on the transactions between the Company and E003B7 for the periods and as at the dates shown in the table.

	3 months ended Mar 31	Year ended Dec 31		
	2015	2014	2013	2012**
	<i>(unaudited)</i>	<i>(audited)</i>		
		<i>(PLN '000)</i>		
Sales to a related party	130	166	-	-
Purchases from a related party	-	-	-	-
Receivables from a related party*	1,950	1,788	1	-

	3 months ended	Year ended Dec 31		
	Mar 31	2014	2013	2012**
	2015			
	(unaudited)	(audited)		
		(PLN '000)		
Liabilities to a related party*	-	-	-	-

Source: The Company.

* Discounted items.

** In 2012, no transactions were concluded between the Company and E001RK as E001RK was established in 2013 (and entered into the Register of Entrepreneurs of the National Court Register on November 22nd 2013).

The transactions concluded between the Company and E003B7 in 2012–2014 and in the period from January 1st 2015 to the Prospectus Date primarily involved the provision of advisory services by the Company to E003B7, the subcontract concluded between the Company and E003B7 in connection with the Jaworzno Project, as well as support and system management services.

Transactions between the Company and ENERGMONTAŻ-POŁUDNIE

The table below presents information on the transactions between the Company and ENERGMONTAŻ-POŁUDNIE for the periods and as at the dates shown in the table.

	3 months ended	Year ended Dec 31		
	Mar 31	2014	2013	2012*
	2015			
	(unaudited)	(audited)		
		(PLN '000)		
Sales to a related party	-	-	5	62
Purchases from a related party	-	-	-	2,604
Receivables from a related party*	-	-	-	-
Liabilities to a related party*	-	-	-	999

Source: The Company.

* Discounted items.

The transactions concluded between the Company and ENERGMONTAŻ-POŁUDNIE in 2012–2014 and in the period from January 1st 2015 to the Prospectus Date primarily involved assembly services provided by ENERGMONTAŻ-POŁUDNIE under the contracts performed by the Company.

After the Court declared PBG insolvent in voluntary arrangement, on June 13th 2012 the acquisition of shares in ENERGMONTAŻ-POŁUDNIE was declared legally ineffective with respect to the PBG bankruptcy estate as of the date of the court's decision. Consequently, the Company returned the shares in ENERGMONTAŻ-POŁUDNIE to the PBG bankruptcy estate. This requirement arose by operation of law upon the declaration of PBG's insolvency. Considering the above and having analysed the legal opinions on the ineffectiveness of the acquisition of ENERGMONTAŻ-POŁUDNIE S.A. shares from PBG, the Management Board resolved to submit to the procedure involving the return of the ENERGMONTAŻ-POŁUDNIE shares (see *Related-party transactions – Transactions between the Company and its Parent – Agreement for the purchase of ENERGMONTAŻ-POŁUDNIE shares concluded on December 20th 2011 between the Company and PBG*). ENERGMONTAŻ-POŁUDNIE was the Company's subsidiary until June 30th 2013.

From June 30th 2013, when ENERGMONTAŻ-POŁUDNIE ceased to be RAFAKO's subsidiary, to March 31st 2015 ENERGMONTAŻ-POŁUDNIE was an entity related to the Company through Mr Tomasz Tomczak, Member of the Management Board and member of the Supervisory Board of ENERGMONTAŻ-POŁUDNIE from December 17th 2012 until the Prospectus Date.

Transactions between the Company and ENERGMONTAŻ-POŁUDNIE Katowice

The table below presents information on the transactions between the Company and ENERGMONTAŻ-POŁUDNIE Katowice for the periods and as at the dates shown in the table.

	Year ended Dec 31		
	2014	2013	2012
		(audited)	
	(PLN '000)		
Sales to a related party	-	522	-
Purchases from a related party	-	13,633	12,221
Receivables from a related party*	-	-	-
Liabilities to a related party*	-	-	228

Source: The Company.

* Discounted items.

The transactions concluded between the Company and ENERGMONTAŻ-POŁUDNIE Katowice in 2012–2014 primarily related to assembly services provided by ENERGMONTAŻ-POŁUDNIE Katowice under the contracts performed by the Company. ENERGMONTAŻ-POŁUDNIE Katowice was the Company's related party until June 30th 2013.

Transactions between the Company and its Parent

The table below presents information on the transactions between the Company and its Parent, PBG, for the periods and as at the dates shown in the table.

	Three months	Year ended Dec 31		
	ended Mar 31	2014	2013	2012
	2015	(audited)		
	(unaudited)	(PLN '000)		
Sales to the Parent	-	-	-	-
Purchases from the Parent	1	5,057	516	243
Receivables from the Parent*	35,025	33,344	33,261	118,274
Liabilities to the Parent*	774	-	129	22

Source: The Company.

* Discounted items.

The transactions concluded between the Company and PBG in 2012–2014 and in the period from January 1st 2015 to the Prospectus Date primarily related to the development of the Company's website, monitoring of websites, purchase of access to IT, as well as geological analyses and preparation of a draft budget and cash flows for the Jaworzno Project. Receivables from PBG were mainly the receivables claimed by the Company in the arrangement proceedings (see *Operating and financial review – Special factors with a bearing on the Group's operating and financial performance – Financial standing of the main owner of the Group's Parent*).

Agreement for the purchase of ENERGMONTAŻ-POŁUDNIE shares concluded on December 20th 2011 between the Company and PBG

On December 20th 2011, the Company and PBG, the Company's Parent, concluded an agreement under which the Company acquired shares in ENERGMONTAŻ-POŁUDNIE. Under the agreement, the Company acquired 46,021,520 ordinary shares in ENERGMONTAŻ-POŁUDNIE with a par value of PLN 1 per share and a total par value of PLN 46m. Following the transaction, ENERGMONTAŻ-POŁUDNIE became the Company's subsidiary. On June 4th 2012, PBG filed a bankruptcy petition. On June 13th 2012, the court approved the petition and PBG was declared to be in arrangement bankruptcy (see *Court, administrative and arbitration proceedings – PBG arrangement bankruptcy proceedings*). Considering the fact that the acquisition of ENERGMONTAŻ-POŁUDNIE shares was deemed an act in law executed against payment within six months prior to submitting the bankruptcy petition by the insolvent entity (PBG) and PBG's related entity with respect to which PBG was also the parent, the agreement was ineffective with respect to PBG's bankruptcy estate and upon declaration of PBG's insolvency the Company became obliged to return ENERGMONTAŻ-POŁUDNIE shares to PBG's bankruptcy estate. Consequently, on August 7th 2012, the Company and PBG concluded an agreement for transfer of ENERGMONTAŻ-POŁUDNIE shares.

Given the ineffectiveness of PBG's disposal of the shares in ENERGMONTAŻ-POŁUDNIE to RAFAKO S.A., the Company is entitled to claim a refund of the price paid for the shares. The claim has been acknowledged and entered in the list of claims against PBG in the nominal amount of PLN 160.1m. In accordance with the Company's receivables recognition policy, as at March 31st 2015 the Company recognised receivables of PLN 29.1m (PLN 29.2m as at the Prospectus Date).

Transactions between the Company and entities of the Parent's group

The table below presents information on the transactions between the Company and entities from the PBG Group, for the periods and as at the dates shown in the table.

	Three months ended Mar 31	Year ended Dec 31		
	2015	2014	2013	2012
	<i>(unaudited)</i>	<i>(audited)</i>		
	<i>(PLN '000)</i>			
Sales to the PBG Group entities	-	-	12,905*	62
Purchases from the PBG Group entities	1,157	1,510	13,974*	16,291*
Receivables from the PBG Group entities**	-	-	-	-
Liabilities towards the PBG Group entities**	1,527	566	294	1,617

Source: The Company.

* The amounts presented with respect to transactions with the PBG Group entities also include the amounts from transactions between the Company and ENERGMONTAŻ-POŁUDNIE, as described above.

** Discounted items.

The transactions concluded between the Company and the PBG Group entities in 2012–2014 and in the period from January 1st 2015 to the Prospectus Date were mainly contracts for the supply of equipment, assembly and installation work.

Transactions between the Company and members of the Company's governing bodies

Members of the Management Board and Supervisory Board are members of the Company's key management personnel, as defined in IAS 24.

The table below sets forth the total remuneration paid by the Company to its key management personnel, including members of the Management Board and Supervisory Board, in the financial years ended December 31st 2012, December 31st 2013 and December 31st 2014 and in the five months ended May 31st 2015. The figures below comprise exclusively the remuneration received from the Company.

	Five months ended May 31	Year ended Dec 31		
	2015	2014	2013	2012
	<i>(unaudited)</i>	<i>(audited)</i>		
	<i>(PLN '000)</i>			
Base pay	1,735	3,924	3,352	3,402
Awards	1,308	1,205	510	716
Other	634	1,395	689	255
One-off severance pay and compensation	120	600	-	-
Total remuneration	3,796	7,124	4,551	4,373

Source: the Company.

The table below sets forth the total remuneration paid by the Company to members of the Management Board and Supervisory Board in the financial years ended December 31st 2012, December 31st 2013 and December 31st 2014 and in the five months ended May 31st 2015. The figures comprise exclusively the remuneration received from the Company (base pay, awards and other remuneration components).

	Five months ended May 31	Year ended Dec 31		
	2015	2014	2013	2012
	<i>(unaudited)</i>	<i>(audited)</i>		
	<i>(PLN '000)</i>			
Remuneration of the Management Board Members	2,757	4,774	2,936	3,194
Remuneration of the Supervisory Board Members.....	1,039	2,350	1,615	1,179
Total.....	3,796	7,124	4,551	4,373

Source: the Company.

For information on the agreements between the Company and the members of the Management Board and the rules of remuneration, see *Management and corporate governance – Remuneration and terms of employment contracts and other contracts executed with the Management and Supervisory Board members – Remuneration, rules of remuneration and terms of employment of the Management Board members*. For information on the rules of remuneration for the Supervisory Board members, see *Management and corporate governance – Remuneration and terms of employment contracts and other contracts executed with the Management and Supervisory Board members – Amounts and rules of remuneration of the Supervisory Board members*.

Transactions between the Company and parties related through members of the Company's governing bodies

In the period covered by the Consolidated Financial Statements and until the Prospectus Date, the Company also concluded transactions with parties related through members of the Supervisory Board and Management Board. These transactions were concluded on arm's length basis and related to the Company's day-to-day operating activities. A description follows of those transactions between the Company and parties related through members of the Company's governing bodies which are not disclosed above.

Transactions between the Company and SWGK CONSULTING

The table below presents information on the transactions between the Company and SWGK CONSULTING for the periods and as at the dates shown in the table.

	3 months ended Mar 31	Year ended Dec 31		
	2015	2014	2013	2012
	<i>(unaudited)</i>	<i>(audited)</i>		
	<i>(PLN '000)</i>			
Sales to a related party	-	-	-	-
Purchases from a related party	-	46	-	-
Receivables from a related party*	-	-	-	-
Liabilities to a related party*	-	-	-	-

Source: The Company.

* Discounted items.

The transactions concluded between the Company and SWGK CONSULTING in 2012–2014 and in the period from January 1st 2015 and the Prospectus Date related to advisory services provided to the Company by SWGK CONSULTING. As at the Prospectus Date, SWGK CONSULTING was a party related to the Company through Dariusz Sarnowski, member of the Supervisory Board, from the date of his appointment to the Supervisory Board (June 21st 2013).

Transactions between the Company and INTROL

The table below presents information on the transactions between the Company and INTROL for the periods and as at the dates shown in the table.

	3 months ended	Year ended Dec 31		
	Mar 31	2014	2013	2012
	<i>(unaudited)</i>	<i>(audited)</i>		
		<i>(PLN '000)</i>		
Sales to a related party	-	-	-	-
Purchases from a related party	-	-	1	2
Receivables from a related party*	-	-	-	-
Liabilities to a related party*	-	-	-	-

Source: The Company.

* Discounted items.

As at the Prospectus Date, INTROL was a party related to the Company through Edward Kasprzak, member of the Management Board, who was member of the Supervisory Board of INTROL from March 2012 until the Prospectus Date.

The transactions concluded between the Company and INTROL in 2012–2014 and in the period from January 1st 2015 and the Prospectus Date related to minor construction services.

Transactions between the Company and ENERGMONTAŻ POŁUDNIE

The transactions concluded between the Company and ENERGMONTAŻ POŁUDNIE in 2012—2014 and in the three months ended March 31st 2015 are described above in *Related-party transactions – Transactions between the Company and its Subsidiaries – Transactions between the Company and ENERGMONTAŻ-POŁUDNIE*. From June 30th 2013, when ENERGMONTAŻ-POŁUDNIE ceased to be RAFAKO's subsidiary, to March 31st 2015 ENERGMONTAŻ-POŁUDNIE was an entity related to the Company through Mr Tomasz Tomczak, Member of the Management Board and member of the Supervisory Board of ENERGMONTAŻ-POŁUDNIE from December 17th 2012 until the Prospectus Date.

Transactions between the Company and Trigon

The table below presents information on the transactions between the Company and Trigon for the periods and as at the dates shown in the table.

	3 months ended	Year ended Dec 31		
	Mar 31	2014	2013	2012
	<i>(unaudited)</i>	<i>(audited)</i>		
		<i>(PLN '000)</i>		
Sales to a related party	-	-	-	-
Purchases from a related party	-	-	26	39
Receivables from a related party*	-	-	-	-
Liabilities to a related party*	-	-	3	3

Source: The Company.

* Discounted items.

As at the Prospectus Date, Trigon was a party related to the Company through Przemysław Schmidt, member of the Supervisory Board, who was member of the Supervisory Board of Trigon from August 2013 until the Prospectus Date.

The transactions concluded between the Company and Trigon in 2012–2014 and in the period from January 1st 2015 to the Prospectus Date related to Trigon acting as an issue sponsor and market maker for the issuer.

Transactions between the Company and 3Gon Europe

The table below presents information on the transactions between the Company and 3Gon Europe for the periods and as at the dates shown in the table.

	3 months ended	Year ended Dec 31		
	Mar 31	2014	2013	2012
	<i>(unaudited)</i>	<i>(audited)</i>		
	<i>(PLN '000)</i>			
Sales to a related party	-	-	-	-
Purchases from a related party	-	-	60	60
Receivables from a related party*	-	-	-	-
Liabilities to a related party*	-	-	-	-

Source: The Company.

* Discounted items.

As at the Prospectus Date, 3Gon Europe was a party related to the Company through Przemysław Schmidt, member of the Supervisory Board, who was member of the Management Board of 3Gon Europe as at the Prospectus Date.

The transactions concluded between the Company and 3Gon Europe in 2012–2014 and in the period from January 1st 2015 to the Prospectus Date primarily related to business consultancy.

Transactions between the Company and the PBG Foundation

The table below presents information on the transactions between the Company and PBG Foundation for the periods and as at the dates shown in the table.

	3 months ended	Year ended Dec 31		
	Mar 31	2014	2013	2012
	<i>(unaudited)</i>	<i>(audited)</i>		
	<i>(PLN '000)</i>			
Sales to a related party	-	-	-	-
Purchases from a related party	34	229	172	25
Receivables from a related party*	-	-	-	-
Liabilities to a related party*	30	135	-	-

Source: The Company.

* Discounted items.

As at the Prospectus Date, the PBG Foundation was a party related to the Company through Mrs Małgorzata Wiśniewska, member of the Supervisory Board, who was President of the PBG Foundation as at the Prospectus Date.

The transactions concluded between the Company and the PBG Foundation in 2012–2014 and in the period from January 1st 2015 to the Prospectus Date primarily related to advertising and promotional services.

RIGHTS AND OBLIGATIONS ATTACHED TO THE SHARES. THE GENERAL MEETING

The information contained in this Section is of a general nature and was prepared pursuant to the laws and regulations applicable as at the Prospectus Date as well as the Company's Articles of Association. Therefore, investors should read carefully the Articles of Associations and seek advice of their legal advisors to obtain detailed information on the rights and obligations attaching to the Shares and the General Meeting. Furthermore, any reference in this section to time limits expressed in business days in the context of rights exercised through the agency of the CSDP should be understood as time limits counted in accordance with Section 5 of the CSDP Rules. These chiefly exclude Saturdays and any days which are recognised as holidays on the basis of the applicable laws, with the proviso that the CSDP Management Board may indicate, by way of a resolution – if the needs of the depository and settlement system so require (and of which it is obliged to inform system participants at least one month in advance) – additional business days to be excluded in counting the passage of time, as well as additional holidays and Saturdays to be included when counting the passage of time.

Rights and obligations attached to the Shares

Presented below are some of the rights and obligations attached to the Shares. The principal documents which regulate in detail the rights and obligations attached to the Shares are the Commercial Companies Code, the Public Offering Act, the Act on Trading in Financial Instruments, and the Articles of Association.

Right to make dispositions with respect to Shares

Company Shareholders have the right to make dispositions with respect to the Shares. Dispositions with respect to the Shares comprise their disposal (ownership transfer) and other forms of disposition, including their pledge, lease or establishment of usufruct over the Shares.

The Articles of Association do not provide for any restrictions on the right to make dispositions with respect to the Shares.

For obligations relating to the acquisition and sale of shares of Polish companies listed on the WSE, see *Capital market in Poland. Obligations relating to the acquisition and disposal of shares.*

Dividend

Right to dividend

Shareholders have the right to a share in the Company's profit disclosed in its audited separate full-year financial statements and allocated for distribution to the shareholders by the General Meeting (right to dividend).

The body authorised to decide on distribution of the Company's profit and payment of dividend is the Annual General Meeting. The Annual General Meeting resolves whether or not, and what part of, the profit stated in the audited financial statements is to be allocated to dividend payments. The Annual General Meeting should be convened within six months from the end of the financial year (corresponding with the calendar year), that is by the end of June.

The Annual General Meeting also sets the dividend record date and the dividend payment date. The dividend record date may be set for the date of the relevant resolution on profit distribution or within three months from that date.

The amount allocated for distribution among the Company's shareholders may not be higher than the profit for the last financial year, increased by the amount of any undistributed profit from previous years and amounts transferred from distributable statutory reserve capital and capital reserves created from profit. However, the amount for distribution must be decreased by the amount of uncovered losses, treasury shares and the amount of profit for the last year which, pursuant to the Polish Commercial Companies Code and the Articles of Association, should be allocated to statutory reserve funds or capital reserves.

The Management Board may pay interim dividend to shareholders, provided the Company has sufficient funds to make such payments. Payment of interim dividend requires the Supervisory Board's approval. Interim dividend may be paid if the Company's approved financial statements for the previous financial year show a profit. The interim dividend amount may not be higher than half of the profit made from the end of the previous financial year as stated in the audited financial statements, increased by the amount of capital reserves created from profit, which the Management Board may allocate to payment of interim dividend, and decreased by the amount of any uncovered losses and treasury shares.

The dividend right accrues to all persons who have (bearer) Shares in book-entry form registered in their accounts on the dividend record date, as well as to entities holding rights attached to book-entry Shares registered in an omnibus account.

A shareholder may claim payment of dividend from the Company within ten years from the date on which the General Meeting passes a resolution to allocate profit, in whole or in part, for distribution to the shareholders. After this time limit, the Company may avoid payment of dividend on the grounds of the statute of limitation.

Dividend payment terms

The terms of dividend collection by the Company shareholders are the same as the relevant rules applicable to public companies. A resolution approving the payment of dividend should indicate the date as at which the right to dividend is determined (the dividend record date) and the date of dividend payment. Subject to the provisions of the Rules of the CSDP, the dividend record date may be set for the date of the relevant resolution or within three months from that date. Dividend will be paid out on the date designated in the relevant resolution of the General Meeting.

The Management Board announces a planned payment of interim dividend in *Monitor Sądowy i Gospodarczy* at least four weeks before the commencement of payments, specifying the date as at which the financial statements were prepared, the amount allocated for payment, and the date as at which eligibility for the receipt of the interim dividend is determined. Such date should fall within seven days before the commencement of payments.

Pursuant to Par. 127, Book 4, Chapter 13 of the Detailed Exchange Trading Rules, the Company is required to promptly notify the WSE of the adoption of a resolution on allocation of profit for payment of dividend to its shareholders, as well as information on the dividend amount, dividend per share, number of shares with dividend rights, dividend record date, and dividend payment date. In addition, Par. 106 of the Detailed Rules of CSDP requires the Company to notify the CSDP – at least five days before the dividend record date – of the amount of dividend per share and the dividend record and payment dates. Pursuant to Par. 106.2 of the Detailed Rules of CSDP, the dividend payment date may not fall earlier than on the tenth day after the dividend record date. The above regulations apply accordingly to payments of interim dividend, with the proviso that the interim dividend payment date may not fall earlier than on the fifth day after the interim dividend record date.

Dividends and interim dividends to the holders of the Company shares in book-entry form are paid through the CSDP depository system. The CSDP transfers interim dividend amounts to the accounts of the CSDP participants, who then transfer the funds to cash accounts of the Company shareholders maintained by brokerage houses. Dividend due to persons holding rights attached to the Company's book-entry shares registered in an omnibus account is transferred by the entity maintaining the omnibus account to the account holder.

Pre-emptive rights

The Company shareholders have the right to acquire new Company shares pro rata to their current holdings of Shares (pre-emptive rights). The pre-emptive right applies also with respect to an issue of convertible securities or securities incorporating subscription rights. The day as at which the shareholders holding pre-emptive rights to subscribe for new shares are established (the pre-emptive right record date) should be set forth in the resolution on an increase in the Company's share capital. The pre-emptive right record date may not be set for a date falling later than six months after the resolution date. The agenda of the General Meeting which is to pass the resolution on a share capital increase should include the proposed pre-emptive right record date.

The Company shareholders' pre-emptive rights may be disappplied provided that such disapplication serves the interests of the Company and has been included on the agenda of the General Meeting. The Management Board presents to the General Meeting an opinion in writing specifying the reasons for such disapplication and the proposed issue price of new Company shares or the manner of its determination. A majority of at least four-fifths of the votes is required to pass a resolution waving the shareholders' pre-emptive rights.

A majority of at least four-fifths of votes is not required to adopt a resolution on disapplication of pre-emptive rights of the Company's existing shareholders if:

- pursuant to the resolution on a share capital increase, the Company's new shares are to be subscribed for by a financial institution (underwriter) which is obliged to offer them to the shareholders in order for them to exercise their pre-emptive rights pursuant to the resolution,
- pursuant to the resolution, the new shares are to be subscribed for by an underwriter if the shareholders holding pre-emptive rights do not subscribe for some or all of the shares offered to them.

Right to share in assets in case of liquidation of the Company

If the Company is liquidated, each Share entitles its holder to a pro-rata share in the Company's assets available after its creditors' claims have been satisfied or secured.

Rights and obligations relating to the General Meeting

Right to attend and vote at the General Meeting

Voting rights

The shareholders exercise their voting rights at the General Meeting. Pursuant to the Commercial Companies Code, a General Meeting may be ordinary (Annual General Meetings) or extraordinary (Extraordinary General Meetings).

Detailed regulations on the exercise of voting rights at General Meetings by the Company's shareholders are provided in the Commercial Companies Code and the Articles of Association.

Participation in the General Meeting and exercising the voting rights

Shareholders may attend the General Meeting and vote in person or by proxy. A shareholder who intends to participate in a General Meeting by proxy must issue an authorisation for the proxy, in written or electronic form. A form of powers of proxy is included in the notice convening the General Meeting. Moreover, the grant of powers of proxy in electronic form must be notified to the Company using electronic means of communication specified in the notice convening the General Meeting. The Company checks the identity of the shareholder and the proxy to verify the validity of the powers of proxy granted in electronic form. A detailed procedure for verification of the validity of powers of proxy granted in electronic form is included in the notice convening the General Meeting.

The Company's shareholders holding shares registered in more than one securities account may appoint separate proxies to exercise the voting rights attached to the shares registered in each account.

If a member of the Management Board, member of the Supervisory Board, liquidator, employee of the Company, or member of the governing bodies or employee of a subsidiary company or subsidiary cooperative of the Company acts as a shareholder's proxy at the General Meeting, the relevant powers of proxy may apply to one General Meeting only. The proxy is obliged to disclose to the Company's shareholder any circumstances which cause or may cause a conflict of interests. In such a case, it is prohibited to grant further powers of proxy. The proxy votes according to voting instructions given to them by the shareholder.

Pursuant to Art. 26.2 of the Articles of Association, each Share carries the right to one vote at the General Meeting unless statutory laws or the Articles of Association provide otherwise.

In accordance with Art. 27 of the Articles of Association, resolutions of the General Meeting are passed by an absolute majority of votes unless statutory laws or the Articles of Association provide otherwise.

Shareholders may vote each of their Shares in a different manner. A proxy may represent more than one shareholder in the Company and may vote the Shares of individual shareholders in a different manner.

A shareholder may not vote, in person or by proxy, on resolutions concerning their liability towards the Company on any account, including, without limitation, the grant of discharge in respect of duties, release from liability towards the Company, or a dispute between the shareholder and the Company. The above restriction does not apply if the shareholder votes on the abovementioned resolutions in the capacity of a proxy for another shareholder.

