

LETTER FROM THE PRESIDENT OF ZUE S.A.



Ladies and Gentlemen,

I am pleased to present the ZUE's report for 2012.

For the Group it has been another year of hard work and execution of many prestigious projects but it has also been a year in which we have faced market challenges.

First of all, business conditions deteriorated in 2012 for the entire engineering construction industry, including the Group. Weak demand from the public sector and, consequently, stronger competition on the market, put pressure on prices and reduced margins. In addition, growing prices of raw materials and fuels, higher fees charged by subcontractors and unstable EUR/PLN exchange rate had a negative effect on margins for the contracts.

I believe that despite difficult market conditions, the Group has done well. Our results are weaker than a year ago but we maintain debt and liquidity ratios at safe levels and our portfolio of orders of approx. PLN 430m enables the Group to operate in comfortable conditions. In addition, the Group has submitted the most economically advantageous tenders with the total amount of nearly PLN 470m.

We are actively searching for new contracts and new markets and continue our activities aimed at entering selected foreign markets.

The Group's main goal is to strengthen its position of one of the leaders on the Polish public transport infrastructure market and one of major entities on the rail infrastructure market. The Group also intends to expand its operations on the power network infrastructure market.

Given the market conditions, which in our belief will remain hard in 2013, we have undertaken a number of activities aimed at savings and increasing the efficiency of the Group, such as reorganisation of the Group or sale of redundant assets.

Despite many challenges faced by the industry in the previous and current year, we assess the long-term prospects for the markets we operate in as good.

The Polish tram market is considered one of the major European tram markets and the availability of EU funds make local authorities more willing to invest in the upgrade and construction of new tram lines. According to our estimates, the value of tenders related to the Polish tram infrastructure the Group is interested in may be approx. PLN 1bn in 2013.

Despite a fight for contracts, we believe the prospects for the rail infrastructure market are also

favourable.

According to the information provided by the Ministry of Transport on 30 January 2013, the cost of projects related to railway works in 2012 - 2015 may stand at PLN 31.6bn and capital expenditure in 2013 may amount to as much as PLN 6.7bn.

The prospects of the power market, where we want to strengthen our position, are also rated positively. The total expenditure planned for 2013 - 2017 is about PLN 9.9bn.

The year 2013 will be another year of the Group's intensive activity focused on the exploitation of market opportunities on the one hand and the improvement of efficiency on the other. Our main goal remains the strengthening of our market position and building the value of the Group for its Shareholders.

Yours sincerely,

Wiesław Nowak
Management Board President
ZUE S.A.