

LETTER FROM THE PRESIDENT OF ZUE S.A.



Ladies and Gentlemen,

I am pleased to present the report of ZUE S.A. for 2014.

I sum up the year 2014 with great satisfaction. The Group generated record revenue exceeding PLN 644m – up by 56.9% compared to the revenue earned in the preceding year. The Group's EBITDA was PLN 22.7m; i.e. it increased by 56.2%. The net profit increased by 90.1% y/y to PLN 10.7. The Group improved its cash position at the end of 2014 and had cash and cash equivalents of PLN 71.4m – up by almost 70% when compared with PLN 49.7m in 2013.

The Group achieved such impressive results because it was highly effective in winning contracts, exercised cost discipline while performing the contracts and achieved synergies following the merger of ZUE S.A. and Przedsiębiorstwo Robót Komunikacyjnych w Krakowie S.A. 2014 was the first full year in which the two companies operated as one entity. An almost 11% year-on-year drop in general and administrative expenses was one of evident effects of the merger. ZUE S.A. consistently pursued its policy of reducing construction, legal and financial risks as a result of which, only certain gains were recognised in the financial statements and provisions for potential threats were created.

Another major event of 2014 included, as previously announced, an entry into a new segment, namely the design and construction of power transmission lines. The Group is now engaged in the project worth PLN 469m; i.e. the construction of the 400 kV line Kozienice – Ołtarzew. I am convinced that the references obtained from the project will help us win other interesting contracts and strengthen the Group's position in the sector.

In 2014, the Group's offer reached a foreign country. ZUE S.A. and its Slovak partner won the contract worth more than EUR 33m for "Construction of IKD Košice, Maratónu Mieru Square – Station Yard" in Košice, Slovakia.

We entered 2015 with an order book of approx. PLN 760m with PLN 300m for 2015 and PLN 460m for subsequent years. We actively search for new contracts both on the domestic and international markets. I positively assess long-term development perspectives of our markets; i.e. the rail market, city infrastructure market and power network infrastructure market. We believe that the Group's possibilities stemming from the new EU's financial perspective are also promising.

The Group's main goal is to pursue its strategy in order to maintain the position of one of the leaders on the city public transport infrastructure market, strengthen its position on rail infrastructure construction market and expand its operations in the power infrastructure sector – upgrade of power lines.

The announced expansion of the Group's trade and production activities is another vital element of its strategy.

The Group took steps to get involved in these activities in February 2015 and signed the letter of intent for the acquisition of 70% of shares in RAILWAY gft. The company acquires the rights and obligations under the contracts and agreements signed by ThyssenKrupp GfT Polska Spółka z o.o., a member of the German ThyssenKrupp AG as part of which it is responsible for the sale of the materials for the construction and repair of tram and railway tracks in the entire Poland and the provision of services and know-how concerning rail communication and construction techniques. The intended acquisition will help us expand the Group's offer to include the distribution of building components and enable the Group to provide fully comprehensive city and rail infrastructure services.

The year 2015 will be another year of the Group's intensive activity focused on the exploitation of market opportunities on the one hand and consistent pursuing of growth strategy 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.