If the notice of General Meeting contains information that shareholders may participate in the General Meeting using means of electronic communication, the Company is obliged to enable its shareholders to participate in the General Meeting using such means. Detailed rules of holding a General Meeting using electronic means of communication will be determined by the Management Board. The Management Board publishes the rules on the Company's website. The rules should enable:

- real-life broadcast of General Meetings;
- real-time bilateral communication where shareholders may take the floor during a General Meeting from a location other than the place where the General Meeting is held;
- exercise of voting rights during a General Meeting either in person or through a proxy, outside the venue of the General Meeting, and using electronic means of communication.

Persons authorised to attend the General Meeting and exercise voting rights

The General Meeting may be attended only by the persons who were the Company's shareholders 16 days before the date of the Meeting (the date of registration of attendance for the General Meeting).

To attend a General Meeting, holders of the Company bearer Shares in book-entry form should request the entity maintaining their securities account to issue a personal certificate of the right to attend the General Meeting. The

request should be made no earlier than after a notice of the General Meeting has been given and no later than on the weekday immediately following the record date for participation in the General Meeting.

Holders of rights under registered shares or provisional certificates, as well as pledgees and usufructuaries holding voting rights are entitled to participate in the General Meeting provided that they are entered in the share register as at the record date for participation in the General Meeting.

The Company determines a list of persons entitled to attend the General Meeting based on a list drawn up by the entity operating the depository for securities pursuant to the Act on Trading in Financial Instruments, and based on the records in the Company's share register as at the date of registration of attendance for the General Meeting. The above list is made available to the public at the Company's registered office for three weekdays preceding the General Meeting date and at the place of and during the General Meeting. The Company's shareholders may request that the list of shareholders eligible to participate in the General Meeting be delivered to them free of charge via electronic mail, providing an email address to which the list is to be delivered.

With respect to shares registered in an omnibus account, a document with appropriate content issued by the holder of such an account is deemed to serve as a certificate confirming the right to attend the General Meeting. If the omnibus account is not kept by the CSDP (or an entity engaged by the CSDP to operate a depository for securities), the entity keeping the omnibus account for a shareholder should report the holder of such account to the CSDP (or an entity engaged by the CSDP to operate a depository for securities) before issuing such document for the first time.

Based on the documents referred to above, the holder of the omnibus account prepares the list of persons entitled to attend the General Meeting. If the holder of the omnibus account is not a member of the CSDP (or an entity engaged by the CSDP to operate a depository for securities), the list of entities entitled to attend the General Meeting is submitted through a member of the CSDP (or an entity engaged by the CSDP to operate a depository for securities).

A Company shareholder may transfer the shares in the period from the date of registration of attendance for the General Meeting to the date of closing the General Meeting.

Convening of the General Meeting

Entities entitled to convene the General Meeting

General Meetings are convened by the Management Board. The Supervisory Board may convene an Annual General Meeting if the Management Board fails to do so in due time, or an Extraordinary General Meeting if the Supervisory Board deems it advisable. An Extraordinary General Meeting may also be convened by shareholders representing at least a half of the Company's share capital or at least a half of total voting rights in the Company, in which case the chairperson of the Meeting is appointed by the shareholders.

Moreover, a shareholder or shareholders representing at least one-twentieth of the Company's share capital may demand that an Extraordinary General Meeting should be held and specific matters should be put on its agenda. Such demand should be submitted to the Management Board in written or electronic form. If an Extraordinary General Meeting is not convened within two weeks of the date of such demand, the registry court may authorise the shareholders who have filed such demand to convene an Extraordinary General Meeting. The chairperson of the Meeting is appointed by the court.

Right to request that certain matters be included in the agenda of the General Meeting

A shareholder or shareholders representing at least one-twentieth of the Company's share capital may request that specific matters be placed on the agenda of the next General Meeting. Such request should be submitted to the Management Board no later than 21 days prior to the scheduled date of the General Meeting, and may be submitted in electronic form. The Management Board is required to promptly, but no later than 18 days before the scheduled date of the General Meeting, announce changes to the agenda made at the request of the Company's shareholders. The changes are announced in the same manner as the notice convening the General Meeting.

Manner of convening the General Meeting

The General Meeting is convened by way of notice on the Company's website and in the manner required for the publication of current information pursuant to the Public Offering Act. The notice should be made at least 26 days before the date of the General Meeting. A notice convening the General Meeting should include, without limitation: (i) the date, time and place of the General Meeting and a detailed agenda, (ii) a precise description of the procedures relating to the attendance of the General Meeting and the exercising of voting rights, (iii) the date of registration of attendance for the General Meeting, (iv) information that only persons being the Company shareholders as at the date of registration of attendance for the General Meeting may attend the General Meeting, (v) information on where and how a person entitled to attend the General Meeting may obtain a complete copy

of the documentation to be presented to the General Meeting, as well as draft resolutions or, where no resolutions are to be passed, comments by the Management Board or the Supervisory Board on the matters put on the agenda or matters to be put on the agenda before the date of the General Meeting, and (vi) address of the website on which information on the General Meeting will be made available.

Pursuant to the Report Regulation, the Company is required to publish, in the form of a current report, such information as the date, time and place of the General Meeting and a detailed agenda for the Meeting. If the Articles of Association are to be amended, the documents which must be published in the form of a current report include: the current text of the Articles of Association, the proposed amendments, and, where due to the extent of the amendments the Company has resolved to draw up a new consolidated text of the document, the new consolidated text of the Articles of Association along with a list of new provisions. Draft resolutions and appendices to draft resolutions which are to be discussed at the General Meeting and are material to the resolutions to be passed, must also be published in the form of a current report.

Right to propose draft resolutions

A shareholder or shareholders representing at least one-twentieth of the Company's share capital may, prior to the date of the General Meeting, submit to the Company (in writing or by electronic means) draft resolutions concerning any matters which have been placed or are to be placed on the Meeting's agenda. The Company promptly publishes such draft resolutions on its website.

Right to inspect the list of Shareholders attending the Annual General Meeting

Immediately upon appointment of the Chairperson of the General Meeting, an attendance list including all the participants of the General Meeting should be prepared, stating the number of shares each of them represents and the number of votes attached to the shares. The attendance list should be signed by the Chairperson of the General Meeting and displayed during the Meeting. Upon request of shareholders holding one-tenth of the share capital represented at the General Meeting, the attendance list should be reviewed by an elected committee composed of at least three members. The requesting shareholders are entitled to elect one member of the committee.

Right to obtain information

The Management Board is required to provide shareholders at the General Meeting with any information on the Company that the shareholders may reasonably request for the purposes of assessing a matter included in the agenda. For a good reason, the Management Board may provide such information in writing outside of the General Meeting. In such a case, the Management Board is obliged to provide such information within two weeks of the date of the demand submitted by the Company's shareholder during the General Meeting.

The Management Board refuses to provide information where its provision could be harmful to the interests of the Company, an associated company, a subsidiary company or subsidiary cooperative, including without limitation through disclosure of technical, commercial or organisational trade secrets. A Management Board member may refuse a request for information if granting it could lead to his or her criminal, civil or administrative liability.

The information provided to the Company shareholder should be made available to the public in the form of a current report.

A shareholder who was refused the requested information in the course of the General Meeting and requested that their objection be recorded in the minutes of the General Meeting may submit a request to the registry court for obliging the Management Board to provide the information. Such application should be filed within one week from the closing of the General Meeting during which the shareholder was refused the requested information. A shareholder may also submit an application to the registry court requesting that the court obligates the Company to publish any information disclosed to another shareholder outside of the General Meeting. In accordance with the Report Regulation, any information disclosed by the Management Board in discharge of an obligation imposed by the registry court in the circumstances specified above, must be published by the Company in a current report.

Right to request copies of full-year financial statements

The Company's shareholders may request copies of the Directors' Report and financial statements, along with copies of the Supervisory Board's report and the auditor's report, no later than 15 days prior to the General Meeting.

Right to demand copies of proposals

The Company's shareholders may request to be provided with copies of proposals concerning matters included on the agenda of the next General Meeting. Such requests should be submitted to the Management Board. The copies of proposals should be provided at least one week before the date of the General Meeting.

Powers and responsibilities of the General Meeting

In accordance with Art. 30 of the Articles of Association, the powers and responsibilities of the General Meeting include, without limitation:

- review and approval of the financial statements of the Company and Directors' Report on its operations and the consolidated financial statements of the Group and Directors' Report on its operations for the previous financial year;
- distribution of profit or coverage of loss;
- granting discharge to members of the Management Board and the Supervisory Board in respect of their performance of duties,
- all decisions concerning claims for redress of any damage inflicted on formation of the Company, or in the management or supervision of the Company.
- sale or lease of, or creation of limited property rights in, the Company's business or its organised part;
- change of the Company's principal business activities;
- amendments to the Articles of Association,
- increase or reduction of the Company's share capital;
- merger, demerger or reorganization of the Company;
- dissolution of the Company and opening of its liquidation;
- issue of convertible or senior bonds;
- appointment and removal of Supervisory Board members and determination of their remuneration;
- creation of capital reserves, and
- other matters reserved for the General Meeting under the provisions of the Articles of Association or the applicable laws.

Right to request that the Supervisory Board be elected by block voting

Upon request of shareholders representing at least one-fifth of the Company's share capital, members of the Supervisory Board should be appointed at the next General Meeting by way of block voting, even if the Articles of Association provide for another procedure for the appointment of the Supervisory Board. In such a case, the procedure specified in the Company's Articles of Association will not apply and the shareholders will follow the procedure set forth in the Commercial Companies Code. The procedure is as follows: the total number of Company shares is divided by the number of Supervisory Board members to be elected by block voting, which is determined by the General Meeting. Shareholders representing that number of shares may form a separate block entitled to appoint one Supervisory Board member, and they cannot participate in voting to appoint any other Supervisory Board members. If there is a vacant position on the Supervisory Board following the block voting, the shareholders which were not included in any block will be entitled to appoint the remaining Supervisory Board members by a simple majority of votes.

Right to challenge General Meeting resolutions

The Company's shareholders may challenge a resolution passed by the General Meeting by bringing an action for revoking the resolution or declaring it invalid.

Action for a resolution to be revoked

A resolution of the General Meeting which is in conflict with the Articles of Association or good practice or is harmful to the Company's interests or intended to harm a shareholder of the Company may be appealed against by way of an action against the Company for revoking of the resolution.

An action for revoking of a General Meeting resolution should be brought within one month of the date of receiving information on the resolution, however no later than within three months of the resolution date.

Action for a resolution to be declared invalid

A resolution of the General Meeting which is inconsistent with statutory provisions may be challenged by way of an action brought against the Company for declaring the resolution invalid.

An action for declaring invalidity of a resolution of the General Meeting should be brought within 30 days from its announcement but no later than within a year from its date.

Entitles entitled to challenge General Meeting resolutions

An action for revoking a General Meeting resolution or declaring a General Meeting resolution invalid may be brought by:

- the Management Board, the Supervisory Board or any of their members,
- a shareholder in the Company who voted against the resolution and, upon its adoption, demanded that their objection be recorded in the minutes,
- a shareholder in the Company who has been refused admission to the General Meeting without a valid reason, and
- shareholders in the Company who were not present at the General Meeting, but only to the extent that the General Meeting had been defectively called or passed a resolution concerning a matter which was not included in its agenda.

Change of shareholder rights

Any changes to the rights of holders of the Shares must be made by way of a resolution of the General Meeting passed with a majority of three quarters of the votes, and must be entered in the register of entrepreneurs of the National Court Register. Furthermore, any resolution to amend the Articles of Association which increases shareholders' obligations or limits personal rights vested in shareholders, requires approval by all the shareholders concerned.

Cancellation of Shares

In accordance with Art. 34.5 of the Articles of Association, Shares may be cancelled under General Meeting's resolution, with the consent of the shareholder whose Shares are to be cancelled and in accordance with the relevant laws and regulations governing reduction of share capital.

The shareholder whose shares have been cancelled is entitled to receive compensation on that account. The General Meeting's resolution on cancellation of shares should specify the legal basis for the cancellation, the terms of acquisition of shares by the Company, the amount of consideration payable to the holder of the shares acquired by the Company to be cancelled and the sources of financing of the acquisition or the reasons for cancellation of the shares for no consideration, the maximum number of shares that the Company may acquire for the purpose of their cancellation, the maximum total price to be paid for the acquisition and the period during which the acquisition should be made.

Right to request the appointment of a special auditor

Pursuant to Art. 84 of the Public Offering Act, upon request of a Company shareholder or shareholders holding at least 5% of the total vote, the General Meeting may resolve on a review of a specific matter relating to the incorporation of the Company or the management of its affairs by an expert, at the cost of the Company. The shareholder or shareholders may request that an Extraordinary General Meeting be convened for that purpose, or that a resolution to that effect be included on the agenda of the next General Meeting. The request should be filed with the Management Board, in writing, at least one month before the proposed date of the General Meeting. If within two weeks of the date of such request an Extraordinary General Meeting is not convened, the registry court may, after calling upon the Management Board to make a relevant representation, authorise the requesting shareholders to convene an Extraordinary General Meeting. The chairperson of the Meeting is appointed by the court.

The General Meeting's resolution to appoint a special purpose auditor should include, in particular:

- identification of the special purpose auditor whom the requesting party has approved in writing;
- the subject matter and scope of the review, which must be consistent with what has been requested unless the requesting party has approved a relevant modification in writing;
- the types of documents to be provided by the Company to the auditor; and
- the commencement date of the review, which must be within three months of the date of the relevant resolution.

If the General Meeting fails to pass a resolution according to the request, or passes such resolution in breach of Art. 84.4 of the Public Offering Act, the requesting parties may, within 14 days of the resolution date, file a petition with the registry court to have a specific entity appointed as special purpose auditor.

Only an entity with expertise and qualifications necessary to review the matter set forth in the resolution of the General Meeting, which enable preparation of a reliable and objective report on the review, may be appointed as a special purpose auditor. An entity which, during the period covered by the review, provided any services to the

Company, its parent or a subsidiary, or its parent entity or major investor, as defined in the Accountancy Act, may not be appointed as the special purpose auditor. Neither may an entity of the same group of companies as the entity which provided such services during the period covered by the review be appointed as the special purpose auditor.

The Management Board and the Supervisory Board are required to provide the special purpose auditor with the documents specified in the resolution of the General Meeting on appointment of a special auditor or in the court's decision to appoint a special purpose auditor, and to provide all the clarifications necessary to perform the review.

The special purpose auditor is obliged to submit to the Management Board and the Supervisory Board a written report on the results of the review. The Management Board is required to publish the report in the form of a current report. In the report, the special purpose auditor must not disclose any technical, trade or organisational secrets of the Company unless the disclosure of such information is necessary to justify the opinion stated in the report.

At the next General Meeting the Management Board is obliged to report on how the review results have been followed.

TERMS AND CONDITIONS OF THE OFFERING

Offering

As part of the Offering, the Company offers, exclusively to the Institutional Investors who received an invitation from the Offering Broker to place a subscription order, up to 15,331,998 Series J ordinary shares with the nominal value of PLN 2 per share.

The Company expects gross proceeds from the issue of the Offer Shares to amount to approximately PLN 100m. The final amount of the proceeds will depend on the final number of Offer Shares allotted to Investors in the Offering and on the Final Price of the Offer Shares.

As at the Prospectus Date, 69,600,000 Existing Shares in the Issuer were traded on the regulated market (main market) operated by the WSE. The Existing Shares were not listed on any other regulated market or in an alternative trading system. The Existing Shares are registered with the depository for securities maintained by the CSDP under ISIN code No. PLRAFAK00018. The ISIN codes of Allotment Certificates shall be known after the CSDP Management Board adopts appropriate resolutions to register the Allotment Certificates with the depository of securities and assign them an ISIN code.

As at the Prospectus Date, the Company intends to seek the admission and introduction to trading on the regulated market (the main market) operated by the WSE of up to 15,331,998 Offer Shares and up to 15,331,998 Allotment Certificates.

If all Offer Shares are issued and subscribed for by Investors, after the Offering they will account for 18.05% of the Company's share capital and 18.05% of the total vote at the General Meeting.

Investors should note that the only legally binding offering document prepared for the purposes of the Offering and providing information on the Group and the Offer Shares is this Prospectus, together with any published supplements hereto once they are approved by the PFSA, and any update announcements concerning this Prospectus, as well as the information on the final number of the Offer Shares under the Offering, and the Offer Price.

Eligible investors

Investors eligible to participate in the Offering are those Institutional Investors who received an invitation to place a subscription order from the Offering Broker.

No preferential treatment of any investors or specific related groups (including programmes for family and friends) is envisaged for allotment of the Offer Shares as part of the Offering. Non-residents intending to place a subscription order for the Offer Shares are advised to familiarise themselves with the relevant laws of their country. Individual Investors will place subscription orders for the Offer Shares on the terms specified in the invitation to place a subscription for the Offer Shares.

For detailed information on suspension or abandonment of the Offering and the consequences of such suspension or abandonment for placement of subscription orders for the Offer Shares, see *Abandoning or suspending the Offering* below.

Planned Offering schedule

Below is presented information on the planned schedule of the Offering (Warsaw time).

July 9th-15th 2015	Bookbuilding
July 15th 2015	Closing of the bookbuilding process; Determining the Final Price and Final Number of Offer Shares
No later than on July 16th 2015	Publication of the Final Price and Final Number of Offer Shares
July 16th-20th 2015	Subscription period
No later than on July 21st 2015	Allotment of Offer Shares to Investors
Around July 29th 2015	Planned date of first listing of Allotment Certificates on the WSE

The above schedule may be modified. Some of the events scheduled above are beyond the Company's control. The Company reserves the right to modify the above schedule of the Offering, including the subscription period,

in consultation with Joint Bookrunners. Information on any such changes will be communicated pursuant to Art. 52 of the Public Offering Act, in the form of an update announcement, in the same manner as this Prospectus. If the Company concludes that a change to the above Offering schedule might materially affect the assessment of Offer Shares, it will publish the relevant information in the form of a supplement to this Prospectus (upon approval by the Polish Financial Supervision Authority), in accordance with Art. 51 of the Public Offering Act.

Any change in the opening date of the subscription period shall be made and published no later than on the last day before the original opening date of subscription for the Offer Shares.

Any change in the closing date of the subscription period shall be made and published no later than at 3:00 pm on the new closing date of subscription for the Offer Shares.

New dates for other events included in the schedule will be published on or before the day on which a given date lapses, except for the situation where the closing date of the bookbuilding process is moved to an earlier date, which will be published by 3:00 pm on such earlier date.

Any changes in the Offering schedule shall not be treated as suspension or abandonment of the Offering.

If a decision to reschedule the Offering is made after completion of the bookbuilding process but prior to the opening of the subscription period, the Company may, in consultation with Joint Bookrunners, carry out a new bookbuilding process, in which case the Company will determine whether the previously submitted declarations and invitations to subscribe for the Offer Shares remain valid or not.

The Offering may be rescheduled only within the Prospectus validity period.

Abandoning or suspending the Offering

Company may, in consultation with Joint Bookrunners, suspend the Offering without specifying a new schedule before the subscription period for the Offer Shares has commenced. The Company may, in consultation with Joint Bookrunners, set a new schedule for the Offering at a later date.

The Company may, in consultation with Joint Bookrunners, suspend the Offering without specifying a new schedule after the subscription period for the Offer Shares has commenced. The Company may, in consultation with Joint Bookrunners, define a new Offering schedule at a later date. The Offering may be suspended only for a good and valid reason. Such good and valid reasons include, without limitation, any events which might adversely affect, directly or indirectly, the success of the Offering or increase the investment risk for investors who have subscribed for Offer Shares. The Company may decide to suspend the Offering without specifying a new schedule for the Offering, which may be determined at a later time.

Information on the suspension of the Offering prior to the opening of the subscription period for the Offer Shares will be published pursuant to Art. 52 of the Public Offering Act, in the form of an update announcement, in the same manner as this Prospectus. Information on the suspension of the Offering after the opening of the subscription period for the Offer Shares will be published in the form of a supplement to this Prospectus, upon the PFSA's approval of the supplement. The supplement will be published in the same manner as this Prospectus.

If a decision to suspend the Offering is made between the opening of the subscription period for the Offer Shares and the day of allotment, any subscription orders placed and payments made will remain valid but the investors that placed their subscription orders for the Offer Shares before the publication of information on the suspension of the Offering will be entitled to avoid the legal consequences of the subscription under Art. 51a of the Public Offering Act by submitting a relevant written statement at a customer service office of the investment firm offering Offer Shares where the subscription order was placed, within two business days of the publication of a supplement to this Prospectus containing information on the suspension of the Offering, unless the Company sets a longer deadline.

If a decision to suspend the Offering is made after completion of the bookbuilding process but prior to the opening of the subscription period, the Company may, in consultation with Joint Bookrunners, carry out a new bookbuilding process, in which case the Company will determine whether the previously submitted declarations and invitations to subscribe for Offer Shares remain valid or not. Relevant information will be published in accordance with the procedure set out in Art. 52 of the Public Offering Act, in the form of an update announcement, in the same manner as this Prospectus.

The Company may, at its own discretion but in consultation with Joint Bookrunners, abandon and, thus, effectively cancel the Offering without giving reasons for its decision before the subscription period for the Offer Shares has commenced.

The Company may, at its own discretion but in consultation with Joint Bookrunners, abandon the Offering after the subscription period for the Offer Shares has commenced provided that it has a valid reason for doing so. Such good and valid reasons include in particular: (i) sudden or unexpected changes in the economic and

political situation in Poland or another country which might have a material adverse effect on financial markets, Poland's economy, the Offering or the Group's operations (e.g. terrorist attacks, war, disasters or floods); (ii) sudden or unexpected changes other than listed under (i) above which might have, directly or indirectly, a material adverse effect on the Group's operations or might result in the Group's incurring, directly or indirectly, material damage or experiencing material disruption of operations, directly or indirectly; (iii) a material adverse change affecting, directly or indirectly, the Group's operations, financial position or operating performance; (iv) suspension or material limitation of trading in securities on the WSE or other stock markets where such suspension or limitation might have a material adverse effect on the Offering; (v) unsatisfactory level of demand for Offer Shares during the bookbuilding process, both in terms of number and price of Offer Shares; (vi) sudden and unexpected changes which have a direct or indirect material adverse effect on the Group's operations; or (viii) termination of the Placement Agreement.

The Offering may not be abandoned after allotment of the Offer Shares.

If the Company resolves, in consultation with Joint Bookrunners, to entirely abandon the Offering, relevant information will be published in the form of an announcement referred to in Art. 49.1b of the Public Offering Act, in the same manner as this Prospectus.

If the Offering is abandoned after the subscription period for the Offer Shares has commenced, all subscription orders that have been placed by investors will be declared invalid, and all payments made by investors will be returned, with no interest or other compensation paid, within 14 days from the date when the abandonment of the Offering was publicly announced.

Price

For the purposes of the bookbuilding process, the Company, acting in consultation with the Joint Bookrunners, will set an indicative price range, which will not be published and will be subject to change.

Determining the Final Price of Offer Shares and Final Number of Offer Shares in the Offering

The Final Price of the Offer Shares shall be determined by the Company in consultation with the Joint Bookrunners after the closing of the bookbuilding process. The decision on the Final Price of the Offer Shares shall be made by the Management Board based on the authorisation provided for in the Issue Resolution.

After completion of the bookbuilding process, on or before the date of determination of the Price of the Offer Shares, the Company, acting in consultation with the Joint Bookrunners, shall make the decision determining the final number of the Offer Shares in the Offering (the "**Final Number of Offer Shares**").

The Final Number of Offer Shares offered in the Offering shall be determined by the Management Board based on the authorisation provided for in the Issue Resolution, and if the Management Board decides not to act on the authorisation, the Final Number of Offer Shares offered in the Offering shall be 15,331,998.

Information on the Final Price of the Offer Shares and Final Number of Offer Shares will be published in the manner provided for in Art. 54.3 of the Public Offering Act, i.e. in the same manner as this Prospectus.

As this Prospectus does not specify the Final Price of the Offer Shares and the Final Number of the Offer Shares, in accordance with Art. 54.1.3 of the Public Offering Act, Investors who place subscription orders for the Offer Shares before the publication of information on the Final Price of the Offer Shares and the Final Number of the Offer Shares in the Offering shall have the right to avoid the legal consequences of their subscription by filing a relevant statement in writing at one of the Customer Service Points of the investment firm offering the Offer Shares where they placed their subscription order, within two business days of publishing the information. However, as acceptance of subscription orders for the Offer Shares is planned to commence only after the publication of the Final Price of the Offer Shares and the Final Number of the Offer Shares, and assuming that the terms and conditions of the Offering will not change in this respect, Investors who placed a subscription order for the Offer Shares after publication of the information on the Final Price of the Offer Shares and the Final Number of the Offer Shares shall not have the right to avoid the legal consequences of their subscription, in accordance with Art. 54.1.3 of the Public Offering Act.

