

LETTER FROM THE PRESIDENT OF ZUE S.A.



Ladies and Gentlemen,

I am pleased to present the report of the ZUE Group for 2017.

In 2017, the Group's performance improved on almost all levels.

The Group's revenue was PLN 465m, EBITDA was PLN 11.5m and its operating profit amounted to PLN 1.6m. A gradual improvement on the rail infrastructure market was observed in the second half of 2017 and influenced our financial results. Consequently, in the fourth quarter of 2017, we generated almost 50% of annual revenue and our net profit stood at PLN 12.4m. The results increased because the Group began to perform the new contracts under the current EU perspective.

We look at the prospects of the rail and urban infrastructure construction industry in 2018 with optimism. We assume that the market will be much bigger than it was a year ago.

At the end of 2016, the Government adopted the amended National Railway Programme providing for the expenditure on the modernisation of railways of more than PLN 66bn by 2023. In 2018, PKP PLK intends to carry out the construction works of the record high value of approx. PLN 10bn. The tenders planned in 2018 by the national railway infrastructure manager include more than 200 projects worth more than PLN 11bn. Positive signals are also received from the urban infrastructure market. Investments in tram infrastructure are the preferred projects of the EU perspective for the years 2014-2020. Investments in this field are planned in the coming years by the majority of Poland's big cities.

The outlook is also bright for Railway gft, our sales company dealing with the distribution of materials required to build and repair tram and railway tracks. Orders for building materials will grow as a result of favourable economic situation in the industry and this should have a positive influence on the company's activities.

The Group has intensely expanded its order book since the end of 2016. At present, the order book is valued at PLN 2.4bn. As the situation in Poland develops dynamically, we focus on getting orders in this country. We want to take full advantage of the opportunities offered by the Polish market. However, we also look for customers abroad. We have submitted the bid to reconstruct a tram line in Slovakia and made efforts to win contracts in Bulgaria.

We enjoy the advantage of experienced and professional team whom we have managed to keep throughout the downturn in the economy while waiting for economic recovery. Over the recent years, we have invested a lot and continue to invest in the equipment. We invested more than PLN 11m in non-current assets in 2016 and almost PLN 21m in 2017.

Our goal remains to strengthen our market position and build up ZUE's value for its Shareholders. We will do our best to take full advantage of the upturn in the Polish construction industry.

Yours sincerely,

Wiesław Nowak

Management Board President