Subscription rules

After the bookbuilding process is completed, the Company, in consultation with the Joint Bookrunners shall make a discretionary selection of Investors who will be invited to place subscription orders for the Offer Shares and who will be entitled to place subscription orders for the Offer Shares in the number specified in the invitation and to make payment for the Offer Shares to the account specified in the invitation. Invitations to place subscription orders shall be sent to the Investors by the Offering Broker.

Subscription orders placed by Investors who were invited to place subscription orders for the Offer Shares shall be accepted by the Offering Broker in accordance with the rules specified in the invitation to subscribe. Subscription orders for the Offer Shares shall be accepted in writing, on subscription order forms made available

by the Offering Broker. A subscription order form shall also contain a mandatory instruction that the shares be deposited in the investor's investment account. For information on detailed rules governing the placement of subscription orders, and in particular: (i) documents required if a subscription order is placed by a statutory representative, proxy or another person acting on an investor's behalf; and (ii) the manner of placing subscription orders, Investors should contact the Offering Broker.

Each Investor may place one or more subscription orders for the number of Offer Shares specified in the invitation sent to the Investor, and in this context the number of Offer Shares specified in the invitation sent to the Investor is the maximum number of Offer Shares that an Investor may subscribe for (and this number may be different for each Investor). Subscription orders for a number of Offer Shares that exceeds the number specified in the invitation referred to above shall be treated as subscription orders for the maximum number of Offer Shares that a given Investor may subscribe for. Firms providing discretionary asset management services may place one collective subscription order for their clients, enclosing a list of investors complete with all information required in the subscription order form. If an Investor places a subscription order or orders for a smaller number of Offer Shares than that specified in the invitation, such Investor may be allotted the number of Offer Shares subscribed for, a smaller number of Offer Shares than subscribed for, or may be allotted no shares at all.

Subscription orders for the Offer Shares are unconditional and irrevocable (subject to the exceptions provided for in the Public Offering Act), and may not contain any reservations or additional conditions for their execution, and they bind the investors until the date of allotment of the Offer Shares.

If a supplement to this Prospectus is published, an investor who placed a subscription order for the Offer Shares before the supplement was released may, in accordance with Art. 51a of the Public Offering Act, avoid the legal consequences of the subscription by submitting a relevant written statement at one of the customer service points of the investment firm accepting subscription orders for the Offer Shares within two business days of the date of publication of the supplement (unless the Company sets a longer time limit).

However, as acceptance of subscription orders for the Offer Shares is planned to commence only after the publication of the Final Price of the Offer Shares and the Final Number of the Offer Shares, and assuming that the terms and conditions of the Offering will not change in this respect, Investors who placed a subscription order for the Offer Shares after publication of the information on the Final Price of the Offer Shares and the Final Number of the Offer Shares shall not have the right to avoid the legal consequences of their subscription, in accordance with Art. 54.1.3 of the Public Offering Act.

The right to avoid the legal consequences of a submitted subscription order does not apply if the supplement is published in connection with errors in this Prospectus which the Company became aware of after the allotment of the Offer Shares or in connection with factors which arose or which the Company became aware of after the allotment of the Offer Shares. By placing a subscription order, a potential investor confirms that he: (i) has read this Prospectus, (ii) accepts the Company's Articles of Association, (iii) accepts the terms and conditions of the Offering, (iv) agrees to being allotted a smaller number of the Offer Shares than the number specified in subscription orders placed by the investor, or to being allotted no Offer Shares, in the cases specified and in accordance with the terms and conditions defined in this Prospectus, and (v) consents to the processing of the investor's personal data to the extent necessary to carry out the Offering and for the purpose of ensuring compliance with the relevant laws and regulations (applies to natural persons).

An Investor is bound by a subscription order for the Offer Shares from the date of placing the subscription order until the date of allotment of the Offer Shares, but no longer than for three months from the commencement of the Offering (i.e. from the date of opening of subscription for the Offer Shares). An Investor ceases to be bound by a subscription order if the Company decides to abandon the Offering.

The Company does not plan to use the services of paying agents.

Upon placing subscription orders, investors will incur no additional costs or taxes, except for costs related to the opening and maintaining of a securities account – which may be incurred if a given investor subscribing for the Offer Shares does not already have such an account – and brokerage fees, as provided for in the relevant agreements and rules in place at the firm accepting the subscription order. For information on taxation, see '*Taxation*'.

Payment for the Offer Shares

Investors should make full payments in respect of their orders by 3:00 pm Warsaw time on the last day on which orders from Institutional Investors are accepted, in the zloty and in the amount equal to the product of the number of the Offer Shares subscribed for by the Investor and the Final Price of the Offer Shares, and in compliance with the instructions specified in the invitation to place subscription orders.

If an Investor makes an insufficient payment for the Offer Shares, the Investor's subscription order may be deemed valid with respect to the number of Offer Shares no higher than that corresponding to the payment made.

Payments in respect of subscription orders for the Offer Shares should be made by bank transfer in the złoty, to the account indicated in the invitation to place a subscription order. The date when the account is credited with an amount shall be deemed the date of payment.

Cash paid for the Offer Shares does not bear interest.

Allotment of the Offer Shares

Any decision to allot the Offer Shares to Investors shall be made on a discretionary basis and shall be made by the Company in consultation with the Joint Bookrunners, after the closing of the bookbuilding process.

The Offer Shares shall be allotted to individual Investors in the number of which Investors will be notified in the invitation to place subscription orders, on the basis of their subscription orders, provided that they make a full payment in respect of the order in accordance with the terms set forth in this Prospectus and the information provided in the invitation to place subscription orders.

Once the bookbuilding process is completed, invitations to place subscription orders for the Offer Shares shall be sent to Investors by the Offering Broker. Investors who are sent invitations shall be allotted the number of the Offer Shares specified in the invitations, provided that they place the subscription order and make the payment in a correct manner.

Any Offer Shares with respect to which Investors avoided the legal consequences of the subscription pursuant to the provisions of Art. 51a and Art. 54.1.3 of the Public Offering Act may be allotted to Investors, whether or not they took part in the bookbuilding process ("**Replacement Investors**"), provided that such Replacement Investors properly place and pay for their subscription orders in response to the invitation to subscribe for the Offer Shares extended to them as provided for herein.

Any Offer Shares with respect to which Investors avoided the legal consequences of subscription pursuant to the provisions of Art. 51a of the Public Offering Act, did not place subscription orders in response to the invitation, or did not pay for their subscriptions within the specified time limit may be offered and allotted to Replacement Investors, provided that such Replacement Investors properly place and pay for subscription orders in response to the invitation to subscribe for the Offer Shares as provided for in this section.

If an Investor makes an insufficient payment for Offer Shares or places a subscription order or orders for a lower number of Offer Shares than that specified in the invitation, such Investor may be allotted the number of Offer Shares resulting from the payment made or, at the discretion of the Company, acting in consultation with the Joint Bookrunners, the Investor may be allotted a lower number of Offer Shares than that resulting from the payment made or the Investor may be allotted no Offer Shares. If an Investor places a subscription order or orders for a greater number of Offer Shares than that specified in the invitation, such Investor may be allotted the number of Offer Shares specified in the invitation.

Any overpayments by Investors as well as funds paid by the Institutional Investors who have not been allotted any Offer Shares or whose subscription orders have been invalidated or rejected shall be returned within 14 days from the allotment date of the Offer Shares or from the announcement date of abandonment of the Offering, without any interest or compensation, to the Investor's account specified in the subscription order form.

To the extent required by the applicable laws, information on the results of allotment of the Offer Shares shall be published in a current report, in accordance with Par. 33.1.6 of the Report Regulation. However, the listing of the Offer Shares and the Allotment Certificates may commence before publication of the results of allotment.

Furthermore, in accordance with Art. 439 of the Commercial Companies Code, lists of subscribers, specifying the number and type of shares allotted to each of them, shall be displayed no later than a week after the date of allotment of the Offer Shares and shall remain available for inspection for the next two weeks, in the offices where subscription orders were accepted.

Settlement

Investors who have been allotted Offer Shares shall have Allotment Certificates registered in their securities accounts. After the registry court registers the increase of the Company's share capital through the issue of the Offer Shares, the Allotment Certificates shall be replaced by the Offer Shares (see *Registration of the Offer Shares and the Allotment Certificates with the depository of securities* below).

If the data provided by an Investor for the purposes of registration of the Offer Shares or Allotment Certificates in the securities accounts is incomplete or incorrect, the Offer Shares or Allotment Certificates may be registered in the Investor's securities account at a later date, after the data has been supplemented or corrected by the Investor.

The Offering Broker shall not be liable for any non-registration of the Offer Shares or Allotment Certificates in the investor's securities account if such non-registration is attributable to the fact that the data provided by the Investor for the purposes of registration of the Offer Shares or Allotment Certificates in the securities account was incomplete or incorrect.

If any Allotment Certificates allotted to an Investor cannot be recorded in the securities account indicated by the Investor, such Allotment Certificates shall be recorded in registers maintained by the Offering Broker.

Unsuccessful Offering

The issue of the Offer Shares shall be unsuccessful in the following cases:

- the Company decides to abandon the Offering of the Offer Shares; or
- one or more Offer Shares are not subscribed and properly paid for; or
- the Management Board fails to file an application for registration of the share capital increase within the legally required time limit; or
- the registry court's decision refusing to register the share capital increase through the issue of the Offer Shares becomes final.

Registration of the share capital increase resulting from the issue of the Offer Shares is also contingent on the Management Board's proper filing of a statement specifying the final amount by which the share capital is to be increased, the amount of share capital subscribed for and the amendments to be made to the Articles of Association concerning the amount of the Company's share capital, based on the number of Offer Shares for which valid subscription orders have been placed. The statement, made pursuant to Art. 310 in conjunction with Art. 431.7 of the Commercial Companies Code, should be enclosed with the application for registration of the share capital increase. The Management Board's failure to make the required statement would preclude the registration of the share capital increase and consequently prevent the issue of the Offer Shares.

If the issue of the Offer Shares proves unsuccessful after the Allotment Certificates are admitted to trading on the WSE, refunds will be made to those investors who have Allotment Certificates registered in their securities accounts as at the date when transactions executed on the last day of trading in the Allotment Certificates on the WSE's main market are settled. In such a case, the amount of payments to be refunded shall be equal to the product of the number of Allotment Certificates registered in an investor's securities account and the Final Price of the Offer Shares.

Registration of the Offer Shares and the Allotment Certificates with the depository of securities

The Company shall file an application with the CSDP requesting that the CSDP Management Board adopts a resolution on conditional registration of the Offer Shares and the Allotment Certificates.

Once the allotment of the Offer Shares has been completed, the Management Board shall immediately file an application with the WSE requesting that the Allotment Certificates be introduced to trading on the main market of the WSE. The Company expects that trading in Allotment Certificates will begin about a week after completion of the allotment process. However, the time when the trading begins does not depend on the Company only.

Immediately upon completion of allotment of the Offer Shares, the Management Board shall file an application with the registry court to register the share capital increase through the issue of Offer Shares. Following registration of the share capital increase, the Management Board shall file an application for introduction of the Offer Shares to trading on the main market of the WSE. Trading in Offer Shares is expected to begin about a month after the allotment. However, the time when the trading begins does not depend on the Company only.

After registration of the Offer Shares with the CSDP, the shares shall be recorded in the investors' accounts, replacing the Allotment Certificates held in such accounts on that date. One Offer Share shall be registered for each Allotment Certificate in an investor's account. The date of expiry of the Allotment Certificates shall be the last date of their trading on the WSE. Starting from the next trading day, the Offer Shares shall be traded.

UNDERWRITING, STABILISATION AND CONTRACTUAL LOCK-UP ARRANGEMENTS

Placement Agreement

The Company intends to enter into an agreement with Joint Bookrunners for placement of Offer Shares with Investors in the Offering (“**Placement Agreement**”) on or before the publication date of this Prospectus. The Placement Agreement will not impose an obligation on any of the Joint Bookrunners, their related parties or any other entities to underwrite the issue of Offer Shares (as an underwriter or in any other capacity). Under the Placement Agreement, the Joint Bookrunners will undertake, subject to certain conditions precedent specified below, to take due care to place the Offer Shares with investors.

The Placement Agreement will include customary representations and warranties by the Company, including those relating to the financial standing of the Group and proper issuance of the Offer Shares.

The Placement Agreement will also define customary conditions precedent and termination events, including force majeure events as well as the terms concerning compliance with representations and warranties made by the Company in the Placement Agreement. If any of the conditions precedent specified in the Placement Agreement is not fulfilled or waived, the Joint Bookrunners’ obligation to place the Offer Shares among Investors as part of the Offering shall expire. The Joint Bookrunners shall also have the right to terminate the Placement Agreement in the cases provided for therein, particularly if a representation or warranty made by the Company is found to be a false statement of fact or law or if the situation on the financial markets changes significantly, adversely affecting the Offering.

On the terms specified in the Placement Agreement, the Company shall agree to indemnify the Joint Bookrunners and other specified persons against specified claims, liabilities and expenses which may be brought against or incurred by the Joint Bookrunners or such other persons in connection with the Placement Agreement (Indemnity Clause).

For information on remuneration of the Joint Bookrunner in connection with the Offering, see *Supplementary information – Costs of the Offering*. In case of changes to the remuneration of the Joint Bookrunner, relevant information will be published, to the extent required by law, in the form of a supplement to this Prospectus, upon the PFSA’s approval of the supplement.

The Placement Agreement shall contain customary undertakings by the Joint Bookrunners concerning their compliance with the limitations applicable to the offering of the Offer Shares.

The Placement Agreement shall stipulate that the Company will be subject to limitations with respect to the issuance and disposal of Shares. For information on such limitations, see *Contractual restrictions on transferability of the Shares* below.

To the extent required by law, information on execution of the Placement Agreement shall be published in the form of an update announcement, in the same manner as this Prospectus. If the Company comes to the conclusion that any change to the terms and conditions of the Placement Agreement or of the date of its execution may materially affect an assessment of the Offer Shares, relevant information shall be published in the form of a supplement to this Prospectus, in the same manner as this Prospectus, upon the PFSA’s approval of the supplement. Information to the effect that no Placement Agreement has been executed shall be published in the form of a supplement to this Prospectus, in the same manner as this Prospectus, upon the PFSA’s approval of the supplement.

Stabilization

As at this Prospectus Date, no stabilisation measures as defined in the Stabilisation Regulation are planned. No over-allotment or greenshoe option is contemplated under the Offering.

Contractual restrictions on transferability of the Shares

It is envisaged that a customary lock-up agreement typical for transactions similar to the Offering, restricting Company’s right to issue and sell Shares, will be included in the Placement Agreement. In particular it is envisaged that for a period agreed upon by the parties, from the date of first listing of Allotment Certificates on the WSE, subject to specified exceptions, neither the Company, nor any of its subsidiaries or affiliates which the Company controls through its right to appoint members of the governing bodies of such companies or under a management agreement, or by holding a majority of the total vote at their general meetings, nor any other party acting on their behalf, shall not, without the Joint Bookrunners’ prior written consent: (a) directly or indirectly offer, issue, purchase, pledge, sell, enter into agreements for the sale of or in any other way dispose of, grant options for, enter into agreements for purchase of options for, purchase options for, enter into agreements for the sale or grant of options for, rights or warrants for the purchase, disposal or sale of Company shares, or securities convertible into Company shares or incorporating other rights to purchase Company shares, nor shall it, with

respect to the above, apply for the approval of an issue prospectus or another offering document under the Public Offering Act; (b) enter into swap transactions or other agreements transferring, in full or in part, whether directly or indirectly, the economic consequences of the ownership of Company shares to another entity, irrespective of whether such swap or transaction described in items (a) and (b) is to be settled through the delivery of Company shares or other securities referred to above, in cash or otherwise; (c) publicly announce any intention which would result in any such transaction.

If the Company comes to the conclusion that the terms of the Placement Agreement or change of its execution date may be a material factor that could affect an assessment of the Offer Shares, relevant information will be published in the form of a supplement to this Prospectus in accordance with Art. 51 of the Public Offering Act.

DILUTION

The Company expects gross proceeds from the issue of the Offer Shares to amount to approximately PLN 100m. The final amount of the proceeds will depend on the final number of Offer Shares allotted to investors in the Offering and on the Final Price of the Offer Shares.

If the Offering is completed and all the Offer Shares are offered and subscribed for, the Offering will result in a dilution of the existing shareholders' interests in the Company's share capital and in the total number of voting rights that the shareholders may exercise at the General Meeting. Following registration of the share capital increase due to the issue of the Offer Shares, the existing Shares, currently representing 100% of the Company's share capital and 100% of the voting rights at the General Meeting, will jointly represent 81.95% of the Company's share capital and 81.95% of the total voting rights at the General Meeting.

The table below presents the Company's share capital structure as at this Prospectus Date and the share capital structure expected after the closing of the issue of Offer Shares.

	As at the Prospectus Date		After the Offer Share issue	
	Number of Shares	% of votes at GM	Number of Shares	% of votes at GM*
Existing Shares.....	69,600,000	100.00	69,600,000	81.95
Offer Shares.....	0	0.00	15,331,998	18.05
Total number of Shares ...	69,600,000	100.00	84,931,998	100.00

Source: the Company.

** Provided that all the Offer Shares are offered and acquired by Investors.*

For information on dilution, taking into account the existing and new shareholders, see *Major shareholders–Shareholding structure following the issue of Offer Shares.*

CAPITAL MARKET IN POLAND. OBLIGATIONS RELATED TO ACQUISITION AND DISPOSAL OF SHARES

The information contained in this Section is of general nature and provides an overview of the regulatory framework as at the Prospectus Date. Therefore, investors should familiarise themselves with applicable regulations and consult their own legal advisers on laws governing the acquisition, holding and disposal of the Shares.

Gielda Papierów Wartościowych w Warszawie S.A. (Warsaw Stock Exchange)

The Polish exchange market for financial instruments is operated by the WSE. The WSE operates on the basis of applicable laws, including the Act on Trading in Financial Instruments, and its own internal regulations, including the WSE Articles of Association and the WSE Rules.

The exchange operated by the WSE is a regulated market within the meaning of applicable EU laws and the Act on Trading in Financial Instruments. Moreover, the WSE organises and operates an alternative trading system, which is a non-regulated market. The exchange market operated by the WSE comprises the main market (i.e. the official listing market) and the parallel market.

According to data available on its website (www.gpw.pl), as at June 22nd 2015 the WSE was the listing market for 473 companies (including 52 foreign ones). As at June 22nd 2015, the aggregate market capitalisation of companies listed on the WSE amounted to PLN 1,325bn.

Conversion of securities into book-entry form

Generally, securities which are offered through a public offering in Poland or which are to be admitted to trading on the regulated market in Poland exist in an uncertificated form from the date of their registration under the relevant agreement with the CSDP, which is the clearing and settlement institution in Poland, that is from their conversion into book-entry form, except for securities which are to be offered through a public offering and are not subject to admission to trading on the regulated market or are to be introduced exclusively to a multilateral trading system, which may retain their certificated form if their issuer so decides. Rights attached to book-entry securities arise as of their first-time registration in the securities account and inure to the benefit of the holder of the securities account. Securities registered in omnibus accounts are an exception to the above rule – in their case the rights do not accrue to the benefit of the account holder. In the case of securities registered in omnibus accounts, the rights accrue to the person indicated to the account operator by the account holder, in such number as indicated. An agreement on transfer of book-entry securities transfers the securities as of the moment an appropriate entry is made in the securities account. In the case of securities registered in an omnibus account, a document having the same content as a deposit certificate, issued by the account holder, in the Polish or in the English language, is deemed to be a deposit certificate.

The operator of the securities account, i.e. a brokerage house or custodian bank, issues, at the request of the account holder, a deposit certificate in the name of the holder, separate for each type of securities registered in the account. Such a certificate confirms the entitlement to exercise the rights attached to the securities specified therein, which are not or cannot be exercised based solely on entries in the securities account, excluding the right to participate in the general meeting. Deposit certificates may be issued by a brokerage house, bank licensed to conduct brokerage activities, custodian bank, foreign investment firms and foreign legal persons licensed to conduct brokerage activities in Poland through a branch, the CSDP or the National Bank of Poland (NBP) – if the designation of a given account enables the identification of the persons holding the rights attached to the securities.

As of the date the certificate is issued, the number of securities specified in the certificate cannot be traded until the expiry of the certificate validity period or its surrender to the certificate issuer. For this period, the certificate issuer blocks an appropriate number of securities in the account. The same securities may be indicated in more than one certificate, provided that the purpose of issuing each certificate is different. In such a case, a note is made in subsequent certificates that the securities have been blocked as other certificates have been issued before.

Settlement

In line with applicable laws, all transactions on the regulated market of the WSE are executed on a delivery versus payment basis, and rights are transferred three days after the transaction date. As a rule, each investor must have a securities account and a cash account with an investment firm or an entity conducting custodian activities in Poland, and each investment firm and entity offering custodian services must hold appropriate accounts with the CSDP and a cash account with a clearing bank. Entities qualified to operate securities accounts may also operate, as part of a securities depository or the securities registration system maintained by the National Bank of Poland, omnibus accounts in which book-entry securities owned by persons other than those for whom the accounts are kept may be registered. Omnibus accounts may be operated exclusively for entities specified in the Act on Trading in Financial Instruments.

In accordance with the regulations of the WSE and the CSDP, KDPW CCP S.A., a subsidiary of the CSDP, is obliged to clear, on the basis of a transaction list (after-trading lists) provided by the WSE, transactions executed by WSE members. WSE members, in turn, coordinate clearing for clients for whose accounts the transactions were executed.

Organisation of securities trading

In accordance with the WSE Rules, trading sessions on the WSE are held regularly from Monday to Friday between 8:30 am and 5:35 pm local time, unless the WSE Management Board decides otherwise.

Depending on the listing market for particular securities, offers are submitted in the continuous trading system (main market) or in the single price auction system with one or two auctions (parallel market). In the case of large blocks of shares, it is possible to carry out block transactions outside the continuous trading system or the single price auction system.

Information on share prices, trading volumes as well as any special rights (pre-emptive rights, dividend right) related to particular equities is available on the official website of the WSE (www.gpw.pl).

Brokerage fees in Poland are not set by the WSE or any regulatory body. They are set by brokerage houses executing the transactions.

Legislation governing the capital market

There are three key laws governing the Polish securities market, all dated July 29th 2005: (i) the Public Offering Act, (ii) the Act on Trading in Financial Instruments, and (iii) the Act on Capital Market Supervision. Since September 19th 2006, supervision over the capital market has also been regulated by the Act on Financial Supervision. Moreover, the Polish capital market operates in accordance with the regulations issued under the abovementioned Acts and the EU regulations, which – like the EU directives – apply directly in Poland.

The regulatory body for the Polish capital market is the Polish Financial Supervision Authority (PFSA).

The Public Offering Act – rights and obligations related to acquisition and disposal of major holdings of shares

As at the Prospectus Date, the Company was not a public company.

Obligation to notify the PFSA of acquisition or disposal of shares

Pursuant to the Public Offering Act, a shareholder who:

- has reached or exceeded 5%, 10%, 15%, 20%, 25%, 33%, 33 1/3%, 50%, 75% or 90% of total voting rights in a public company, or
- held at least 5%, 10%, 15%, 20%, 25%, 33%, 33 1/3%, 50%, 75% or 90% of total voting rights in a public company, and as a result of a reduction of that equity interest, holds 5%, 10%, 15%, 20%, 25%, 33%, 33 1/3%, 50%, 75% or 90% or less of total voting rights, respectively,

is required to promptly notify the PFSA and the public company of the fact within four business days from the date on which the shareholder became, or by exercising due care could have become, aware of such a change, or – if the change results from acquisition of shares in the public company effected in a transaction concluded on a regulated market – within six trading days of the transaction date. Trading days are specified by the company operating the regulated market (in the Company's case – the WSE) in its rules, pursuant to the Act on Trading in Financial Instruments, and announced by the PFSA on its website.

The requirement to notify the PFSA and the public company also arises if:

- a shareholder's holding of over 10% of total voting rights has changed by at least:
 - 2% of total voting rights – in the case of a public company whose shares have been admitted to trading on the official stock-exchange market (as at the Prospectus Date, it was the main market of the WSE),
 - 5% of total voting rights – in the case of a public company whose shares have been admitted to trading on another regulated market,
- a shareholder's holding of over 33% of total voting rights has changed by at least 1% of total voting rights.

The notification requirement does not arise if, upon the clearing by the depository for securities of a series of transactions executed on a regulated market on a single day, the change in the share of total voting rights in a public company as at the end of the clearing day does not result in the reaching or exceeding of any shareholding threshold which would trigger the notification requirement.

Such notification may be prepared in English.

Having received such notification, the public company is obliged to immediately make the information contained therein available to the public, to the PFSA and to the company operating the regulated market on which its shares are listed.

The PFSA may exempt a public company from the obligation to make such information available to the public if this could:

- compromise the public interest, or
- cause material damage to the company's interests – unless non-disclosure of such information would mislead investors generally in assessing the value of the securities.

Tender or exchange offers

Acquisition of shares conferring the right to more than 5% or 10% of total voting rights in a given period

Acquisition of shares in a public company in a number which increases a shareholder's share in total voting rights by more than:

- 10% within a period shorter than 60 days, in the case of a shareholder holding less than 33% of total voting rights in the company,
- 5% within a period shorter than 12 months, in the case of a shareholder holding at least 33% of total voting rights in the company,

may only be effected by way of a tender or exchange offer for a number of shares which confers the right to not less than 10% or 5%, respectively, of total voting rights.

Exceeding of 33% of total voting rights in a public company

A shareholder may exceed 33% of total voting rights in a public company only as a result of a tender or exchange offer for a number of shares in that company which guarantees the reaching of 66% of total voting rights, unless the shareholder is to exceed the 33% threshold as a result of a tender or exchange offer for all remaining shares in the company.

If a shareholder exceeds the threshold of 33% of total voting rights as a result of indirect acquisition of shares, subscription for new issue shares, acquisition of shares in a public offering, contribution in kind to the company, merger or demerger of the company, introduction of amendments to the company's Articles of Association, expiry of preference rights attached to shares, or otherwise exceeds the threshold as a result of a legal event other than a legal transaction, the shareholder or the entity which has indirectly acquired the shares, is required, within three months from exceeding the 33% threshold, to:

- announce a tender or exchange offer for a number of the company shares that would result in reaching 66% of total voting rights, or
- dispose of a sufficient number of shares so as to hold shares conferring not more than 33% of total voting rights,

unless within that period the share of such shareholder, or the entity which has indirectly acquired the shares, in total voting rights decreases to or below 33% of total voting rights as a result of a share capital increase, amendments to the company's Articles of Association, or expiry of preference rights attached to the shares held.

If a shareholder exceeds the 33% threshold as a result of inheritance, the obligation referred to above applies only if following the acquisition the shareholder's share in total voting rights increases further. The timeframe for performing the obligation commences on the day of the event leading to a further increase in the shareholder's share in total voting rights.

Exceeding of 66% of total voting rights in a public company

A shareholder may exceed 66% of total voting rights in a public company only as a result of a tender or exchange offer for all remaining shares in the company.

If a shareholder exceeds the 66% threshold as a result of an indirect acquisition of shares, subscription for new issue shares, acquisition of shares in a public offering, contribution in kind to the company, merger or demerger of the company, introduction of amendments to the company's Articles of Association, expiry of preference rights attached to shares, or otherwise as a result of a legal event other than a legal transaction, the shareholder, or the entity which has indirectly acquired the shares, is required, within three months from exceeding the 66% threshold, to announce a tender or exchange offer for all remaining shares in the company unless within that period the share of such a shareholder, or the entity which has indirectly acquired the shares, in total voting rights decreases below 66% as a result of a share capital increase, amendments to the company's Articles of Association, or expiry of preference rights attached to the shares.

Announcement of tender or exchange offer

A tender or exchange offer is announced and carried out through the agency of an entity conducting brokerage activities in the Republic of Poland, which is obliged, no later than 14 business days before the opening of the period for tendering shares for sale or exchange in response to the offer, to simultaneously notify the PFSA and the company operating the regulated market on which the shares are listed, of the intent to announce the tender or exchange offer, attaching a copy of the tender or exchange offer to the notification. Then the tender or exchange offer is announced in at least one daily newspaper with nationwide circulation.

A tender or exchange offer is announced after a guarantee is provided for not less than 100% of the value of the shares subject to the offer. The guarantee should be documented with a certificate issued by a bank or another financial institution which granted, or intermediated in the granting of, the guarantee.

Once announced, a tender or exchange offer may not be abandoned, unless another entity announces a tender or exchange offer for the same shares after the first offer is announced. A tender or exchange offer for all remaining shares in a given company may only be abandoned if another entity announces a tender or exchange offer for all remaining shares in the company at a price not lower than the price of the first offer.

Upon receipt of a notification of the announcement of a tender or exchange offer, the PFSA may, no later than three business days before the opening of the period for submitting responses to the offer, request that the tender or exchange offer document be amended or supplemented as necessary or that clarifications of its wording be provided within a timeframe specified in the request, which must not be shorter than two days.

The opening of the period for submitting responses to the offer is suspended until the entity obliged to announce the offer completes the actions specified in such request.

After the tender or exchange offer is closed, the entity which announced the offer is obliged to provide information, in accordance with Art. 69 of the Public Offering Act, on the number of shares acquired in the tender or exchange offer and the percentage of total voting rights achieved as a result of the offer.

In the period between the notification referred to above and the closing of the tender or exchange offer, the entity obliged to announce the offer and its subsidiaries or parent entities, or entities with which it concluded an agreement on acquisition of shares in a public company or on voting in concert at the general meeting of shareholders, or on conducting a fixed policy with respect to the company:

- may acquire shares in the company whose shares are subject to the offer only as part of the offer and in the manner defined therein,
- may not dispose of shares in the company whose shares are subject to the offer, or enter into any agreement whereby they would be obliged to dispose of the shares, during the term of the offer, and
- may not indirectly acquire shares in the public company whose shares are subject to the offer.

Price of shares in a tender or exchange offer

If any of the company shares are traded on the regulated market, the share price offered in a tender or exchange offer may not be lower than:

- the average market price from the six months preceding the announcement of the offer, during which the shares were traded on the main market,
- the average market price from a shorter period – if shares were traded on the main market for a period shorter than that specified above.

In addition, the share price offered in a tender or exchange offer may not be lower than:

- the highest price paid for the shares subject to the offer within 12 months preceding its announcement by the entity obliged to announce the offer, its subsidiary or parent entity, or entities with which it concluded an agreement on acquisition of shares in the public company, or on voting in concert at the general meeting of shareholders, or on conducting a fixed policy with respect to the company, or
- the highest value of assets or rights delivered in exchange for the shares subject to the offer within 12 months preceding its announcement by the entity obliged to announce the offer or entities referred to above.

The share price offered in a tender or exchange offer may not be lower than the average market price from the three months preceding the offer announcement, during which the shares were traded on the regulated market.

If the average market price of the shares, determined as specified above, significantly differs from their fair value due to:

- granting to the shareholders of pre-emptive rights, the right to dividend, the right to acquire shares of the acquiring company in connection with demerger of the public company through a spin-off, or other property rights related to their holding of shares in the public company,
- considerable deterioration of the financial condition or assets of the company due to events or circumstances that could not have been foreseen or prevented by the company, or
- the threat of permanent insolvency of the company,

the entity announcing the tender or exchange offer may apply for the PFSA's consent to offer a price that does not meet the criteria specified above. The PFSA may grant such consent provided that the proposed price is not lower than the fair value of the shares and the announcement of the offer does not prejudice the legitimate interest of the shareholders.

If the price cannot be determined in accordance with the rules described above or in the case of a company in relation to which arrangement or bankruptcy proceedings have been commenced, the price may not be lower than the fair value of the shares.

The share price offered in a tender or exchange offer referred to in Art. 72 through 74 of the Public Offering Act may be lower than the price determined as specified above with respect to shares representing 5% or more of all shares in a company which are to be acquired from a person who tendered the shares in response to the offer, if the entity obliged to announce the tender offer and that person so agreed.

Squeeze-out

A shareholder in a public company who individually or jointly with its subsidiaries or parent entities, or entities with which it concluded an agreement on acquisition of shares in a public company, or on voting in concert at the general meeting of shareholders, or on conducting a fixed policy with respect to the company, has reached or exceeded 90% of total voting rights in the company, has the right to demand, within three months of reaching or exceeding that threshold, that the other shareholders sell all their shares in the company (squeeze-out).

The share price in a squeeze-out is determined pursuant to Art. 79.1–79.3 of the Public Offering Act, concerning determination of the share price in a tender or exchange offer, provided that if the 90% threshold has been reached or exceeded due to an announced tender or exchange offer for all remaining shares in the company, the squeeze-out price cannot be lower than the price offered in the offer.

A squeeze-out is announced and carried out through the agency of an entity conducting brokerage activities in the Republic of Poland, which is obliged, not later than 14 business days prior to the commencement of the squeeze-out, to simultaneously notify the PFSA and the company operating the regulated market on which the shares are listed, or if the company shares are listed on more than one regulated market – all such companies, of the intent to announce the squeeze-out, attaching information on the squeeze-out to the notification.

Once announced, a squeeze-out may not be abandoned.

Sell-out

A shareholder in a public company may demand that their shares be acquired by another shareholder who has reached or exceeded 90% of total voting rights in the company. Such demand must be made in writing within three months from the day on which the threshold was reached or exceeded by such other shareholder. If information about the fact that the 90% threshold of total voting rights referred to above was reached or exceeded has not been made available to the public as required under the Public Offering Act, the period for submitting such demand starts on the day when the shareholder entitled to demand the sell-out becomes, or by exercising due care could have become, aware of the 90% threshold having been reached or exceeded by another shareholder.

The obligation to satisfy the demand, within 30 days from the date on which it is made, rests jointly and severally with the shareholder who has reached or exceeded 90% of total voting rights and on its subsidiaries and parent entities. The obligation to acquire the shares from the shareholder rests also jointly and severally with every party to an agreement on acquisition of shares in the public company or on voting in concert at the general meeting of shareholders or on conducting a fixed policy with respect to the company if the parties to the agreement jointly hold, together with their subsidiaries and parent entities, at least 90% of total voting rights.

The share price in a sell-out is determined pursuant to Art. 79.1–79.3 of the Public Offering Act, concerning determination of the share price in a tender or exchange offer, provided that if the 90% threshold has been reached or exceeded due to an announced tender or exchange offer for all remaining shares in the company, the price in a sell-out cannot be lower than the price in the offer.

Entities subject to obligations related to major holdings of shares

The obligations specified in the regulations on the requirement to notify the PFSA of reaching/exceeding a specified threshold of total voting rights in a public company, tender or exchange offers, squeeze-out or sell-out also apply to:

- any shareholder that has reached or exceeded any of the thresholds of total voting rights defined in the Public Offering Act as a result of acquisition or disposal of depository receipts issued in connection with shares in a public company,
- an investment fund – also if it has reached or exceeded a given threshold of total voting rights defined in the abovementioned regulations in connection with shares held jointly by other investment funds managed by the same investment fund management company, and by other investment funds established outside of the territory of the Republic of Poland, managed by the same company,
- a shareholder who has reached or exceeded a given threshold of total voting rights specified in the Public Offering Act in connection with shares held (i) by a third party in its own name but upon instruction or for the benefit of the shareholder, except for shares acquired in the performance of activities consisting in the execution of orders to acquire or dispose of broker-traded financial instruments, for the account of the client, (ii) in connection with activities involved in the management of portfolios including one or more financial instruments, in accordance with the provisions of the Act on Trading in Financial Instruments and the Act on Investment Funds, in relation to shares in a managed securities portfolio, under which the shareholder, as the manager, may exercise voting rights at the general meeting of shareholders on behalf of the principals, (iii) by a third party with which the shareholder entered into an agreement on the transfer of right to exercise voting rights at the general meeting,
- a proxy who, in its capacity as a representative of a shareholder at the general meeting, has been authorised to exercise voting rights attached to shares in a public company, unless the shareholder provided binding written instructions on how the proxy is to vote,
- jointly to all entities bound by a written or oral agreement on the acquisition of shares in a public company, or on voting in concert at the general meeting, or on conducting a fixed policy with respect to the company, even if only one of the entities has taken or intends to take actions giving rise to such obligations,
- entities which enter into an agreement referred to above, holding shares in a public company whose aggregate number confers such a number of voting rights which results in reaching or exceeding a given threshold of total voting rights defined in the abovementioned regulations.

In the last two cases, the obligations defined in the provisions on significant holdings of shares in public companies may be discharged by one of the parties to the agreement, designated by the parties thereto.

The obligations defined in the regulations on the requirement to notify the PFSA of reaching or exceeding specific thresholds of total voting rights in a public company, tender offers, squeeze-out or sell-out arise also if the voting rights are attached to securities deposited or registered with an entity which may dispose of them at its own discretion.

Act on Trading in Financial Instruments

Market manipulation

The Act on Trading in Financial Instruments prohibits manipulation involving financial instruments, which is defined as:

- placing orders or executing transactions which create or may create misleading appearances with respect to the actual demand, supply or price of a financial instrument, unless the reasons behind such activities are legitimate, and the placed orders or executed transactions are not in breach of the established market practice on the relevant regulated market;
- placing orders or executing transactions which result in the price of one or more financial instruments moving to an abnormal or artificial level, unless the reasons behind such activities are legitimate, and the placed orders or executed transactions are not in breach of the established market practice on the relevant regulated market;
- placing orders or executing transactions with the intention to produce legal effects other than the actual objective of a given legal transaction;
- dissemination, through the media, including the Internet, or by any other means, of false or inaccurate information or rumours which are or may be misleading as to financial instruments (a) by a journalist – if he or she has failed to exercise due professional care or if he or she has obtained financial or personal benefits for himself or herself or another person by disseminating such information, even acting with due professional care, (b) by another person – if the person has known or, acting with due care could have known, such information to be false or misleading;
- placing orders or executing transactions while simultaneously misleading market participants, or taking advantage of the fact that market participants are being misled, as regards the price of financial instruments;
- securing control over the demand for or supply of a financial instrument in breach of the principles of fair trading or in a manner resulting in direct or indirect fixing of the purchase or selling prices of financial instruments;
- acquisition or disposal of financial instruments at the close of trading with the effect of misleading investors acting on the basis of closing prices;
- deriving a financial gain from the influence of opinions concerning financial instruments or their issuers, expressed in the media on an occasional or a regular basis, on the price of the financial instruments held, unless an existing conflict of interest has been fully and accurately disclosed to the public.

Anyone who engages in market manipulation is liable to a fine of up to PLN 5m or a penalty of imprisonment for a period from three months to five years, or to both these penalties jointly. Anyone who engages in collusion with other persons for the purpose of manipulation is liable to a fine of up to PLN 2m. Furthermore, in the case of some manipulations, the PFSA may impose a fine of up to PLN 200 thousand or a fine of up to ten times the economic benefit derived, or both these penalties jointly.

Insider trading

Inside information is any information of a precise nature, relating, whether directly or indirectly, to one or more issuers of financial instruments, one or more financial instruments, or acquisition or disposal of such instruments, which has not been made public and which, if made public, would be likely to have a significant effect on the prices of financial instruments or related derivative financial instruments.

Anyone who: (i) gains inside information through membership of the governing bodies of a company or another entity, through holding an equity interest in a company or another entity, or as a result of having access to inside information in connection with employment, practised profession, a mandate contract or any other contract of a similar nature, (ii) holds inside information as a result of committing an offence, or (iii) holds inside information obtained otherwise than as described in the two preceding items, if the person knew or having exercised due care could have known that it was inside information, is prohibited from using such information. Actions defined as insider trading include:

- acquisition or disposal of financial instruments for one's own account or for the account of a third party, effected on the basis of inside information held by a given person, or any other legal transaction undertaken for one's own account or for the account of a third party which leads or might lead to disposal of such financial instruments;
- recommending or inducing another person on the basis of inside information to acquire or dispose of financial instruments to which such information relates;
- enabling an unauthorised person to gain, or facilitating the gaining by such person of, inside information relating to one or more issuers of one or more financial instruments.

Anyone who, in violation of legal regulations, uses inside information is liable to a penalty of imprisonment or a fine, or to both these penalties jointly. The maximum amount of such fine is PLN 5m, and the period of imprisonment depends on the type of offence and varies from three months to eight years.

Acquisition or disposal of shares during restricted periods

Another restriction under the Act on Trading in Financial Instruments refers exclusively to members of the management board, supervisory board, commercial proxies or attorneys-in-fact of the issuer, its employees, qualified auditors or other persons related to the issuer under a mandate contract or any legal relation of a similar nature (persons having access to first-level inside information), who, during restricted periods, may not acquire or dispose of, for their own account or for the account of a third party, any of the issuer shares, derivative rights attached thereto or other financial instruments related to such shares, and may not make, for their own account or for the account of a third party, any other legal transactions which lead or might lead to disposal of such financial instruments.

Moreover, persons having access to first-level inside information may not, during restricted periods, acting as a governing body of a legal entity, make transactions whose objective is to effect this legal entity's acquisition or disposal, for its own account or for the account of a third party, any of the issuer shares, derivative rights attached thereto or other financial instruments related to such shares, and may not take, for their own account or for the account of a third party, any actions which lead or might lead to disposal of such financial instruments.

The restrictions described above do not apply to transactions carried out: (i) by an entity conducting brokerage activities and commissioned by such person to manage such person's portfolio of financial instruments in a manner which excludes such person's influence on decisions made for its account or (ii) to discharge an obligation to dispose of or acquire any of the issuer shares, derivative rights attached thereto or other financial instruments related to such shares, where such obligation results from a written agreement with the date certified by a notary public, concluded before a given restricted period starts, or (iii) following the submission, by a person having access to first-level inside information, of a response to an announced tender or exchange offer for shares, in accordance with the provisions of the Public Offering Act, or (iv) in connection with the performance, by a person having access to first-level inside information, of their obligation to announce a tender or exchange offer for shares, in accordance with the provisions of the Public Offering Act, or (v) in connection with the exercise, by an existing shareholder of the issuer, of their pre-emptive rights, or (vi) in connection with an offering addressed to employees or members of the issuer's governing bodies provided for in the articles of association, provided that the information on such offering has been publicly available before a given restricted period starts.

A restricted period is defined as: (i) the period between the time when a natural person having access to first-level inside information gains inside information concerning the issuer or the financial instruments and the time when such information is made public; (ii) in the case of a full-year report – the period of two months preceding the publication of such report or, if shorter, the period between the end of a given financial year and the publication of such report; (iii) in the case of a half-year report – the period of one month preceding the publication of such report or, if shorter, the period between the end of a given half year and the publication of such report; (iv) in the case of a quarterly report – the period of two weeks preceding the publication of such report or, if shorter, the period between the end of a given quarter and the publication of such report. The periods specified in items (ii) to (iv) are not deemed to be restricted periods if a person having access to first-level inside information had no access to the financial data based on which a given report was prepared.

Any natural person having access to first-level inside information who violates the prohibition referred to above during a restricted period is liable to a fine of up to PLN 200 thousand imposed by way of the PFSA's decision.

Additionally, persons who are members of the issuer's management and supervisory bodies or who are the issuer's commercial proxies, as well as persons who hold management positions within the organisational structure of the issuer and have permanent access to inside information related to the issuer, are obliged to notify the PFSA and the issuer of any transactions executed by them for their own account whereby they acquire or dispose of any issuer shares, derivative rights related to the issuer shares or other financial instruments related to the issuer shares. The obligation also applies to transactions executed by persons related to the persons specified

above, within the meaning of Art. 160.2 of the Act on Trading in Financial Instruments. A person violating the obligations referred to above is liable to a fine of up to PLN 100 thousand.

The Commercial Companies Code – obligation to notify the company of obtaining the parent status

A parent company, within the meaning of Art. 4.1.4 of the Commercial Companies Code, is obliged to notify its subsidiary of becoming or ceasing to be the parent company, within two weeks from becoming the parent company, or else the voting rights held by the parent company in excess of 33% of the subsidiary's share capital are suspended.

A resolution passed by the general meeting in violation of the notification requirement is void, unless the quorum and majority requirements are met despite the invalid votes being excluded.

EC Merger Regulation

Requirements concerning the control of concentrations are stipulated in the Council Regulation (EC) on the control of concentrations between undertakings (the EC Merger Regulation). The EC Merger Regulation is applicable to all 'concentrations' having a 'Community dimension' and to undertakings and their related parties exceeding specified thresholds of sales revenue. The EC Merger Regulation is exclusively applicable to concentrations leading to a lasting change in the shareholding structure of an undertaking. Concentrations with a Community dimension must be notified to the European Commission prior to their implementation.

A concentration acquires a 'Community dimension', where:

- the combined aggregate worldwide turnover of all the undertakings concerned is more than EUR 5bn and
- the aggregate turnover in the EU of each of at least two of the undertakings concerned is more than EUR 250m,

unless each of the undertakings concerned generates more than two-thirds of its aggregate EU-wide turnover within a single Member State.

If the specified thresholds are not reached, a concentration nevertheless has a Community dimension if:

- the combined aggregate worldwide turnover of all the undertakings concerned is more than EUR 2.5bn;
- in each of at least three EU Member States, the combined aggregate turnover of all the undertakings concerned is more than EUR 100m;
- in each of at least three Member States considered for the purposes specified in item (ii) above, the aggregate turnover of each of at least two of the undertakings concerned is more than EUR 25m; and
- the aggregate turnover in the EU of each of at least two of the undertakings concerned is more than EUR 100m,

unless each of the undertakings concerned generates more than two-thirds of its aggregate EU-wide turnover within a single Member State.

Act on Competition and Consumer Protection

The Act on Competition and Consumer Protection provides for special obligations related, inter alia, to acquiring shares.

Control of concentrations

An intended concentration of undertakings is subject to notification to the President of the Office of Competition and Consumer Protection (UOKiK) if the combined aggregate worldwide turnover of all the undertakings concerned in the financial year directly preceding the year of notification exceeds the equivalent of EUR 1bn or where the combined aggregate turnover of all the undertakings concerned in the territory of Poland in the financial year directly preceding the year of notification exceeds the equivalent of EUR 50m. The turnover referred to above includes the turnover of all the undertakings directly involved in the concentration, as well as the turnover of all the other members of the corporate groups of the undertakings directly involved in the concentration.

The President of UOKiK consents to the concentration provided that it does not materially restrict competition on the market, in particular through the creation or strengthening of a dominant market position.

The provisions of the Act on Competition and Consumer Protection related to the control of concentrations are applicable to undertakings which, in accordance with the Act on Competition and Consumer Protection, are

entities deemed undertakings within the meaning of the Freedom of Business Activity Act, and also other entities, including but not limited to natural persons, exercising control over at least one entity through holding, whether directly or indirectly, the majority of voting rights at the general meeting, including as a pledgee or usufructuary, or in the management board of another undertaking (subsidiary), also under agreements with other entities, where such persons take further actions subject to the control of concentrations pursuant to the provisions of the Act on Competition and Consumer Protection, even if such natural persons do not conduct business activity within the meaning of the Freedom of Business Activity Act.

The obligation to notify an intended concentration to the President of UOKiK refers to an intended:

- combination of two or more independent undertakings,
- taking over – by way of acquisition of or subscription for shares, other securities, or all or part of the assets, or otherwise – direct or indirect control of one or more undertakings by one or more undertakings,
- establishing a joint undertaking by other undertakings,
- acquiring by an undertaking a part of the assets of another undertaking (a business or its part), where the turnover generated by the assets acquired in the territory of the Republic of Poland exceeded the equivalent of EUR 10m in any of the two financial years directly preceding the notification.

Within the meaning of the Act on Competition and Consumer Protection, taking control includes any form of an undertaking's direct or indirect acquisition of powers which, severally or jointly, taking into consideration all legal or factual circumstances, enable the acquirer to exert decisive influence over another undertaking or undertakings.

The Act on Competition and Consumer Protection does not require an intended concentration to be notified where the aggregate turnover of the undertaking the control of which is to be taken over and its subsidiaries in the territory of the Republic of Poland did not exceed the equivalent of EUR 10m in any of the two financial years directly preceding the notification.

Furthermore, pursuant to Art. 14 of the Act on Competition and Consumer Protection, an intended concentration is not subject to notification if it: (a) consists in temporary acquisition of or subscription for shares by a financial institution with a view to reselling them, where the business profile of such institution includes making investments, for its own account or for the account of a third party, in shares in other undertakings, provided that the shares are resold within a year from the acquisition or subscription date, and that (i) such institution does not exercise rights attached to those shares, other than the right to dividend or (ii) it exercises such rights exclusively with a view to preparing for resale, in whole or in part, of the business, its assets or the shares; (b) consists in temporary acquisition of or subscription for shares by an undertaking with a view to securing its claims, provided that such undertaking does not exercise rights attached to those shares, other than the right to dispose of them; (c) involves undertakings belonging to the same group; (d) is effected in the course of bankruptcy proceedings, except where the undertaking intending to take over the control is a competitor or a member of a group including competitors of the undertaking being acquired.

Pursuant to Art. 97 of the Act on Competition and Consumer Protection, the undertakings involved in a concentration subject to notification are obliged to postpone the implementation of such concentration until the President of UOKiK has issued a decision clearing the concentration or until the deadline for issuing such decision has expired. The implementation of a public tender to buy or exchange shares of which the President of UOKiK has been notified is not deemed a breach of the statutory obligation to refrain from effecting a concentration referred to above until the President has issued consent to the concentration or until the deadline for issuing such consent has expired, if the purchaser does not exercise the voting rights attached to the purchased shares or does so solely for the purpose of maintaining the full value of its equity investment or prevent material damage to the undertakings involved in the concentration.

Administrative sanctions for breach of applicable regulations

If an undertaking has effected a concentration without the required consent of the President of UOKiK, the President may, inter alia, impose on such undertaking, by way of a decision, pecuniary penalty of up to 10% of the revenue reported by such undertaking in the financial year directly preceding the year in which the penalty is imposed.

TAXATION

This Section contains general information and does not purport to provide a comprehensive analysis of tax implications, under Polish law, of the acquisition, holding, and disposal of the Shares by investors. Therefore, all investors are advised to individually consult their tax, financial and legal advisers or to obtain official positions from competent administrative bodies.

Overview of income tax regime

Tax on income from sale of securities by natural persons domiciled in the Republic of Poland (i.e. subject to unlimited tax liability in Poland)

Pursuant to Art. 3.1 of the Personal Income Tax Act, natural persons domiciled in the Republic of Poland are subject to tax on their entire income (gross income) regardless of where such income is earned (unlimited tax liability). A natural person is assumed to be domiciled in the Republic of Poland if he/she: (i) has the centre of his/her personal or business interests (a life interest centre) in the Republic of Poland or (ii) spends in the Republic of Poland more than 183 days during a fiscal year.

The above provision is subject to any double tax treaties to which the Republic of Poland is party (Art. 4a of the Personal Income Tax Act).

Pursuant to Art. 30b.1 of the Personal Income Tax Act, income earned from the sale of securities (including shares) for a consideration is taxed at the rate of 19%. Income from sale of securities for a consideration is understood as a surplus of gross earned income from the transaction (the price of the securities specified in the sale agreement, or, in the case of disposal by way of a contribution in kind, the nominal value of the shares in a company acquired in exchange for the contribution) over costs incurred to generate that income (meaning, in general, the expenditures incurred to acquire the securities), recorded in a given fiscal year. However, if the price of the securities materially deviates, without a legitimate reason, from their market value, then the relevant tax authority will determine the amount of gross income from the sale at the market value of the securities. Income from sale of securities for a consideration is not aggregated with income derived by a given person from other sources, and is taxed separately. If a taxpayer sells securities acquired at different prices and it is not possible to establish their purchase price, then the income derived from such sale is calculated in accordance with the principle that in each case the first shares purchased are the first shares sold. This method is applied separately with respect to each securities account.

Natural persons earning income from sale of securities for a consideration are not required to pay any income tax prepayments during a fiscal year. No tax on income from sale of securities (or prepayments for such tax) is withheld by tax remitters, either. However, after the end of a fiscal year (which in the case of natural persons corresponds to a calendar year) taxpayers who earned income from sale of securities for a consideration are required to disclose this fact in their annual tax returns, calculate the income tax payable in respect of that income and transfer the resulting amount to the relevant tax authority.

If in a given fiscal year a taxpayer records a loss on sale of securities, the loss may reduce the taxpayer's income from sale of securities in the next five consecutive fiscal years, with the proviso that in any of these years the amount of such reduction must not exceed 50% of the total loss. Loss from sale of securities is not aggregated with losses from other sources of income.

Taxpayers should prepare their annual tax returns by the end of April in the year following the fiscal year in which they sold the securities, on the basis of information stating the amount of income earned by a given taxpayer (identified by name), delivered to them by the end of February in the year following the fiscal year in which the income was earned by natural persons conducting business activity, legal persons or their organisational units or by unincorporated organisations.

The above provisions do not, however, apply if securities are sold for a consideration as part of the taxpayer's business activity. In such a case, income from sale of securities is treated as operating income and taxed in accordance with rules applicable to such income.

Tax on income from sale of securities for a consideration by natural persons not domiciled in the Republic of Poland (i.e. subject to limited tax liability in Poland)

Pursuant to Art. 3.2a of the Personal Income Tax Act, natural persons not domiciled in the Republic of Poland are subject to tax exclusively on the part of their income (gross income) earned in the territory of the Republic of Poland (limited tax liability). Pursuant to Art. 4a of the Personal Income Tax Act, the above provision is applied taking into consideration any double tax treaties to which the Republic of Poland is party.

Persons subject to limited tax liability who earn income from sale of securities for a consideration in the Republic of Poland are subject to the same regime pertaining to taxation of income from sale of securities for a

consideration as that described above, unless the applicable double tax treaty to which the Republic of Poland is party provides otherwise. Pursuant to Art. 30b.3 of the Personal Income Tax Act, a tax exemption or a lower tax rate following from a relevant double tax treaty may be applied on condition that a taxpayer confirms his or her residence for tax purposes by submitting a certificate of tax residence.

Tax on dividend income and other income from profit distributions made by legal persons, gained by natural persons domiciled in the Republic of Poland (i.e. subject to unlimited tax liability in Poland)

Pursuant to Art. 30a.1.4 of the Personal Income Tax Act, dividend income and other income earned by natural persons from profit distributions made by legal persons is subject to income tax at a flat rate of 19%. Pursuant to Art. 41.4 of the Personal Income Tax Act, entities making payments or placing cash or monetary assets (including dividends or other profit distributions made by legal persons) at a taxpayer's disposal are obliged to withhold and remit a flat-rate income tax on such amounts. Pursuant to Art. 41.4d of the Personal Income Tax Act, tax: in respect of dividend income and income from cancellation of shares, on the value of assets received upon liquidation of a legal person or a company and – in the case of a merger or demerger of companies – on cash contributions received by shareholders of the acquiree, or of the merged or demerged companies, is withheld and remitted by the entities operating securities accounts for taxpayers if the income is generated within the territory of the Republic of Poland and is related to securities registered in these accounts, and the amounts are paid to the taxpayer through such entities. Pursuant to Art. 41.10 of the Personal Income Tax Act, with respect to securities registered in omnibus accounts, the flat-rate income tax on dividends, on income from cancellation of shares, on the value of assets received in connection with the liquidation of a legal person or a company and – in the case of a merger or demerger of companies – on additional cash payments received by shareholders of the acquiree, or of the merged or demerged companies, is withheld and remitted by the entities operating those omnibus accounts through which such amounts are paid. Tax is withheld on the date when a given amount due is made available to the omnibus account holder.

Tax remitters remit the relevant tax amounts to the competent tax offices by the 20th day of the month following the month in which the tax was withheld. By the end of January of the year directly following a given fiscal year, tax remitters referred to in Art. 41 of the Personal Income Tax Act are obliged to submit annual tax returns in the prescribed form to the tax office competent for the remitter's registered office.

Dividend income and other income from profit distributions made by legal persons with registered offices in the Republic of Poland, on which withholding tax was remitted, is not aggregated with the taxpayer's income from other sources, nor is it disclosed in the annual tax return. However, pursuant to Art. 45.3b of the Personal Income Tax Act, if the tax is not withheld by the tax remitter, the natural person is obliged to account for the income tax himself/herself in the annual tax return filed by the end of April in the year following the relevant fiscal year.

Pursuant to Art. 30a.2a of the Personal Income Tax Act, tax on dividend income and other income from profit distributions made by legal persons transferred to beneficial owners of securities registered in omnibus accounts whose identities have not been disclosed to the tax remitter pursuant to relevant provisions of the Act on Trading in Financial Instruments, is withheld by the tax remitter at 19% of the total income that the tax remitter has transferred to all such taxpayers through the agency of the omnibus account holder. Annual tax returns concerning such income are filed by the tax remitters (i.e. entities operating omnibus accounts) to the tax office competent for the taxation of foreign residents. In the light of Art. 45.3c of the Personal Income Tax Act, if the securities were registered in omnibus accounts and the identity of the taxpayer was not revealed to the tax remitter, taxpayers have the obligation to disclose in their annual returns the amounts of their dividend income.

Tax on dividend income and other income from profit distributions made by legal persons, gained by natural persons not domiciled in the Republic of Poland (i.e. subject to limited tax liability in Poland)

Pursuant to Art. 30a.1.4 in conjunction with Art. 3.2a of the Personal Income Tax Act, income of a natural person subject to limited tax liability in the Republic of Poland, in the form of dividend income and other income from profit distributions made by legal persons with registered offices in the Republic of Poland, is subject to the same rules concerning taxation as those described above, provided, however, that in the case of this group of taxpayers the fiscal laws and regulations are applied taking into consideration any double tax treaties to which the Republic of Poland is party. Pursuant to Art. 30a.2 of the Personal Income Tax Act, a tax exemption or a lower tax rate following from a relevant double tax treaty may be applied on condition that a taxpayer confirms his or her residence for tax purposes by submitting a certificate of tax residence.

In addition to the rules described above, by the end of January of the year directly following a given fiscal year, tax remitters referred to in Art. 41 of the Personal Income Tax Act are obliged to submit annual tax returns in the prescribed form to the tax office competent for the remitter's registered office. Moreover, by the end of February of the year immediately following a given fiscal year, each tax remitter is obliged to submit personal information prepared in the prescribed form to the taxpayers and tax offices competent for the taxation of foreign residents. Furthermore, at a written request of the taxpayer, the tax remitter is obliged – within 14 days of the request

submission – to prepare and deliver to the taxpayer and to the tax office competent for the taxation of foreign residents the personal information referred to above.

Tax on income earned from sale of securities for a consideration by legal persons having their registered office or place of management in the Republic of Poland (i.e. subject to unlimited tax liability in Poland)

Pursuant to Art. 3.1 of the Corporate Income Tax Act, taxpayers having their registered office or place of management in the Republic of Poland are subject to tax on their entire income, regardless of where such income is earned (unlimited tax liability).

Income tax on income earned by legal persons having their registered office or place of management in the Republic of Poland from sale of securities for a consideration is levied in Poland in accordance with the rules of general application. Income from sale of securities for a consideration is the difference between revenue from the transaction (the price of the securities specified in the sale agreement, or, in the case of disposal by way of a contribution in kind, the nominal value of the shares in a company acquired in exchange for the contribution) and costs incurred to generate that revenue (in general – the expenditure incurred to acquire the securities). If the price of the securities materially deviates, without a legitimate reason, from their market value, then the relevant tax authority will determine the amount of gross income from the sale at the market value of the securities. Income from sale of securities for a consideration is aggregated with income derived by the taxpayer from other sources to make up the tax base. Pursuant to Art. 19.1 of the Corporate Income Tax Act, income tax is paid at a rate of 19% of the tax base.

Tax on income earned from sale of securities for a consideration by legal persons not having their registered office or place of management in the Republic of Poland (i.e. subject to limited tax liability in Poland)

Pursuant to Art. 3.2 of the Corporate Income Tax Act, legal persons not having their registered office or place of management in the Republic of Poland are subject to tax exclusively on the part of their income earned in the Republic of Poland.

The CIT payers subject to the limited tax liability who earn income from sale of securities for a consideration in the Republic of Poland are subject to the same regime pertaining to taxation of income from sale of securities for a consideration as that described above, unless the applicable double tax treaties to which the Republic of Poland is party provide otherwise.

Corporate income tax on dividends and other income from profit distributions made by a legal person having its registered office or place of management in the Republic of Poland, earned by corporate income tax payers having their registered office or place of management in the Republic of Poland (i.e. subject to unlimited tax liability in Poland)

Pursuant to Art. 22.1 of the Corporate Income Tax Act, income of a corporate income tax payer having its registered office or place of management in the Republic of Poland, in the form of dividends and other income from profit distributions made by a legal person having its registered office in the Republic of Poland, is subject to income tax at a flat rate of 19%.

Pursuant to Art. 22.4 of the Corporate Income Tax Act, a taxpayer's dividend income and other income from profit distributions made by legal persons is exempt from corporate income tax if all of the following conditions are met: (i) dividends or other profit distributions made by a legal person are paid out by a company having its registered office or place of management in the Republic of Poland; (ii) income from dividends or other profit distributions referred to in item (i) above is earned by a company that is subject to CIT in the Republic of Poland on its entire income, regardless of where such income is earned; (iii) the taxpayer referred to in item (ii) above holds directly not less than 10% of shares in the share capital of the company paying out the dividends or other profit distributions, and (iv) the taxpayer referred to in item (ii) above has not claimed the exemption from income tax with respect to its entire income, regardless of where such income is earned.

The above exemption applies: (a) if the shares (referred to in item (iii) above) are held by the taxpayer (referred to in item (ii) above) based on an ownership title, (b) with respect to income earned from shares held under: (A) an ownership title (B) any other title, provided that the income would have been eligible for exemption if the shares had not been transferred.

The tax exemption referred to above applies if an entity deriving income from dividends and other profit distributions made by a legal person having its registered office or place of management in the Republic of Poland holds directly not less than 10% of shares in the share capital of the entity paying out dividends or other profit distributions for an uninterrupted period of two years. Such exemption also applies if the uninterrupted period of two years for which the entity earning the income from profit distributions made by a legal person having its registered office or place of management in the Republic of Poland has continuously held shares in the amount specified above expires after the date such income has been earned. If the condition which requires the holding of shares in the amount specified above for an uninterrupted period of two years is not satisfied, the

taxpayer is obliged to pay tax plus default interest on the income, at the rate of 19% of the income amount, by the 20th day of the month following the month in which the taxpayer lost the right to claim the exemption. Interest accrues from the day immediately following the date on which the entity used the exemption for the first time.

Pursuant to Art. 26.1f of the Corporate Income Tax Act, the exemption referred to above can only be claimed if the taxpayer has submitted a written statement to the effect that the necessary conditions for its application, as stipulated in Art. 22.4.4 of the Corporate Income Tax Act, have been met, i.e. that the taxpayer has not claimed the exemption from taxation with corporate income tax on its entire income, regardless of where such income is earned.

Pursuant to Art. 26.1 and 26.3 of the Corporate Income Tax Act, legal persons specified therein which make payments of dividends and other profit distributions are – as tax remitters – obliged to withhold corporate income tax on the date of payment. The withheld tax amounts should be transferred to the competent tax office's account by the seventh day of the month following the month in which the tax was withheld. By the same date, the tax remitter is obliged to send information on the tax withheld, prepared in the prescribed form, to the taxpayer. Additionally, pursuant to Art. 26a of the Corporate Income Tax Act, by the end of the first month of the year immediately following the fiscal year in which the obligation to remit tax arose, each tax remitter referred to in Art. 26 of the Corporate Income Tax Act is obliged to submit annual tax returns in the prescribed form to the tax office competent for the taxpayer's registered office. In accordance with Art. 26.2c.2 of the Corporate Income Tax Act, in the case of payments of dividends and income referred to in Art. 10.1.1, 10.1.3 and 10.1.5 of the Corporate Income Tax Act from securities registered in securities accounts or omnibus accounts, the obligation referred to in Art. 26.1 applies to entities maintaining such securities accounts or omnibus accounts if the payment is made through the agency of those entities. These entities – as tax remitters – withhold flat-rate corporate income tax on the date on which the payment is made to the securities account or omnibus account holder.

Pursuant to Art. 26.2a of the Corporate Income Tax Act, if amounts due as dividends or other profit distributions made by legal persons are transferred to beneficial owners of securities registered in omnibus accounts whose identities have not been disclosed to the tax remitter pursuant to relevant provisions of the Act on Trading in Financial Instruments, the tax remitter remits tax at 19% of the total income that the tax remitter has transferred to all such taxpayers through the agency of the omnibus account holder. In the case and to the extent specified in Art. 26.2a of the Corporate Income Tax Act, the obligation to withhold tax rests with the entities operating the omnibus accounts through which the due amounts are paid. Tax is withheld on the date when a given amount due is made available to the omnibus account holder. Pursuant to Art. 26.3 of the Corporate Income Tax Act, to the extent specified in Art. 26.2a thereof, tax remitters are under no obligation to deliver information on the payments made and tax withheld to the taxpayers or tax offices.

Corporate income tax on dividends and other income from profit distributions made by legal persons having their registered office or place of management in the Republic of Poland, earned by corporate income tax payers not having their registered office or place of management in the Republic of Poland (i.e. subject to limited tax liability in Poland)

Taxation of entities subject to the limited tax liability with respect to dividend income and other income from profit distributions made by legal persons having registered offices or place of management in the Republic of Poland is governed by the same rules as those applicable to entities subject to the unlimited tax liability, unless any appropriate double tax treaties provide otherwise.

Additionally, pursuant to Art. 22.4 of the Corporate Income Tax Act, a taxpayer's dividend income and other income from profit distributions made by legal persons is exempt from corporate income tax if all of the following conditions are met: (i) dividends and other profit distributions made by a legal person are paid out by a company having its registered office or place of management in the Republic of Poland; (ii) income from dividends or other profit distributions made by legal persons, referred to in item (i) above, are earned by a company that is subject to CIT in an EU Member State other than the Republic of Poland or in another European Economic Area (EEA) member state with respect to its entire income, regardless of where such income is earned; (iii) the company referred to in item (ii) above holds directly not less than 10% of shares in the share capital of the company paying out the dividends, and (iv) the entity referred to in item (ii) above has not claimed the exemption from income tax with respect to its entire income, regardless of where such income is earned.

The above exemption applies: (a) if the shares (referred to in item (iii) above) are held by the taxpayer (referred to in item (ii) above) based on an ownership title, (b) with respect to income earned from shares held under: (A) an ownership title (B) any other title, provided that the income would have been eligible for exemption if the shares had not been transferred.

The tax exemption referred to above applies if an entity deriving income from dividends and other profit distributions made by a legal person having its registered office or place of management in the Republic of

Poland holds directly not less than 10% of shares in the share capital of the entity paying out dividends or other profit distributions for an uninterrupted period of two years. Such exemption also applies if the uninterrupted period of two years for which the entity earning the income from profit distributions made by a legal person having its registered office or place of management in the Republic of Poland has continuously held shares in the amount specified above expires after the date such income has been earned. If the condition which requires the holding of shares in the amount specified above for an uninterrupted period of two years is not satisfied, the taxpayer is obliged to pay tax plus default interest on the income, at the rate of 19% of the income amount, by the 20th day of the month following the month in which the taxpayer lost the right to claim the exemption. Interest accrues from the day immediately following the date on which the entity used the exemption for the first time.

The tax exemption also applies if dividends or other profit distributions made by legal persons are distributed to a foreign branch (within the meaning of Art. 4a.11 of the Corporate Income Tax Act) of an entity subject to tax on its entire income (regardless of where such income is earned) in the Republic of Poland or in another EU Member State or EEA member state, or in the Swiss Confederation (however, the entity claiming the tax exemption should confirm the existence of such foreign branch by securing a relevant certificate from the competent tax authority in the country where the entity has its registered office or place of management or from the competent tax authority in the country where such foreign branch is located).

The exemption referred to above also applies accordingly to cooperatives established under Regulation 1435/2003/EC of July 22nd 2003 on the Statute for a European Cooperative Society (SCE) (Official Journal L 207, 18/08/2003), to dividend income and other income from profit distributions made by legal persons to companies which are subject to income tax on their entire income in the Swiss Confederation, regardless of where such income is earned (provided that the direct equity interest, referred to above, in the company that pays out the dividends or makes other profit distributions is not less than 25%), and to entities specified in Appendix 4 to the Corporate Income Tax Act.

Pursuant to Art. 22b of the Corporate Income Tax Act, the above exemption provided for in Art. 22 thereof applies on condition that there is a legal basis (under a double tax treaty or any other ratified international agreement to which the Republic of Poland is party) for the tax authorities to obtain tax information from the tax authorities of a state other than the Republic of Poland, in which the taxpayer has its registered office or where the income was earned.

Pursuant to Art. 26.1c.1 of the Corporate Income Tax Act, the exemption referred to above is applicable on condition that the taxpayer confirms its residence for tax purposes by submitting a certificate of tax residence. Pursuant to Art. 26.1f of the Corporate Income Tax Act, the exemption referred to above can only be claimed if the taxpayer has submitted a written statement to the effect that the necessary conditions for its application, as stipulated in Art. 22.4.4 of the Corporate Income Tax Act, have been met, i.e. that the entity earning dividends has not claimed the exemption from taxation with corporate income tax on its entire income, regardless of where such income is earned.

Pursuant to Art. 26.1g of the Corporate Income Tax Act, if an entity earning dividend income is: (i) a collective investment undertaking having its registered office in an EU Member State other than the Republic of Poland or another member state of the European Economic Area, meeting the conditions stipulated in Art. 6.1.10a of the Corporate Income Tax Act; or (ii) a taxpayer with its registered office in an EU Member State other than the Republic of Poland or another member state of the European Economic Area maintaining a pension plan related to income from savings collected for retirement purposes, meeting the conditions stipulated in Art. 6.1.11a of the Corporate Income Tax Act, then the exemption referred to above can only be claimed provided that such entity confirms its residence for tax purposes by submitting a certificate of tax residence and submits a written statement to the effect that the entity is the actual owner of the dividends paid out by the remitter and meets the conditions stipulated in Art. 6.1.10a and 11a of the Corporate Income Tax Act.

Pursuant to Art. 26.1 and 26.3 of the Corporate Income Tax Act, legal persons specified therein which make payments of dividends and other profit distributions are – as tax remitters – obliged to withhold corporate income tax on the date of payment. However, application of the tax rate following from the relevant double tax treaty or obtaining a tax exemption under such treaty is possible on condition that a taxpayer confirms its residence for tax purposes by submitting a certificate of tax residence.

The withheld tax amounts should be transferred to the competent tax office's account by the seventh day of the month following the month in which the tax was withheld. Tax remitters are obliged to send information on the distributions made and tax withheld, prepared in the prescribed form, to the taxpayers concerned and to the tax office. Such information should be sent by the tax remitter by the end of the third month of the year immediately following the fiscal year in which payments were made. Additionally, at a written request of the taxpayer, the tax remitter is obliged – within 14 days of the request submission – to prepare and deliver to the taxpayer and to the

tax office competent for the taxation of foreign residents – information, prepared in the prescribed form, on the distributions made and tax withheld.

Pursuant to Art. 26a of the Corporate Income Tax Act, by the end of the first month of the year directly following the year in which the obligation to remit tax arose, each tax remitter referred to in Art. 26 of the Corporate Income Tax Act is obliged to submit annual tax returns in the prescribed form to the tax office competent for the taxation of foreign residents. In accordance with Art. 26.2c.2 of the Corporate Income Tax Act, in the case of payments of dividends and income referred to in Art. 10.1.1, 10.1.3 and 10.1.5 of the Corporate Income Tax Act from securities registered in securities accounts or omnibus accounts the obligation referred to in Art. 26.1 applies to entities maintaining such securities accounts or omnibus accounts if the payment is made through the agency of those entities. These entities – as tax remitters – withhold flat-rate corporate income tax on the date on which the payment is made to the securities account or omnibus account holder. However, application of the tax rate following from the relevant double tax treaty or obtaining a tax exemption under such treaty is possible on condition that a taxpayer confirms its residence for tax purposes by submitting a certificate of tax residence.

Pursuant to Art. 26.2a of the Corporate Income Tax Act, if amounts due as dividends or other profit distributions made by legal persons are transferred to beneficial owners of securities registered in omnibus accounts whose identities have not been disclosed to the tax remitter pursuant to relevant provisions of the Act on Trading in Financial Instruments, the tax remitter remits tax at 19% of the total income that the tax remitter has transferred to all such taxpayers through the agency of the omnibus account holder. In such a case, the obligation to withhold the tax rests with the entities operating the omnibus accounts through which the due amounts are paid. Tax is withheld on the date when a given amount due is made available to the omnibus account holder. Pursuant to Art. 26.3 of the Corporate Income Tax Act, to the extent specified in Art. 26.2a thereof, tax remitters are under no obligation to deliver information on the distributions made and tax withheld to the taxpayers or tax offices.

Duty on transactions under civil law

Pursuant to Art. 1.1.1.a), in conjunction with Art. 1.4 of the Act on Duty on Transactions under Civil Law, such duty applies to agreements for purchase or exchange of tangible property and property rights. Such agreements are subject to taxation if they involve:

- tangible property located in the Republic of Poland or property rights exercisable in the Republic of Poland;
- tangible property located abroad or property rights exercisable abroad if the acquirer is resident or has its registered office in the Republic of Poland and the transaction under civil law has been performed in the Republic of Poland.

In general, sale of shares in companies having their registered office in the Republic of Poland is treated as sale of property rights exercisable in the Republic of Poland and is subject to duty on transactions under civil law at the rate of 1%. The tax obligation arises upon entering into a civil law transaction and, in the case of a sale agreement, rests on the buyer. The duty is calculated on the market value of the tangible property or property right. The market value of an asset transferred in a transaction under civil law is determined by reference to average prices paid for property rights of the same type, effective on the date of the transaction, without excluding debts and charges. Every taxpayer is obliged, without being called to do so by a tax authority, to submit a tax return with respect to duty on transactions under civil law, and to compute and pay the duty within 14 days of the date on which the relevant tax liability arose. This obligation does not apply where duty on transactions under civil law is withheld by the remitter, who, in the case of transactions executed in the form of notary deeds, is a notary public.

However, pursuant to Art. 9.9 of the Act on Duty on Transactions under Civil Law, sale of property rights in the form of financial instruments is exempt from duty on transactions under civil law if: (i) the instruments are sold to an investment firm or foreign investment firm; or (ii) the transaction is executed through an investment firm or foreign investment firm; or (iii) the transaction is executed within organised trading; or (iv) the transaction is executed outside of organised trading by an investment firm or foreign investment firm if the firm acquired the financial instruments in organised trading – within the meaning of the Act on Trading in Financial Instruments.

Inheritance and gift tax

Pursuant to Art. 1.1 of the Inheritance and Gift Tax Act, inheritance and gift tax is levied on acquisition, by a natural person, of the property rights exercisable in the territory of Poland, including securities, by way of, inter alia, inheritance, legacy, further legacy, specific legacy, testamentary instruction, gift or a donor's instruction. The tax obligation rests on the acquirer of the ownership of such property rights. Tax is calculated on the value of acquired property rights, net of debt and charges (net estate), determined based on the condition of the property rights as at the acquisition date and their market prices as at the date on which the relevant tax liability

arose. The amount of tax depends on the inheritance tax bracket in which the acquirer is included. Inclusion in a tax bracket is based on the acquirer's personal relation to the person from whom the property rights have been acquired. The inheritance and gift tax is charged at progressive rates ranging from 3% to 20% of the tax base, depending on the tax bracket into which the acquirer falls. For each bracket, the tax-exempt amount is also defined. Except where tax is withheld by the tax remitter, a taxpayer is obliged to submit to the relevant tax office a tax return concerning the acquisition of property rights, prepared in the prescribed form, within a month of the date on which the relevant tax liability arose. Any documents affecting determination of the tax base should be enclosed with the tax return. Tax is payable within 14 days from receipt of the tax office's decision in which the amount of tax liability is determined.

Pursuant to Art. 4a.1 of the Inheritance and Gift Tax Act, acquisition of property rights is exempt from inheritance and gift tax if the acquirer is the spouse or a descendant, ancestor, stepchild, sibling or step-parent, provided that the acquirer has notified the relevant tax office of the acquisition of such property rights within six months of the date on which the relevant tax liability arose and, in the case of acquisition by inheritance, within six months of the date on which the court's decision confirming the acquisition became final. The above exemption applies if at the time of acquisition the acquirer was a Polish citizen or a citizen of an EU Member State or a member state the European Free Trade Association (EFTA), i.e. parties to the Agreement on the European Economic Area, or was domiciled in the territory of Poland or such a country. If the conditions described above are not satisfied, the acquisition of property rights is subject to inheritance and gift tax in accordance with the rules applicable to acquirers included in the relevant tax bracket.

In addition, the acquisition of property rights is exempt from inheritance and gift tax if the acquired property rights are exercisable in the territory of Poland and if on the acquisition date neither the acquirer nor the testator or donor was a Polish citizen or had a permanent residence or registered office in the Republic of Poland.

Liability with respect to tax withholdings

Pursuant to Art. 30.1 of the Tax Legislation, a tax remitter who has failed to perform the obligation to compute, withhold and remit tax to the competent tax authority is liable for the tax that has not been withheld, or has been withheld but not paid, up to the full value of its assets. However, the above provision does not apply if separate regulations provide otherwise or if the tax has not been withheld for reasons attributable to the taxpayer. In such cases, the competent tax or fiscal authority issues a relevant decision concerning the taxpayer's liability.

SUPPLEMENTARY INFORMATION

Legal basis for the Offering and the seeking of admission and introduction of the Offer Shares and Allotment Certificates to trading on the main market of the WSE

The Offer Shares shall be issued under Resolution No. 48 of the Company's Management Board, dated May 13th 2015, to increase the Company's share capital within the limit of authorised share capital through the issue of Series J Shares, disapply pre-emptive rights with respect to Series J Shares in their entirety, amend the Company's Articles of Association, and seek admission and introduction of Series J Shares to trading on the regulated market operated by the Warsaw Stock Exchange, and to convert Series J Shares into book-entry form ("**Issue Resolution**"). A written opinion of the Management Board, stating the reasons for the disapplication of the pre-emptive rights and specifying the manner in which the issue price of Series J Shares will be set is attached as an appendix to the resolution. The Issue Resolution is attached as an appendix to this Prospectus (see *Appendices – Appendix 1 - Issue Resolution*).

The Issue Resolution was adopted subject to the Supervisory Board's consent referred to in the second sentence of Art. 447.1 of the Commercial Companies Code and Art. 21.3.8 of the Company's Articles of Association.

Documents available for inspection

The following documents: (i) the Articles of Association, (ii) valid excerpt from the Company's entry in the National Court Register, (iii) the Rules of Procedure for the General Meeting, (iv) the Issue Resolution, and (v) the Consolidated Financial Statements, have been made available for inspection in electronic form on the Company's website (www.rafako.com.pl).

From the publication date of this Prospectus and throughout its validity term, this Prospectus as well as any supplements hereto and update notices shall be available, without limitation, on the Company's website (<http://www.rafako.com.pl>), in electronic form.

Also, the documents referred to above, including the Consolidated Financial Statements, shall be available for inspection in printed copies throughout the validity term of this Prospectus at the Company's offices at ul. Łąkowa 33, 47-400 Racibórz, Poland, in the Company's working hours from 10am to 2pm on business days.

Auditors

Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k. of Warsaw (Rondo ONZ 1, 00-124 Warsaw, Poland) is the Company's auditor. There are no links between EY and the Company. EY is entered in the list of qualified auditors of financial statements maintained by the National Chamber of Statutory Auditors (Krajowa Rada Biegłych Rewidentów) under Reg. No. 130.

EY has audited the Full-Year Consolidated Financial Statements and has issued a qualified opinion and provided explanatory notes thereon. On behalf of EY, the audit of the Consolidated Financial Statements was performed by Jerzy Buzek (Reg. No. 10870). The Interim Consolidated Financial Statements have not been reviewed or audited by an auditor.

None of the auditors authorised to audit the Company's and the Subsidiaries' financial statements resigned or was removed during the period covered by the Consolidated Financial Statements included in this Prospectus.

The entity authorised to audit the separate financial statements of the Company and the combined and consolidated financial statements of the Group is appointed by the Supervisory Board.

Entities engaged in the Offering

The entities engaged in the Offering are presented below. No conflict of interests exists between the entities engaged in the Offering.

Managers

Joint Bookrunners: Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Oddział – Dom Maklerski PKO Banku Polskiego w Warszawie with its registered office at ul. Puławska 15, 02-515 Warsaw, Poland, and Trigon Dom Maklerski S.A. with its registered office at ul. Mogilska 65, 31-545 Kraków, Poland.

Offering Broker: Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Oddział – Dom Maklerski PKO Banku Polskiego w Warszawie.

Joint Bookrunners provide services to the Company in connection with the Offering, including services related to the preparation, management and execution of the Offering. Joint Bookrunners are also responsible for the coordination of marketing activities related to the Offering, coordination of contacts and arrangement of meetings with Investors, management of the book-building process in Poland, as well as other tasks typically performed by investment firms with respect to public offerings of shares.

Joint Bookrunners and their related parties have provided and may provide financial services, including investment banking services, to the Company and its related parties, and have executed and may execute other transactions with the Company and its related parties. Joint Bookrunners and their related parties have received and may receive fees and other customary remuneration for the provision of such services or execution of such transactions. In particular, Trigon Dom Maklerski S.A. acts as the market maker for the Company, and Powszechna Kasa Oszczędności Bank Polski S.A. Oddział – Dom Maklerski PKO Banku Polskiego w Warszawie acts as the market maker for the Company's shares on the WSE. The activities carried out under market making agreements with the WSE and the Company involve supporting liquidity of the Shares, in particular by making buy and sell offers for the Shares on the terms specified in the agreements. As part of those services Trigon Dom Maklerski S.A. and Powszechna Kasa Oszczędności Bank Polski S.A. Oddział – Dom Maklerski PKO Banku Polskiego w Warszawie buy and sell Company shares.

Joint Bookrunners' fees for their services in connection with the Offering are success-based (see *Costs of the Offering* below).

Legal adviser

The law firm Weil, Gotshal & Manges – Paweł Rymarz Spółka komandytowa of Warsaw, ul. Emilii Plater 53, 00-113 Warsaw, Poland, provides legal services to the Company in connection with the Offering.

Also, Weil, Gotshal & Manges has provided and may provide other legal services to the Company or the Group in connection with their operations, under relevant agreements on the provision of legal services. Weil, Gotshal & Manges has no material interest in the Company, in particular as at the Prospectus Date it did not hold any Company shares.

Third party information

Except for the auditor's reports and opinions on the Full-Year Consolidated Financial Statements, no other experts' statements or reports have been used in this Prospectus.

Costs of the Offering

The Company intends to raise gross proceeds of approximately PLN 100m from the issue and Offering of the Offer Shares.

The Company estimates that Joint Bookrunners' total fees for their services in connection with the Offering will amount to 3.2% of total gross proceeds from the Offering.

The Company estimates other costs of the Offering at PLN 1.7m (plus VAT in accordance with the applicable laws). Other costs of the Offering (excluding Joint Bookrunners' commission fees) include costs of legal advisory services, fees of the Company's auditor, the cost of drafting and preparing this Prospectus, administrative expenses and other costs related to the issue and public offering of the Offer Shares, costs of registration of the Allotment Certificates and the Offer Shares, costs related to the publication of information on the Offering as well as costs of the information campaign addressed to the Company's shareholders in connection with the issue and public offering of the Offer Shares.

The Company will not charge any fee for subscribing for the Offer Shares. However, the amount paid by an investor upon placement of a subscription order may be increased by a commission fee, if any, of the investment firm accepting the subscription order, in accordance with such investment firm's regulations.

Following the Offering, the Company will publish detailed information on the final costs of the Offering in a current report, in accordance with Art. 56.1 of the Public Offering Act.

Registration of the Offer Shares

The Offer Shares will be registered in the depository for securities maintained by Krajowy Depozyt Papierów Wartościowych S.A. (Central Securities Depository of Poland), with registered office at ul. Książęca 4, 00-498 Warsaw, Poland. The CSDP will support the exercise of corporate rights of the Company's shareholders, in accordance with the relevant regulations.

The Company does not plan to use the services of paying agents.

Entities under a binding obligation to act as intermediaries in secondary market trading

As at the Prospectus Date, Trigon Dom Maklerski S.A. acted as the market maker for the Company, and Powszechna Kasa Oszczędności Bank Polski S.A. Oddział – Dom Maklerski PKO Banku Polskiego w Warszawie acted as the market maker for the Shares on the WSE. The activities carried out under market making agreements with the WSE and the Company involve supporting liquidity of the Shares, in particular by making buy and sell offers for the Shares on the terms specified in the agreements. As part of those services Trigon Dom

Maklerski S.A. and Powszechna Kasa Oszczędności Bank Polski S.A. Oddział – Dom Maklerski PKO Banku Polskiego w Warszawie buy and sell Shares.

Tender offers

In 2014 and in 2015 to the Prospectus Date, no tender offers were announced with respect to the Shares.

REPRESENTATIONS BY ENTITIES RESPONSIBLE FOR THE CONTENTS OF THE PROSPECTUS

Representation by the Company

Acting on behalf of RAFAKO S.A. of Racibórz, which is responsible for the contents of this Prospectus, we hereby represent that, to the best of our knowledge and having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is true, reliable and in accordance with the facts, and contains no omission likely to affect its import.

Agnieszka Wasilewska-Semail
President of the Management Board

Krzysztof Burek
Vice-President of the Management Board

Jarosław Dusiło
Vice-President of the Management Board

Edward Kasprzak
Vice-President of the Management Board

Tomasz Tomczak
Vice-President of the Management Board

Representation by the Offering Broker

Acting on behalf of Powszechna Kasa Oszczędności Banku Polskiego S.A. Oddział – Dom Maklerski PKO Banku Polskiego w Warszawie of Warsaw, we hereby represent that, to the best of our knowledge and having taken all reasonable care to ensure that such is the case, the information contained in the sections of this Prospectus for which the Offering Broker is responsible is true, reliable and in accordance with the facts, and contains no omission likely to affect its import.

The responsibility of the Offering Broker as an entity responsible for the preparation of information contained in this Prospectus is limited to Section *Terms and conditions of the Offering*.

Jakub Papierski

Vice-President of the Management Board of PKO Bank Polski S.A.

Piotr Alicki

Vice-President of the Management Board of PKO Bank Polski S.A.

Representation by the Legal Adviser

Acting on behalf of the law firm Weil, Gotshal & Manges – Paweł Rymarz sp. k. of Warsaw, I hereby represent that, to the best of my knowledge and having taken all reasonable care to ensure that such is the case, the information contained in the sections of this Prospectus for which Weil, Gotshal & Manges – Paweł Rymarz sp. k. is responsible is true, reliable and in accordance with the facts, and contains no omission likely to affect its import.

The responsibility of Weil, Gotshal & Manges – Paweł Rymarz sp. k. as an entity responsible for the preparation of information contained in this Prospectus is limited to Sections: *Capital market in Poland*, *obligations related to acquisition and disposal of shares*, with the exception of *Gięda Papierów Wartościowych w Warszawie S.A. (Warsaw Stock Exchange)*, and *Taxation*.

Paweł Rymarz

General partner

ABBREVIATIONS AND DEFINITIONS

Unless the context requires otherwise, the capitalised terms which are not defined elsewhere in this Prospectus have the meanings specified below.

3Gon Europe	3Gon Europe Sp. z o.o. of Warsaw;
Shares	All Company Shares, i.e. 69,600,000 Shares issued by the Company by the Prospectus Date;
Offer Shares, Series J Shares	15,331,998 Series J ordinary shares with a par value of PLN 2 per share;
Alstom	Alstom Power Sp. z o.o. of Warsaw;
BGK	Bank Gospodarstwa Krajowego S.A. of Warsaw;
Qualified Auditor, EY	Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k. of Warsaw (Rondo ONZ 1, 00-124 Warsaw, Poland);
Prospectus Date	The date on which the PFSA approves this Prospectus;
PED Directive	Directive 97/23/EC of the European Parliament and of the Council of May 29th 1997 on the approximation of the laws of the Member States concerning pressure equipment, as amended;
Prospectus Directive	Directive 2003/71/EC of the European Parliament and of the Council of November 4th 2003 on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC, as amended;
Directive of 2010 Amending the Prospectus Directive	Directive 2010/73/EU of the European Parliament and of the Council of November 24th 2010 amending Directives 2003/71/EC on the prospectus to be published when securities are offered to the public or admitted to trading and 2004/109/EC on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market, as amended;
Dz. U.	Journal of Laws of the Republic of Poland (Dziennik Ustaw Rzeczypospolitej Polskiej);
E001RK	E001RK Sp. z o.o. of Racibórz;
E003B7	E003B7 Sp. z o.o. of Racibórz;
EDF	EDF Polska S.A. of Warsaw;
EDF Polska	EDF Polska S.A. of Warsaw;
Elektrim	Elektrim S.A. of Warsaw;
Enea	Enea S.A. of Poznań;
ENEA Wytwarzanie	ENEA Wytwarzanie S.A. of Świerże Górne;
Energa	Energa S.A. of Gdańsk;
ENERGA Elektrownie Ostrołęka	ENERGA Elektrownie Ostrołęka S.A. of Ostrołęka;
ENERGOMONTAŻ-POŁUDNIE	ENERGOMONTAŻ-POŁUDNIE S.A. w upadłości likwidacyjnej (in liquidation bankruptcy) of Katowice;
ENERGOMONTAŻ-POŁUDNIE Katowice	ENERGOMONTAŻ-POŁUDNIE Katowice Sp. z o.o. of Katowice;

ENERGOTECHNIKA ENGINEERING	ENERGOTECHNIKA ENGINEERING Sp. z o.o. of Gliwice;
EEA	European Economic Area, a free trade area covering the member states of the European Union and the European Free Trade Association (excluding Switzerland);
EUR, euro	The currency introduced at the beginning of the third stage of the European Economic and Monetary Union under the Treaty Establishing the European Community;
FPM	FPM S.A. of Mikołów;
GDF Suez Energia Polska	GDF Suez Energia Polska S.A. of Zawada;
WSE	Giełda Papierów Wartościowych w Warszawie S.A. (Warsaw Stock Exchange) and, unless the context requires otherwise, the regulated market it operates;
Alstom Group	The Alstom Group in which Alstom Power Systems GmbH is the parent, including ALSTOM Boiler Deutschland GmbH and Alstom Power Sp. z o.o.;
Grupa Azoty ZAK	Grupa Azoty Zakłady Azotowe Kędzierzyn S.A. of Kędzierzyn-Koźle;
Enea Group	The Enea Group in which Enea S.A. is the parent;
Tauron Group	The Tauron Group in which Tauron S.A. is the parent;
Group, RAFAKO Group, Group Companies	The Company's Group comprising the Company and the Subsidiaries;
Central Statistics Office	Polish Central Statistics Office (Główny Urząd Statystyczny);
Hitachi Power Europe	Hitachi Power Europe GmbH of Germany;
Hitachi Zosen	Hitachi Zosen Inova AG of Zurich, Switzerland;
HUF	Forint, the currency of Hungary;
Hydrobudowa Polska	Hydrobudowa Polska S.A. of Wysogotowo;
ING	ING Bank Śląski S.A. of Katowice;
INTROL	INTROL S.A. of Katowice;
Investor, Investors, Institutional Investors	Entities invited by the Offering Broker to subscribe for Offer Shares;
CSDP	Krajowy Depozyt Papierów Wartościowych S.A. (Central Securities Depository of Poland) and, unless the context requires otherwise, the depository for securities it operates;
PFSA	Polish Financial Supervision Authority (Urząd Komisji Nadzoru Finansowego);
Civil Code	Civil Code of April 23rd 1964, as amended;
Criminal Code	Criminal Code of June 6th 1997, as amended;
Criminal Fiscal Code	Criminal Fiscal Code of September 10th 1999, as amended;
Code of Civil Procedure	Code of Civil Procedure of November 17th 1964, as amended;
Commercial Companies Code	Commercial Companies Code of September 15th 2000, as amended;

European Commission	An executive body of the European Union, representing the interests of the EU as a whole;
National Court Register	Polish National Court Register (Krajowy Rejestr Sądowy);
Mostostal	Mostostal Warszawa S.A. of Warsaw;
EU IFRSs	International Financial Reporting Standards as endorsed by the European Union;
Multaros	Multaros Trading Company Limited of Nicosia, Cyprus;
NBP	National Bank of Poland (Narodowy Bank Polski);
Offering Broker	Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Oddział – Dom Maklerski PKO Banku Polskiego w Warszawie of Warsaw;
Tax Legislation	Tax Legislation of August 29th 1997, as amended;
Member State	A member state of the European Economic Area;
PBG	PBG S.A. w upadłości układowej (in company voluntary arrangement) of Wysogotowo;
PBG Energia	PBG Energia Sp. z o.o. of Wysogotowo;
PEP 2050	“ <i>Poland’s Energy Policy until 2050</i> ” prepared by the Ministry of Economy;
PGE	PGE Polska Grupa Energetyczna S.A. of Warsaw;
PGE Górnictwo i Energetyka Konwencyjna	PGE Górnictwo i Energetyka Konwencyjna S.A. Elektrownia Bełchatów Branch of Bełchatów;
PGE Opole	PGE Elektrownia Opole S.A. of Bełchatów (currently PGE Górnictwo i Energetyka Konwencyjna S.A.);
PGL DOM	Przedsiębiorstwo Gospodarki Lokalami DOM Sp. z o.o. of Racibórz;
PGNiG	Polskie Górnictwo Naftowe i Gazownictwo S.A. of Warsaw;
PGNiG Termika	PGNiG Termika S.A. of Warsaw;
GDP	Gross Domestic Product;
PKO BP	Powszechna Kasa Oszczędności Bank Polski S.A. of Warsaw;
PLN, złoty	The Polish złoty, the lawful currency in Poland;
Group Entities	Subsidiaries and the Issuer;
Polimex	Polimex-Mostostal S.A. of Warsaw;
Polskie Sieci Elektroenergetyczne	Polskie Sieci Elektroenergetyczne S.A. of Konstancin-Jeziorna;
Banking Law	Banking Law of August 29th 1997, as amended;
Energy Law	Energy Law of April 10th 1997, as amended;
Environmental Protection Law	Environmental Protection Law of April 27th 2001, as amended;
Bankruptcy and Restructuring Law	Bankruptcy and Restructuring Law of February 28th 2003, as amended;
Water Law	Water Law of July 18th 2001, as amended;
Public Procurement Law	Public Procurement Law of January 29th 2004, as amended;

President of UOKiK	President of the Office of Competition and Consumer Protection (Urząd Ochrony Konkurencji i Konsumentów);
Jaworzno Project	The project implemented by a consortium comprising RAFAKO (Consortium Leader) and Mostostal for Tauron Wytwarzanie, consisting in the development of new coal-fired generation capacities at Tauron Wytwarzanie – construction of supercritical 800–910 MW generating unit at the Jaworzno III Power Plant – Power Plant II: steam boiler, turbine generator set, main building, electrical and I&C systems;
Opole Project	The project implemented by a consortium comprising RAFAKO (Consortium Leader), Polimex and Mostostal for PGE Opole, consisting in the turn-key delivery of power unit No. 5 and power unit No. 6 at the Opole Power Plant, together with the plant and equipment as well as related buildings and structures, including engineering, delivery, construction, assembly, start-up and all related services;
Prospectus	This prospectus, being a prospectus within the meaning of the Public Offering Act and Regulation 809/2004, based on which the Company will carry out the Offering and seek admission and introduction of the Offer Shares to trading on the regulated (main) market operated by the Warsaw Stock Exchange;
PZU	Powszechny Zakład Ubezpieczeń S.A. of Warsaw;
Supervisory Board	The Supervisory Board of the Company;
Monetary Policy Council	The Monetary Policy Council, a body of the National Bank of Poland;
RAFAKO Engineering	RAFAKO Engineering Sp. z o.o. of Racibórz;
RAFAKO Engineering Solution	RAFAKO Engineering Solution doo. of Belgrade;
RAFAKO Hungary	RAFAKO Hungary Kft. of Budapest;
WSE Rules	Rules of the Warsaw Stock Exchange, as applicable as at the Prospectus Date;
CSDP Rules	Rules of the Central Securities Depository of Poland, as applicable as at the Prospectus Date;
EC Merger Regulation	Council Regulation (EC) No. 139/2004 of January 20th 2004 on the control of concentrations between undertakings (EU OJ L 24 of January 29th 2004);
Regulation 211/2007	Commission Regulation (EC) No. 211/2007 of February 27th 2007 amending Regulation (EC) No. 809/2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards financial information in prospectuses where the issuer has a complex financial history or has made a significant financial commitment;
Regulation 809/2004	Commission Regulation (EC) No. 809/2004 of April 29th 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements, as amended;

EMAS Regulation	Regulation (EC) No. 1221/2009 of the European Parliament and of the Council of November 25th 2009 on the voluntary participation by organisations in a Community eco-management and audit scheme (EMAS), repealing Regulation (EC) No. 761/2001 and Commission Decisions 2001/681/EC and 2006/193/EC;
Report Regulation	Regulation of the Minister of Finance on current and periodic information to be disclosed by issuers of securities and conditions for recognising as equivalent of information required under the laws of a non-member state, dated February 19th 2009, as amended;
Market and Issuer Regulation	Regulation of the Minister of Finance of May 12th 2010 on detailed conditions to be met by an official stock exchange market and issuers of securities admitted to trading on such market, as amended;
Full-Year Consolidated Financial Statements	Consolidated financial statements for the years ended December 31st 2014, December 31st 2013 and December 31st 2012;
Consolidated Financial Statements	Interim condensed consolidated financial statements of the Group for the three months ended March 31st 2015 and consolidated financial statements for the years ended December 31st 2014, December 31st 2013 and December 31st 2012;
Company, Issuer, RAFAKO	RAFAKO S.A. of Racibórz;
Subsidiaries	Przedsiębiorstwo Gospodarki Lokalami DOM Sp. z o.o., RAFAKO ENGINEERING Sp. z o.o., ENERGOTECHNIKA ENGINEERING Sp. z o.o., RAFAKO ENGINEERING SOLUTION doo., RAFAKO Hungary Kft., E001RK Sp. z o.o., and E003B7 Sp. z o.o.;
Articles of Association	The Company's Articles of Association;
Eurozone	The group of countries which have adopted the euro, including Austria, Belgium, Cyprus, Estonia, Finland, France, Greece, Spain, the Netherlands, Ireland, Lithuania, Luxembourg, Latvia, Malta, Germany, Portugal, Slovakia, Slovenia and Italy;
SWGK CONSULTING	SWGK CONSULTING Sp. z o.o. of Poznań;
Synthos Dwory 7	Synthos Dwory 7 Sp. z o.o. S.K.A. of Oświęcim;
Detailed Rules of Operation of CSDP	Detailed Rules of Operation of the Central Securities Depository of Poland, as applicable as at the Prospectus Date;
Detailed Exchange Trading Rules in UTP System	Detailed Exchange Trading Rules in UTP System adopted under WSE Management Board Resolution No. 1038/1012 of October 17th 2012, as amended;
Interim Consolidated Financial Statements	Interim condensed consolidated financial statements of the Group for the three months ended March 31st 2015 and interim condensed consolidated financial statements of the Group for the three months ended March 31st 2014;
Tauron	Tauron Polska Energia S.A. of Katowice;
Tauron Wytwarzanie	Tauron Wytwarzanie S.A. of Katowice;
TDJ	TDJ S.A. of Katowice;
EGM Resolution	Resolution No. 2 of the Extraordinary General Meeting of March 24th 2014 to amend the Articles of Association in connection with the Management Board's authorisation to increase the share capital within the limit of the authorised capital;

EU	European Union;
UNISERV-PIECBUD	UNISERV-PIECBUD S.A. of Katowice;
UOKiK	Polish Office for Competition and Consumer Protection (Urząd Ochrony Konkurencji i Konsumentów);
URE	Polish Energy Regulatory Office (Urząd Regulacji Energetyki);
Patent Office	Patent Office of the Republic of Poland (Urząd Patentowy Rzeczypospolitej Polskiej);
USA	United States of America;
EMAS Act	Act on National Eco-Management and Audit Scheme (EMAS) of July 15th 2011, as amended;
Act on Qualified Auditors	Act on Qualified Auditors and Their Self-Government, Entities Qualified to Audit Financial Statements and Public Supervision of May 7th 2009, as amended;
Act on Investment Funds	Act on Investment Funds of May 27th 2004, as amended;
Act on Capital Market Supervision	Act on Capital Market Supervision of July 29th 2005, as amended;
Act on Trading in Financial Instruments	Act on Trading in Financial Instruments of July 29th 2005, as amended;
Personal Data Protection Act	Personal Data Protection Act of August 29th 1997, as amended;
Act on Competition and Consumer Protection	Act on Competition and Consumer Protection of February 16th 2007, as amended;
Waste Act	Waste Act of December 14th 2012, as amended;
Public Offering Act	Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies of July 29th 2005, as amended;
Personal Income Tax Act	Personal Income Tax Act of July 26th 1991, as amended;
Corporate Income Tax Act	Corporate Income Tax Act of February 15th 1992, as amended;
Act on Duty on Actions under Civil Law	Act on Duty on Actions under Civil Law of September 9th 2000, as amended;
Inheritance and Gift Tax Act	Act on Inheritance and Gift Tax of July 28th 1983, as amended;
Value Added Tax Act	Act on Value Added Tax of March 11th 2004, as amended;
Accountancy Act	Accountancy Act of September 29th 1994, as amended;
Freedom of Business Activity Act	Freedom of Business Activity Act of July 2nd 2004, as amended;
Act on Disclosure of Information about the Environment and its Protection	Act on Disclosure of Information about the Environment and its Protection, Public Involvement in Environmental Protection and Environmental Impact Studies of October 3rd 2008, as amended;
Act on Access to Business Information	Act on Access to and Sharing of Business Information of April 9th 2010, as amended;
Act on Prevention and Remediation of Environmental Damage	Act on Prevention and Remediation of Environmental Damage of April 13th 2007, as amended;
Bankruptcy and Restructuring Law	Bankruptcy and Restructuring Law of February 28th 2003, as amended;
VAT	Value added tax as defined in the Value Added Tax Act;
General Meeting	The General Meeting of the Company;

WIBOR	Warsaw Interbank Offered Rate – a daily reference rate which is based on the interest rate at which banks borrow unsecured funds on the wholesale money market in Warsaw;
Joint Bookrunner	Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Oddział – Dom Maklerski PKO Banku Polskiego w Warszawie with its registered office at ul. Puławska 15, 02-515 Warsaw, Poland, and Trigon Dom Maklerski S.A. with its registered office at ul. Mogilska 65, 31-545 Kraków, Poland;
Commission Recommendation	Commission Recommendation of February 15th 2005 on the role of non-executive or supervisory directors of listed companies and the committees of the (supervisory) board, as amended;
Management Board	The Management Board of the Company;
WSE Management Board	The Management Board of the Warsaw Stock Exchange;
CSDP Management Board	The Management Board of the Central Securities Depository of Poland;
Code of Best Practices in Debt Collection	Code of Best Practices in Debt Collection included in Book Three of the Code of Best Practices of the Conference of Financial Enterprises in Poland – Association of Employers (Konferencja Przedsiębiorstw Finansowych w Polsce – Związek Pracodawców);
Zespół Elektrociepłowni Wrocławskich Kogeneracja	Zespół Elektrociepłowni Wrocławskich Kogeneracja S.A. of Wrocław;
Company Social Benefits Fund	Company Social Benefits Fund (Zakładowy Fundusz Świadczeń Socjalnych);
Social Insurance Institution	Polish Social Insurance Institution (Zakład Ubezpieczeń Społecznych);
Company Collective Bargaining Agreement	The Collective Bargaining Agreement for the Company’s employees of July 24th 1989.

HISTORICAL FINANCIAL INFORMATION

Since the Company is a public company whose shares are traded on the main market of the WSE, and is therefore subject to the disclosure requirements imposed by applicable laws and stock exchange regulations, the information below is incorporated in this Prospectus by reference. The information below has been sourced from documents published or submitted by the Company to the PFSA prior to the Prospectus Date. The historical financial information incorporated in this Prospectus by reference comprises Full-Year Consolidated Financial Statements and Interim Consolidated Financial Statements.

LIST OF REFERENCES

This Prospectus contains references to:

- (i) the interim condensed consolidated financial statements of the Group for the three months ended March 31st 2015, which are available on the Company's website at <http://www.rafako.com.pl/raporty-okresowe>;
- (ii) the consolidated financial statements of the Group for the year ended December 31st 2014, with the auditor's opinion, which are available on the Company's website at <http://www.rafako.com.pl/raporty-okresowe>;
- (iii) the consolidated financial statements of the Group for the year ended December 31st 2013, with the auditor's opinion, which are available on the Company's website at <http://www.rafako.com.pl/raporty-okresowe>;
- (iv) the consolidated financial statements of the Group for the year ended December 31st 2012, with the auditor's opinion, which are available on the Company's website at <http://www.rafako.com.pl/raporty-okresowe>;
- (v) the Articles of Association, which are available on the Company's website at: <http://www.rafako.com.pl>;
- (vi) the Rules of Procedure for the General Meeting, which are available on the Company's website at: <http://www.rafako.com.pl/najblizsze-wz>.

GLOSSARY OF INDUSTRY TERMS

Biomass	From the point of view of the power sector, biomass is a solid fuel of plant origin (excluding coal), such as wood, sunflower hulls, straw, energy crops, etc. (there are many definitions of biomass, depending on country-specific regulations).
DENOX	A unit for flue gas denitrification by means of <i>Selective Catalytic Reduction</i> or <i>Selective Non Catalytic Reduction</i> . Both methods are based on the injection of ammonia, ammonia water or urea as reagent.
Semi-dry FGD units	Units for semi-dry flue gas desulfurization, where the sorbent is wet, but the reaction products are dry. Flue gas is fed from the boiler to the absorption tower where it contacts sorbent water solution (e.g. limestone). As a result of chemical reactions, sulfur oxides are trapped, the water evaporates completely, and the purified flue gas exits the absorber and is released to the atmosphere. The dry product of the desulfurization process with ash is a by-product. The flue gas desulfurization efficiency of such systems is almost 90%.
Wet lime FGD units	Units for wet flue gas desulfurization, where both the sorbent and reaction products are wet. Flue gas is pumped in from the bottom of the absorption tower and, as it floats toward the top, it comes into contact with aerosolized sorbent water solution (e.g. limestone). As a result of chemical reactions, sulfur oxides convert into gypsum (which, after dehydration, is a high-quality marketable product), and the purified flue gas exits the absorber and is released to the atmosphere (through the stack, cooling tower or absorber stack). The flue gas desulfurization efficiency of such systems exceeds 95%.
FGD, flue gas desulfurization units	Generally speaking, flue gas treatment units are units in which flue gas exiting the boiler is subject to chemical or mechanical treatment (e.g. electrostatic entrapment), during which sulfur oxides, nitrogen oxides, dust or other substances harmful to the environment are trapped.
Heat recovery steam generator	Steam generator, or actually heat exchanger, where the heat is recovered from the hot flue gas generated outside the steam generator. It is, therefore, a steam generator without a furnace; there exist, however, steam generators with supplementary burners. Heat recovery steam generators are used in CCGT units, where the flue gas exiting the gas turbine passes through the heat recovery steam generator, and the steam thus produced powers the steam turbine. Such power generation units are characterised by very high efficiency. Heat recovery steam generators are also waste incineration boilers, where flue gas from the grate stoker (or other furnace) on which waste is incinerated, is fed to the boiler.
Circulating fluidised bed (CFB) steam generator	Coal-fired boiler with a fluidised bed, where the speed at which the primary air is pumped in from the bottom is high enough so that the bed material can float across the combustion chamber, and then moves with the flue gas to the cyclones. In the cyclones, the larger ash particles are extracted and returned to combustion chamber.

Steam generator, boiler	With regard to the products of the Group, facilities where the chemical energy of a fuel is converted into the energy of hot water or steam, which is then used for heating (water) or process (steam or water) purposes, and most frequently for generating electricity in turbo-generators (steam). Steam generators offered by the Group include primarily large and medium steam generators for the power and heat generation sectors, with efficiency ranging from several dozen to over 1,000 MWt.
Procurement	A process whereby the Company's services and supplies are complemented with third party products and services in order to make a complete delivery of the ordered items to the end customer. Procurement comprises purchases of products (from sub-suppliers) and services (from subcontractors) as part of the contract implementation.
Fluidised bed boilers	Boilers in which solid fuel is combusted on a fluidised bed (which is an integral part of such boilers).
Supercritical steam generators	Steam generators which generate supercritical steam (that is steam which is above the critical point on the diagram for water/steam), at a high pressure of 250MPa or more, and with temperatures exceeding 550–560°C. Supercritical fluids cannot be liquefied by raising pressure, nor can they be converted into gaseous state by increasing temperature. Above the critical point, the liquid-gas phase boundary disappears, and the resultant phase's properties can be both liquid- and gas-like. Application of this solution increases the efficiency of the entire power plant. Currently, the Group engages in the construction of units using coal-fired supercritical steam generators with pulverised fuel furnaces.
Subcritical steam generators	Steam generators generating steam with temperatures and pressures below the critical point on the diagram for water/steam.
Stoker-fired boilers	Boilers in which solid fuel is combusted on a grate stoker (which is an integral part of such boilers).
Watertube boilers	Boilers in which the agent (steam and water) circulates in tubes heated externally by hot flue gas.
Fluidised bed	Combustion chamber (most frequently made of radiant tubes which operate as an evaporator) to which air is pumped in from the bottom, lifting the fluidised bed material consisting of ash, the fuel and other agents being fed from the outside (e.g. limestone used for desulfurization). The bed material is lifted and, under pressure, behaves like liquid; this ensures highly efficient and even combustion, and the addition of limestone enables flue gas desulfurization in the process. At the same time, the relatively low temperature of combustion (in comparison with pulverised fuel boilers) results in lower emissions of nitrogen oxides.
Grate stoker	Grate of a stoker-fired boiler, that is a stoker where solid fuels, such as hard coal or biomass, are combusted. Types of grates: stationary, for instance used in household boilers, or travelling (moving smoothly or vibrating), used in power and heat generation sectors.

Heaters	Heat exchangers; in the case of boilers heaters are usually air heaters using steam (the air around the tubes is heated by steam circulating in the tubes) and operating jointly with a rotating heater (similar to a recuperator where energy from the flue gas stream is transferred to the air stream through a rotating transfer part) or tube air heaters, where the air circulates in the tubes and is heated externally by hot flue gas. The boiler is also furnished with a water heater used for heating water by flue gas exiting the boiler, where water circulates in the tubes (most frequently in tube coils). A water heater is also referred to as an economizer, and is an integral part of the water/steam system used in products offered by the Group.
EPC project	A model of end-to-end project management including engineering, procurement, manufacture, assembly/construction, and commissioning of a given product (on a turn-key basis). It is complicated to execute, requires substantial procurement effort, and involves giving a guarantee for the overall performance of the unit, including its efficiency, availability, etc.
Non-EPC project	A model covering engineering, procurement, manufacture, assembly/construction of a given product in various configurations, with procurement and manufacture as mandatory elements.
Austenitic steel	Steel used for manufacturing boilers with higher resistance to temperature, for example in supercritical steam generators. The steel has austenite at its primary phase – hence the name. This steel is more fragile and difficult to weld, therefore it requires modern technologies for its treatment and welding.
Rapping systems	Machinery for rapping dust/ash from surfaces on which it collects in order to clean them, e.g. to clean the surface of electrodes in electrostatic precipitators or heatable surfaces in boilers to ensure proper heat exchange, or, in the case of electrostatic precipitators, to maintain proper condition of collection electrodes, and to remove ash and dust from the flue gas and from the inside of electrostatic precipitators.
Gas-tight walls, membrane walls	Steam generator high-pressure section making up the walls of combustion chamber and of convection routes in modern steam generators, made of tubes connected with flat bars, manufactured in a shop, usually using membrane wall welding machines.
SRC technology	<i>Selective Catalytic Reduction</i> is a means of removing nitrogen oxides from flue gas with the aid of catalyst and reagent (ammonia). Nitrogen oxides are reduced at the catalyst surface outside of the steam generator in temperatures ranging from 260 to 400 degrees Celsius. Method efficiency: up to 99% of the resulting nitrogen oxides.
SNCR technology	A means of removing nitrogen oxides from flue gas without the aid of catalyst and with the aid of reagent (ammonia), in temperatures ranging from ca. 800 to 850 degrees Celsius. Reduction (of secondary nitrogen oxides) takes place in steam generators in appropriate ambient temperatures. Reduction method efficiency: 40% of the resulting nitrogen oxides.

Steam drums

Steam generator high-pressure section, frequently referred to as the heart of the steam generator, found in boilers with evaporator circulation. A steam drum is a horizontal reservoir with a diameter of approximately 1.5–2.5 metre, the inside of which is furnished with elements separating water from steam. Water is fed into a steam drum from a water heater (also referred to as EKO–economizer), then flows out of the steam drum from the bottom, goes down the downcomer tubes to the evaporator walls, where it is further heated and partly evaporated, then the water/steam mix flows into the steam drum again, where steam and water are separated, water goes to the evaporator once again, and the steam exits the steam drum and usually is directed to the superheaters where its temperature is raised to the levels required for it to be fed into the turbine.

Tube coils

Steam generator high-pressure section composed of a set of bent tubes coming out of a common inlet collector (or a chamber) placed along the boiler flue gas duct, with several U-turns, going into the outlet collector. Inside the tubes circulates water or steam, externally heated by flue gas produced in the boiler's combustion chamber.

APPENDICES

1. Issue Resolution; and
2. Articles of Association.

Appendix 1 – Issue Resolution

RESOLUTION NO. 48 OF THE MANAGEMENT BOARD OF RAFAKO SPÓŁKA AKCYJNA of May 13th 2015

to increase the Company's share capital within the limit of the authorised share capital through the issue of Series J ordinary bearer shares, disapply pre-emptive rights to acquire Company Series J shares in their entirety, amend the Company's Articles of Association, and seek admission and introduction of Company Series J Shares to trading on the regulated market operated by the Warsaw Stock Exchange, and to convert Company Series J Shares into book-entry form.

Acting pursuant to Art. 444, Art. 446 and Art. 447 of the Commercial Companies Code of September 15th 2000 (“**Commercial Companies Code**”) and Art. 7a of the Company's Articles of Association (the “**Articles of Association**”), the Management Board (the “**Management Board**”) of RAFAKO S.A. of Racibórz (the “**Company**”), subject to consent of the Company's Supervisory Board (the “**Supervisory Board**”) referred to in the second sentence of Art. 447.1 of the Commercial Companies Code and Art. 21.3.8 of the Company's Articles of Association, resolves as follows:

Section 1

1. The Company's share capital shall be increased by no less than PLN 2 (two), and by no more than PLN 30,663,996 (thirty million, six hundred and sixty-three thousand, nine hundred and ninety-six) through the issue of no fewer than 1 (one) and no more than 15,331,998 (fifteen million, three hundred and thirty-one thousand, nine hundred and ninety-eight) Series J ordinary bearer shares with a par value of PLN 2 (two) per share (“**Series J Shares**”).
2. Series J Shares shall be offered to investors by way of open subscription within the meaning of Art. 431.2.2 of the Commercial Companies Code (“**Open Subscription**”), with the pre-emptive rights of the Company's existing shareholders disappplied, to be carried out in the form of a public offering (“**Public Offering**”) within the meaning of Art. 3.3 of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies, dated July 29th 2005, (“**Public Offering Act**”), provided that entitled shareholders do not subscribe for some or all of Series J Shares by the subscription date set for the Series J Shares in the Management Board's Resolution No. 47 of May 13th 2015 (“**Private Placement**”), pursuant to Section 5 of Resolution No. 2 of the Company's Extraordinary General Meeting of March 24th 2014 concerning amendments to the Company's Articles of Association in connection with the Management Board's authorisation to increase the share capital within the limit of the authorised share capital and to disapply the existing shareholders' pre-emptive rights.
3. The Company's issue prospectus (“**Prospectus**”), drafted in compliance with the applicable laws in relation to the public offering of Series J Shares and the seeking of admission and introduction of allotment certificates for Series J Shares (“**Allotment Certificates for Series J Shares**”) and Series J Shares to trading on the regulated market operated by the Warsaw Stock Exchange (“**WSE**”) shall set forth the terms of offering Series J Shares and Allotment Certificates for Series J Shares to investors as part of the Open Subscription.
4. Series J Shares may be paid for exclusively with cash contributions.

Section 2

Series J Shares shall carry the right to dividend for the 2015 financial year, i.e. as of January 1st 2015, on a par with other Company shares.

Section 3

1. In the interest of the Company, the existing shareholders' preemptive rights to acquire Series J Shares shall be disappplied in their entirety.
2. A written opinion of the Management Board, stating the reasons for the disapplication of the pre-emptive rights and specifying the manner in which the issue price of Series J Shares will be set is attached as an appendix to this Resolution.

Section 4

1. The Management Board shall determine, by way of a separate resolution or resolutions:
 - 1) the issue prices of Series J Shares;
 - 2) the number of Series J Shares to be offered for subscription, including the number of Series J Shares subscribed for in the Private Placement, and
 - 3) the opening and closing dates of the Open Subscription for Series J Shares as part of the Public Offering.
2. The resolution of the Management Board on determination of the issue price of Series J Shares, referred to in Section 4.1.1., shall be passed provided it is first approved by the Company's Supervisory Board.
3. Should the Management Board, pursuant to Section 4.1.2 above, fail to resolve on the number of Series J Shares, the number of Series J Shares to be offered in the Public Offering shall be equal to the maximum number of Series J Shares referred to in Section 1.1 of this Resolution.
4. The detailed rules for the offering, distribution and allotment of Series J Shares shall be defined in the Prospectus.
5. The Company's Management Board shall make a representation, in the form of a notarial deed, on the amount of share capital subscribed for and on the precise amount of the share capital prior to notifying the court register of the share capital increase – in accordance with Art. 310.2 and 310.4 of the Commercial Companies Code in conjunction with Art. 453.1 and Art. 431.7 of the Commercial Companies Code.
6. The Management Board may abandon or suspend the performance of this Resolution, and abandon or suspend the Public Offering at any time. When making the decision to suspend the Public Offering, the Management Board need not indicate a new timeframe for the Public Offering; such timeframe may be set and announced to the public at a later date.

Section 5

1. In connection with Section 1.1 of this Resolution, the Articles of Association shall be amended as follows:
 - 1) Art. 7 of the Articles of Association shall be amended to read as follows:

“The Company's share capital shall amount to no less than PLN 139,200,002 (one hundred and thirty-nine million, two hundred thousand and two) and no more than PLN 169,863,996 (one hundred and sixty-nine million, eight hundred and sixty-three thousand, nine hundred and ninety-six)”.
 - 2) Art. 8 of the Articles of Association shall be amended to read as follows³:

“The Company's share capital shall be divided into no fewer than 69,600,001 (sixty-nine million, six hundred thousand and one) shares and no more than 84,931,998 (eighty-four million, nine hundred and thirty-one thousand, nine hundred and ninety-eight) shares with a par value of PLN 2.00 (two) per share.”

Section 6

1. Steps shall be taken to admit and introduce Series J Shares and allotment certificates for Series J Shares to trading on the regulated market of the WSE, and the Management Board shall do whatever is necessary in connection therewith.
2. Series J Shares and allotment certificates for Series J Shares shall be converted into book-entry form and the Management Board shall conclude with the Central Securities Depository of Poland an agreement on registration of Series J Shares and allotment certificates for Series J Shares in the securities depository, and shall do whatever is necessary to convert Series J Shares and allotment certificates for Series J Shares into book-entry form.

Section 7

This Resolution shall come into force as of its date, subject to approval by the Company's Supervisory Board of the disapplication of the existing shareholders' pre-emptive rights to acquire Series J ordinary bearer shares to be issued within the limit of the authorised share capital, as referred to in the second sentence of Art. 447.1 of the Commercial Companies Code and Art. 21.3.8 of the Company's Articles of Association, with the amendments to the Company's Articles of Association coming into effect as of the date of their registration by the registry court.

Appendix 1:

The Management Board's opinion stating the grounds for the disapplication of pre-emptive rights to acquire shares to be issued within the limit of the authorised share capital and indicating the method of determining the shares' issue price.

APPENDIX 1
OPINION OF THE MANAGEMENT BOARD OF RAFAKO S.A.
of May 13th 2015

stating the grounds for the Management Board's authorisation to disapply the shareholders' pre-emptive rights and the manner of determination of the issue price if the Company's share capital is increased by the Management Board within the limit of the authorised share capital

Opinion of the Management Board of
Rafako S.A.
of May 13th 2015

stating the grounds for the disapplication of the pre-emptive rights to acquire shares to be issued within the limit of the authorised share capital and indicating the method of determining the issue price for the shares

1) Subject matter and purpose of the opinion

Pursuant to Art. 7a.1 of the Articles of Association of Rafako S.A. ("**Articles of Association**") of Racibórz ("**Company**", "**RAFAKO**"), by virtue of Resolution No. 2 of the Company's Extraordinary General Meeting of March 24th 2014 ("**EGM Resolution**"), the Management Board was authorised to increase the Company's share capital within the limit of the authorised share capital through the issue of new shares. Under Art. 7a.4 of the Articles of Association, the Management Board is also authorised to disapply, in whole or in part, the existing shareholders' pre-emptive rights to acquire shares to be issued within the limit of the authorised share capital. The Management Board intends to adopt Resolution No. 48 concerning the share capital increase within the limit of the authorised share capital on the terms described above through the issue of no more than 15,331,998 Series J ordinary bearer shares ("**Series J Shares**") with a par value of PLN 2.00 per share, and concerning the disapplication of the existing shareholders' pre-emptive rights ("**Management Board Resolution**"). Accordingly, in performance of the obligation arising under Art. 433.2 in conjunction with Art. 447 of the Commercial Companies Code of September 15th 2000 ("**Commercial Companies Code**"), the Management Board has prepared this opinion stating the grounds for the disapplication of the pre-emptive rights to acquire shares to be issued within the limit of the authorised share capital and indicating the method of determining the shares' issue price.

2) Disapplication of preemptive rights to acquire Series J Shares

In the opinion of the Management Board, the disapplication of the existing shareholders' preemptive rights to acquire Series J Shares in their entirety is, for the reasons indicated below, in the interest of the Company, and serves the achievement of the Company's strategic goals.

Increasing the Company's share capital through the issue of Series J Shares with the existing shareholders' pre-emptive rights disappplied in their entirety and on the terms stipulated in the Management Board's Share Capital Increase Resolution, and offering of Series J Shares by way of open subscription within the meaning of Art. 431.2.2 of the Commercial Companies Code, provided that a part or all of Series J Shares have not been acquired as part of private placement within the meaning of Art. 431.2.1 of the Commercial Companies Code, pursuant to Par. 5 of the EGM Resolution and Par. 2 of Management Board's Share Capital Increase Resolution, by way of public offering within the meaning of Art. 3.3 of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies, dated July 29th 2005, will enable the Company to raise financing in a quick and flexible manner, which the RAFAKO Group will be able to use to achieve, in particular, the following objectives: (i) to finance contractual security arrangements in building the RAFAKO Group's order book and to finance working capital requirements to enable the performance of contracts in the future, and (ii) to increase its research and development spending.

In the Management Board's opinion, an increase in the Company's share capital within the limit of the authorised share capital is the optimal means of securing financing for the Company. The disapplication of the existing shareholders' pre-emptive rights to acquire Series J Shares is also intended to add new investors to the company's shareholder base.

3) Manner of determination of the issue price for Series J Shares

In the Management Board's opinion, for the issue of Series J Shares to be effective the issue price needs to be adjusted to the demand for the Series J Shares, as well as to the conditions prevailing on the financial markets. As demand depends on a number of factors beyond the Company's control (including stock market sentiment), it is in the Company's best interest to allow the Management Board the greatest possible flexibility in determining

the issue price of Series J Shares, in order to secure the largest possible proceeds and ensure the successful completion of the Series J Share issue, or in order to adjust the Series J Shares issue price to the Company's needs related to the implementation of its strategy. The issue price of Series J Shares will be set on the basis of a value determined by reference to the market price of Company shares or using valuations based on comparative methods, as well as the Company's projected financial performance. A possibility of setting the issue price for Series J Shares using other methods of estimating the value of Series J Shares, which will ensure adjustment of the Series J Shares issue price to the size of demand for the Shares or the requirements of the relevant investment project, will also be taken into consideration.

4) Conclusions

In view of the foregoing, the Management Board believes that an issue of Series J Shares with the existing shareholders' pre-emptive rights disapplied in their entirety is justified and is in the interest of the Company. Moreover, in the Management Board's opinion, the above manner of determination of the issue price for Series J Shares is justified.

A resolution of the Management Board in this respect will require approval by the Supervisory Board.

For the Management Board,



Appendix 2 – Articles of Association

CONSOLIDATED TEXT
ARTICLES OF ASSOCIATION
of RAFAKO Spółka Akcyjna (joint-stock company)
of Racibórz

The consolidated text of these Articles of Association has been prepared based on the following notarial deeds:

1. Rep. A No. 133/93;
2. Rep. A No. 953/94;
3. Rep. A No. 1208/95;
4. Rep. A No. 2714/95;
5. Rep. A No. 2610/97;
6. Rep. A No. 2386/98;
7. Rep. A No. 2020/2001;
8. Rep. A No. 9051/2004;
9. Rep. A No. 2326/2006;
10. Rep. A No. 356/2007;
11. Rep. A No. 6782/2009;
12. Rep. A No. 3090/2010;
13. Rep. A No. 158/2012;
14. Rep. A No. 4871/2012;

as registered with the National Court Register,

and based on the Extraordinary General Meeting's Resolution No. 2 of March 24th 2014.

I. GENERAL PROVISIONS

Article 1

1. The Company's name is RAFAKO Spółka Akcyjna.
2. The Company may also trade as RAFAKO S.A.

Article 2

The Company's registered office shall be in Racibórz.

Article 3

1. The State Treasury of the Republic of Poland is the Company's founding shareholder.
2. The Company has been incorporated as a result of transformation of the state-owned enterprise operating under the name of Raciborska Fabryka Kotłów RAFAKO of Racibórz.

Article 4

The Company shall operate on the basis of these Articles of Association, the Commercial Companies Code and other laws applicable to joint-stock companies.

Article 5

The Company shall operate in Poland and abroad.

Article 5a

The Company has been established for an indefinite term.

Article 5b

The Company may operate plants, branches and other organisational units, establish and join other companies in Poland and abroad, participate in joint ventures and be a party to other commercial agreements and arrangements.

II. PRINCIPAL BUSINESS ACTIVITY

Article 6

The Company's principal business activities shall comprise:

- 1) Manufacture of steam generators, except central heating hot water boilers (PKD 25.30.Z);
- 2) Repair and maintenance of finished metal goods (PKD 33.11.Z);
- 3) Installation of industrial machinery, plant and equipment (PKD 33.20.Z);
- 4) Manufacture of metal structures and parts thereof (PKD 25.11.Z);
- 5) Other specialist construction activities n.e.c. (PKD 43.99.Z);
- 6) Manufacture of industrial cooling and ventilation equipment (PKD 28.25.Z);
- 7) Manufacture of other metal reservoirs, tanks and containers (PKD 25.29.Z);
- 8) Mechanical treatment of metal parts (PKD 25.62.Z);
- 9) Metalworking and coating (PKD 25.61.Z);
- 10) Manufacture of machinery for metalworking (PKD 28.41.Z);
- 11) Repair and maintenance of machinery (PKD 33.12.Z);
- 12) Activities in the field of architecture (PKD 71.11.Z);
- 13) Engineering activities and related technical consultancy (PKD 71.12.Z);
- 14) Manufacture of ovens, furnaces and furnace burners (PKD 28.21.Z);
- 15) Wholesale of other machinery and equipment (PKD 46.69.Z);
- 16) Wholesale of metals and metal ores (PKD 46.72.Z);
- 17) Manufacture of other general-purpose machinery n.e.c. (PKD 28.29.Z);
- 18) Manufacture of tools (PKD 25.73.Z);
- 19) Production of electricity (PKD 35.11.Z);
- 20) Transmission of electricity (PKD 35.12.Z);
- 21) Distribution of electricity (PKD 35.13.Z);
- 22) Trade in electricity (PKD 35.14.Z);
- 23) Production and supply of steam, hot water and air for air-conditioning systems (PKD 35.30.Z);
- 24) Wholesale of hardware, plumbing and heating equipment and supplies (PKD 46.74.Z);
- 25) Rental and management of freehold or leasehold property (PKD 68.20.Z);
- 26) Other technical testing and analyses (PKD 71.20.B);
- 27) Other non-school forms of education n.e.c. (PKD 85.59.B);
- 28) Sewage disposal and treatment (PKD 37.00.Z);
- 29) Hotels and similar accommodation (PKD 55.10.Z);
- 30) Holiday and other short-stay accommodation (PKD 55.20.Z);
- 31) Restaurants and other permanent catering facilities (PKD 56.10.A);
- 32) Other catering services (PKD 56.29.Z);
- 33) Activities of cultural facilities (PKD 90.04.Z);
- 34) Other recreation and entertainment facilities (PKD 93.29.Z);
- 35) Activities related to organisation of fairs, exhibitions and conventions (PKD 82.30.Z);
- 36) Scientific research and development work in the field of other natural and technical sciences (PKD 72.19.Z);
- 37) Forging, pressing, stamping and roll-forming of metal; powder metallurgy (PKD 25.50.Z);
- 38) Manufacture of instruments and appliances for measuring, testing and navigation (PKD 26.51.Z);
- 39) Manufacture of electric motors, generators and transformers (PKD 27.11.Z);
- 40) Manufacture of electricity distribution and control apparatus (PKD 27.12.Z);
- 41) Manufacture of engines and turbines, except aircraft, vehicle and cycle engines (PKD 28.11.Z);
- 42) Manufacture of hydraulic and pneumatic drive equipment and accessories (PKD 28.12.Z);
- 43) Manufacture of other pumps and compressors (PKD 28.13.Z);
- 44) Manufacture of lifting and handling equipment (PKD 28.22.Z);
- 45) Repair and maintenance of electrical equipment (PKD 33.14.Z);

- 46) Treatment and disposal of non-hazardous waste (PKD 38.21.Z);
- 47) Dismantling of wrecks (PKD 38.31.Z);
- 48) Remediation activities and other waste management services (PKD 39.00.Z);
- 49) Construction of residential and non-residential buildings (PKD 41.20.Z);
- 50) Construction of roads and motorways (PKD 42.11.Z);
- 51) Construction of railways and underground railways (PKD 42.12.Z);
- 52) Construction of transmission pipelines and distribution systems (PKD 42.21.Z);
- 53) Construction of telecommunications lines and power lines (PKD 42.22.Z);
- 54) Construction of other civil engineering projects n.e.c. (PKD 42.99.Z);
- 55) Dismantling and demolition of buildings (PKD 43.11.Z);
- 56) Site preparation (PKD 43.12.Z);
- 57) Digging, drilling and boring for geological and engineering purposes (PKD 43.13.Z);
- 58) Installation of electrical wiring and fittings (PKD 43.21.Z);
- 59) Installation of plumbing, heat, gas and air-conditioning systems (PKD 43.22.Z);
- 60) Other building installations (PKD 43.29.Z);
- 61) Erection of roof covering and frames (PKD 43.91.Z);
- 62) Wholesale of waste and scrap (PKD 46.77.Z);
- 63) Warehousing and storage of other goods (PKD 52.10.B);
- 64) Software-related activities (PKD 62.01.Z);
- 65) Computer consultancy activities (PKD 62.02.Z);
- 66) IT equipment management activities (PKD 62.03.Z);
- 67) Other services in the field of information and computer technology (PKD 62.09.Z);
- 68) Data processing, hosting and related activities (PKD 63.11.Z);
- 69) Specialist design activities (PKD 74.10.Z);
- 70) Renting and leasing of cars and vans (PKD 77.11.Z);
- 71) Renting and leasing of other motor vehicles, except motorcycles (PKD 77.12.Z);
- 72) Renting and leasing of construction machinery and equipment (PKD 77.32.Z);
- 73) Renting and leasing of office machinery and equipment, including computers (PKD 77.33.Z);
- 74) Renting and leasing of other machinery, equipment and tangible goods n.e.c. (PKD 77.39.Z);
- 75) Repair and maintenance of computers and peripheral equipment (PKD 95.11.Z);
- 76) Operation of sports facilities (PKD 93.13.Z);
- 77) Other sports activities (PKD 93.19.Z);
- 78) Other business and management consultancy activities (PKD 70.22.Z).

III. EQUITY

Article 7

The Company's share capital is PLN 139,200,000 (one hundred and thirty-nine million, two hundred thousand zloty).

Article 7a

1. The Management Board shall be authorised to increase the Company's share capital through the issuance of new shares with a total par value of up to PLN 30,663,996 (thirty million, six hundred and sixty-three thousand, nine hundred and ninety-six zloty), by way of one or more share capital increases within the limit specified above (authorised share capital). The Management Board's authorisation to increase the share capital and to issue new shares within the authorised share capital limit shall expire three years after the amendment to the Company's Articles of Association establishing this authorised share capital limit is entered in the register of entrepreneurs of the National Court Register.
2. Shares within the authorised share capital limit may be issued exclusively in exchange for cash contributions.
3. The Management Board's resolution on determination of the issue price under the share capital increase referred to in Art. 7a.1 shall require approval of the Company's Supervisory Board.
4. With the Supervisory Board's approval, the Management Board may disapply in whole or in part, the existing shareholders' pre-emptive rights with respect to the shares to be issued within the authorised share capital limit.

Article 8

The Company's share capital is divided into 69,600,000 (sixty-nine million, six hundred thousand) shares with a par value of PLN 2.00 (two zloty) per share.

Article 9

All Company shares are bearer shares. The Company shares shall be issued in series.

Article 10

The manner of payment for the Company shares shall be determined by the General Meeting.

Article 11

(deleted)

IV. GOVERNING BODIES

Article 12

The governing bodies of the Company shall be:

1. the Management Board,
2. the Supervisory Board,
3. the General Meeting.

A. MANAGEMENT BOARD

Article 13

1. The Management Board shall be composed of more than one (1) member, including the Management Board President, from one (1) to four (4) Management Board Vice-Presidents, and up to three (3) Management Board Members, appointed and removed by the Company's Supervisory Board.
2. The Management Board shall be appointed for a joint term of three (3) years.
3. Any or all Management Board members may be dismissed at any time by a resolution of the Supervisory Board.
4. Members of the Management Board may be re-appointed for another term of office.
5. Provisions of these Articles of Associations applicable to Management Board members shall also apply to the President and Vice-Presidents of the Management Board, unless these Articles of Associations provide otherwise.

Article 14

1. The Management Board, headed by the President, shall manage the Company's business and represent it before third parties.
2. All matters related to the management of the Company which do not fall within the exclusive scope of competence of the General Meeting or the Supervisory Board under the law or these Articles of Association, shall fall within the scope of powers and responsibilities of the Management Board. Acquisition and disposal of real estate, perpetual usufruct, or an interest in real estate shall require approval of the Supervisory Board.
3. Management Board resolutions shall be adopted by a simple majority of the votes. In the case of a voting tie, the President of the Management Board shall have the casting vote.

4. The Rules of Procedure for the Management Board shall specify in detail the manner of operation of the Management Board. The Rules of Procedure shall be adopted by resolution of the Management Board and approved by the Supervisory Board.

Article 15

Declarations of will on behalf of the Company (representations) may be made and executed by two Management Board members acting jointly or one Management Board member acting jointly with a commercial proxy.

Article 16

The Supervisory Board shall represent the Company in all agreements and disputes between the Company and the Management Board members.

B. SUPERVISORY BOARD

Article 17

1. The Supervisory Board shall be composed of five (5) to seven (7) members, appointed by the General Meeting for a joint term of office of two (2) years.
2. The number of the Supervisory Board members shall be each time defined by the General Meeting. Members of the Supervisory Board may be re-elected.
3. The Supervisory Board should also include independent members, with the number of such independent members and relevant independence criteria determined on the basis of applicable laws or corporate governance principles applicable to public companies.

Article 18

1. The Supervisory Board shall elect the Chairperson, Deputy Chairperson and – if necessary – the Secretary of the Supervisory Board from among its members.
2. Supervisory Board meetings shall be convened by the Chairperson acting on its own initiative, or at the request of the Management Board or the Supervisory Board member, submitted along with the proposed agenda.
3. If the Chairperson of the Supervisory Board fails to convene a meeting within two weeks from the date of the request, the party submitting the request may proceed to convene such a meeting, specifying the meeting's date, venue, and the proposed agenda.
4. Supervisory Board meetings shall be chaired by the Supervisory Board Chairperson or, in the event of absence of the Chairperson, by a Deputy Chairperson.
5. The Supervisory Board may remove the Chairperson, Deputy Chairperson and Secretary from their positions; such removal shall not result in the loss of the Supervisory Board member's mandate.

Article 19

The Supervisory Board meetings shall be held at least once every quarter.

Article 20

1. Resolutions of the Supervisory Board shall be valid only if all members of the Supervisory Board have been invited to the meeting.
2. The Supervisory Board shall adopt its resolutions by absolute majority of votes, with at least half of the Supervisory Board members present. In the case of a voting tie, the Chairperson of the Supervisory Board shall have the casting vote.

3. A Supervisory Board member may vote on a resolution of the Supervisory Board in writing through another member of the Supervisory Board. Matters put on the agenda during the meeting of the Supervisory Board may not be voted on in writing, subject to Art. 388.4 of the Commercial Companies Code.
4. Subject to Art. 388.4 of the Commercial Companies Code, the Supervisory Board may adopt resolutions by voting in writing or using means of remote communication, provided that all Supervisory Board members have been notified of the contents of the draft resolutions.
5. The Supervisory Board shall adopt its Rules of Procedure.

Article 21

1. The Supervisory Board shall exercise ongoing supervision over the Company's business in each area of its activity.
2. In addition to other matters specified in these Articles of Association and the Commercial Companies Code, the scope of powers of the Supervisory Board shall include:
 - 1) assessment of the Directors' Report on the Company's operations and of the financial statements for the previous financial year in terms of their consistency with the Company's accounts, documents and the actual state of affairs;
 - 2) assessment of the Management Board's recommendations regarding the distribution of profit or coverage of loss;
 - 3) submission to the General Meeting of written reports on findings of the assessments referred to in Art. 21.2.1 and 21.2.2 above;
 - 4) assessment of the Directors' Report on the Group's operations and of the consolidated financial statements for the previous financial year in terms of their consistency with the Group's accounts, documents and the actual state of affairs, and submission to the General Meeting of written reports on findings of such assessments;
 - 5) appointment of an auditor to audit the financial statements;
 - 6) determination of the scope and submission dates of annual budgets as well as long-term strategic plans;
 - 7) issuing opinions on the Company's long-term strategic plans;
 - 8) approving and issuing opinions on the Company's annual budgets;
 - 9) approval of the Company's annual indebtedness limits;
 - 10) approval of the consolidated text of the Company's Articles of Association prepared by the Management Board;
 - 11) approval of the Rules of Procedure for the Company's Management Board;
 - 12) adoption of the Rules of Procedure for the Supervisory Board;
 - 13) approval of the Company's organisational rules;
 - 14) issuing opinions on all matters submitted by the Management Board to the General Meeting for consideration;
 - 15) examining of all Company documents, requesting reports and explanations from the Company's Management Board and employees, and reviewing the Company's assets;
 - 16) determining the dividend payment date, if no such date is specified in a General Meeting's resolution;
 - 17) convening the Annual General Meeting, if the Management Board fails to do so within the prescribed time-frame, and convening Extraordinary General Meetings, if the Supervisory Board deems it advisable;
 - 18) proposing draft resolutions on matters which have been placed or are to be placed on the agenda prior to the scheduled date of a public company's General Meeting;
 - 19) appealing against General Meeting's resolutions by moving for repealing of a resolution or declaration of its invalidity;

- 20) determination of the issue price of new shares and dates of opening and closing of the subscription period, provided that the Supervisory Board is authorised to do so by the General Meeting under a relevant resolution on share capital increase;
 - 21) determination of the final amount of the share capital increase, in the case of new shares offered in a public offering under a prospectus or approved information memorandum, provided that the Supervisory Board is authorised to do so by the General Meeting under a relevant resolution on share capital increase;
 - 22) issuing opinions on the Management Board's requests for execution of an underwriting agreement related to issue of shares or approval of execution of such agreement;
 - 23) appointment of an auditor of the balance sheet, statement of profit or loss and notes prepared in connection with a share capital increase to be financed with the Company's own funds, if such auditor is not the auditor of the Company's financial statements.
3. The powers and responsibilities of the Supervisory Board shall include granting consent to the Management Board for:
- 1) acquisition, disposal or encumbrance of real estate, an interest in real estate, or perpetual usufruct,
 - 2) contracting of liabilities or executing transactions with a value equal to or in excess of PLN 20,000,000.00;
 - 3) acquisition, subscription for, disposal, encumbrance, or waiver of pre-emptive rights or shares;
 - 4) acquisition of securities issued by third parties;
 - 5) payment of interim dividend;
 - 6) supporting non-profit organisations, charity and sponsoring activities, in excess of an annual limit of PLN 500,000.00;
 - 7) Management Board's resolutions on determination of the issue price and delivery of shares in exchange for non-cash contributions within the limit of the authorised share capital;
 - 8) waiver of pre-emptive rights, in whole or in part, as part of the share capital increase within the limit of the authorised share capital.
4. The powers and responsibilities of the Supervisory Board shall further include, without limitation:
- 1) appointment and removal from office of Management Board members;
 - 2) determination of the rules and amounts of remuneration of Management Board members;
 - 3) inclusion in the remuneration of Management Board members the right to a specific share in the Company's profit for a given year allocated for distribution to the shareholders, provided that the General Meeting grants a relevant authorisation to the Supervisory Board;
 - 4) suspension of Management Board members from duties for good reason;
 - 5) delegation of Supervisory Board members to temporarily substitute for a Management Board member who is unable to perform their duties or is suspended or removed from office;
 - 6) taking appropriate measures to change the composition of the Management Board if any Management Board member is unable to perform their duties;
 - 7) grant of approval for establishing or liquidating foreign branches of the Company;
 - 8) grant of approval to Management Board members to serve on governing bodies of companies outside the Group;
 - 9) representation of the Company in agreements and disputes between the Company and its Management Board members, unless the General Meeting appoints a proxy.

Article 22

1. Members of the Supervisory Board shall exercise their rights and discharge their duties in person.
2. Remuneration of Supervisory Board members shall be determined by the General Meeting.

Article 22a

1. The Supervisory Board may appoint standing or ad hoc committees to act as the Supervisory Board's advisory and opinion-giving bodies composed of individual Supervisory Board members, advisers and experts. The detailed list of committees shall be included in the Rules of Procedure for the Supervisory Board.
2. The Supervisory Board may use services of advisers and experts. The Supervisory Board shall request the Management Board – by way of a resolution – that agreements be executed between the Company and such advisers and experts.

C. GENERAL MEETING

Article 23

1. The General Meeting may be convened as an annual or extraordinary meeting.
2. The Annual General Meeting shall be convened by the Management Board each year, no later than within six (6) months after the end of each financial year. The Supervisory Board may convene an Annual General Meeting if the Management Board fails to do so within the time-frame specified above.
3. The right to convene an Extraordinary General Meeting shall rest with the Management Board. Where required by law, the Management Board shall be required to convene an Extraordinary General Meeting.
4. Other Company's governing bodies or a specified group of shareholders may convene an Extraordinary General Meeting in accordance with the provisions of the Commercial Companies Code.

Article 24

1. The General Meeting may only pass resolutions concerning matters on its agenda.
2. The agenda shall be drawn up by the party convening the General Meeting.
3. The Supervisory Board, a shareholder or shareholders representing at least one-twentieth (1/20) of the Company's share capital may request that certain matters be placed on the agenda of the next General Meeting. Such requests should be submitted to the Management Board not later than 21 days prior to the scheduled date of the General Meeting.
4. A shareholder or shareholders representing at least one-twentieth (1/20) of the Company's share capital may, before the scheduled date of the General Meeting, submit to the Company draft resolutions on matters which have been or are to be placed on the agenda of the General Meeting.
5. During a General Meeting, each shareholder may submit draft resolutions concerning matters on the agenda.

Article 25

Unless the notice of a General Meeting specifies another venue in Warsaw, Wysogotowo or Poznań, General Meetings shall be held at the Company's registered office.

Article 26

1. The General Meeting may adopt resolutions regardless of the number of shareholders present or represented shares.
2. Unless statutory provisions or these Articles of Association provide otherwise, each share shall carry the right to one vote at the General Meeting.

Article 27

Resolutions of the General Meeting shall be passed by an absolute majority of the votes cast, unless statutory provisions or these Articles of Association provide otherwise.

Article 28

1. Resolutions shall be voted on in an open ballot. A secret ballot shall be ordered in the case of voting on election or removal from office of members of the Company's governing bodies or its liquidators, on bringing them to account and on personal matters. A secret ballot shall be announced if requested by at least one member holding a voting right and attending the General Meeting.
2. Resolutions on change of the Company's business shall be always passed in an open roll-call ballot.

Article 29

1. The General Meeting shall be opened by the Chairperson of the Supervisory Board or a person designated by the Chairperson, upon which the Chairperson of the General Meeting shall be elected from among the persons holding voting rights.
2. The General Meeting shall adopt its Rules of Procedure, which shall specify detailed procedures for holding a meeting.

Article 30

1. The powers and responsibilities of the General Meeting shall include:
 - 1) review and approval of the financial statements of the Company and Directors' Report on its operations and the consolidated financial statements of the Group and Directors' Report on its operations for the previous financial year;
 - 2) adoption of resolutions on distribution of profit or coverage of loss;
 - 3) approval of discharge of duties by members of the Supervisory Board and Management Board;
 - 4) change of the Company's principal business activities;
 - 5) amendments to the Company's Articles of Association;
 - 6) an increase or reduction of the share capital;
 - 7) merger, transformation or demerger of the Company;
 - 8) dissolution and liquidation of the Company;
 - 9) issue of convertible bonds or bonds with pre-emptive rights;
 - 10) sale or lease of, or creation of limited property rights in, the Company's business or its organised part;
 - 11) all decisions concerning claims for redress of any damage inflicted on formation of the Company, or in the management or supervision of the Company.
2. In addition to the matters referred to in Art. 30.1, certain matters specified in the Commercial Companies Code shall require a resolution of the General Meeting. Acquisition or disposal of real property, a perpetual usufruct right or interest in real property shall not require the General Meeting's approval.
3. The General Meeting shall exercise its powers and responsibilities referred to in Art. 30.1.1–30.1.2, Art. 30.1.4, and Art. 30.1.6–30.1.10 at the request of the Company's Management Board submitted along with the Supervisory Board's opinion in writing. A shareholder's request relating to such matters should be assessed by the Company's Management and Supervisory Boards.

Article 30a

1. Shareholders may participate in the General Meeting in person or by proxies.
2. Shareholders may attend General Meetings via electronic means of communication. Decisions regarding the use of electronic means of communication during the General Meeting and relevant rules shall each time be taken by the Management Board, and announced in the notice of the General Meeting.

Article 31

Subject to the applicable laws, change of the Company's principal business activities shall not require repurchase of its shares.

MANAGEMENT OF THE COMPANY

Article 32

The organisation of the Company's business shall be defined in the organisational rules adopted by the Company's Management Board.

Article 33

1. The Company's accounts shall be kept in a reliable manner and in compliance with the applicable laws.
2. The Company's financial year shall be the same as the calendar year.
3. The Company's first financial year shall commence on the date of registration of the Company and shall end on December 31st 1993.

Article 34

1. The Company shall create the following capitals:
 - 1) share capital,
 - 2) statutory reserve funds.
2. Under a General Meeting's resolution, the Company may also create capital reserves. The manner of application of capital reserves shall be specified in General Meeting's resolution.
3. The special accounts existing at the enterprise referred to in Art. 3.2 of these Articles of Association as at the date of its transformation into a joint-stock company, shall become the Company's reserve funds with the same designation.
4. If possible, the Company shall allocate funds to capital reserves and shall recognise such allocated amounts as expense.
5. Shares may be cancelled under General Meeting's resolution, at the consent of the shareholder and in accordance with the relevant laws and regulations governing reduction of share capital. The Company may purchase own shares for cancellation.
6. The Company may issue notes and bonds, including notes and bonds convertible into shares. The Company may make share allotment commitments.

Article 35

(deleted)

Article 36

1. The Company's net profit may be allocated in particular to:
 - 1) statutory reserve funds,
 - 2) the Company's capital reserves,
 - 3) dividend for shareholders,
 - 4) other purposes specified by the General Meeting.
2. The dividend record date and the dividend payment date shall be determined by the General Meeting.

VI. FINAL PROVISIONS

Article 37

The Company's notices required under the law shall be published in *Monitor Sądowy i Gospodarczy*, unless the applicable laws provide otherwise.

Racibórz, March 25th 2014

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