

LETTER FROM THE PRESIDENT OF ZUE S.A.

Ladies and Gentlemen,

I am pleased to present the report of the ZUE Group for 2023. We have proved again that we are the company built on strong foundations able to take advantage of the opportunities offered by the broadly defined construction industry. This is best demonstrated by the fact that the results reported by the Group have clearly improved when compared with the items disclosed in 2022.

The Group's revenue in 2023 increased by 61% to almost PLN 1.5bn (PLN 1,484.1m). We definitely achieved our highest-ever sales. The Group posted the net profit nearing PLN 21m (+22% y/y). The revenue of ZUE S.A. was up by 66% year-on-year and the net profit of PLN 22m grew over the year by 115%. Again, we are proud to announce that our backlog is kept on a safe level and currently exceeds PLN 1.7bn.

In 2023, the construction companies within the Group obtained the new construction contracts whose total value was approximately PLN 959m. The most important contract, whose net value was PLN 785m, was entered into with PKP PLK S.A. The task we have undertaken constitutes one of three stages in what is the largest multi-stage railway investment in the Silesian Province in recent years. Among other things, the investment is expected to ensure better access to the railways, shorten travel times by increasing train speeds and improve passenger comfort. It will also improve the safety of goods and passengers.

The Warsaw contract is another major business and social project in our backlog. At the beginning of 2024, ZUE S.A. and a consortium member were awarded the prestigious tram infrastructure contract worth PLN 295m (50% for ZUE). The project involves the construction of the fast underground tramway from the Kasprzaka Street to Wilanów on the Dworzec Zachodni – the Grójecka hub section. Thanks to this project, passengers will be able to reach the Warszawa Zachodnia station by tram, while an underground tram stop will be built right under the station, from which passengers will be able to access the railway and bus platforms. This will be a highly convenient solution for both residents of Warsaw and visitors to the capital. I am extremely glad to take part in such important business and social projects which also generate significant revenues.

It is worth pointing out that although tram and railway markets remained the main areas of our activity in 2023, we were also involved in developing the Group's youngest member, namely Energopol. We believe that the company's skills and experience supplement ZUE's activities in the area of road works, construction of roads and bridges and many other specialist works. In 2023, Energopol obtained three new construction contracts with the total value of approximately PLN 65m. It should be pointed

out that we are submitting further bids on this promising market, which offers a steady supply of new investments. I also want to stress that our vision of Energopol's development is wide-ranging and comprehensive. Therefore, are increasing the Company's production capacity by, among other things, expanding its equipment base and improving its efficiency.

Although the year 2023 mainly witnessed the conclusion of railway contracts in Poland, we cannot forget that our presence is strongly felt on international markets. Our extensive presence in Romania is worthy of note. Together with our Romanian partner, we have established the consortium to perform the contracts worth about PLN 0.9bn, out of which 50% is attributable to ZUE. We believe that the prospects of this market are still very bright and intend to develop and strengthen our position in Romania. We continue to explore business opportunities abroad (for example in Latvia) and are preparing to offer our services in other European countries.

Following the successful 2023, we expect the domestic infrastructure market to see economic recovery in 2024. The Group is prepared for a resumption in investment plans by major contracting authorities, which the industry anticipates in connection with the potential inflow of EU funds. PKP PLK estimates combined investment needs in railway infrastructure of approximately PLN 300bn a significant amount of which will be incurred by 2030. Construction works under investments projects continue as part of the National Railway Programme (the NRP) and another pool of new investments under the NRP will be financed with EU funds, including funds from the National Recovery Plan. In addition, we must consider a positive effect the potential investments relating to the so-called railway component of the Central Communication Port may have on our market. It is important that the investment tender market is reactivated as soon as possible.

As regards the Polish tram market, we constantly prepare new tenders for infrastructure projects in order to play a major role in the modernisation of urban rail transport. Future belongs to urban rail transport because it is both ecological and effective. It is important to note that virtually all urban centres with tram networks are planning to modernize existing routes or build new ones. Also in this respect, we are hoping to see positive effects of EU funds; for instance, the tram market is supported by the draft *FEnIKS* (the EU Funds on Climate, Infrastructure and Environment) programme for 2021-2027 under which significant amounts will be spent on the development of urban transport in Polish cities, including the expansion and upgrade of infrastructure, especially tram infrastructure.

In view of the expected market recovery – probably in the second half of the year – we are constantly trying to develop our potential and investing in new specialist equipment. Larger purchases include, for example, a universal tamper. At the same time we are replacing old locomotives with new ones - more operationally and functionally efficient and more ecological than their predecessors. The Group is planning new investments in 2024. An extensive machine park will allow us to complete orders even more effectively and provide us with stable operation in years to come.

To sum up, we are pleased with the events of 2023 in both financial and operating terms. In 2024, we intend to take advantage of the opportunities connected with the announced launch of investment programs financed by EU funds, continue to strengthen the Group's market position and generate satisfactory financial results.

Yours sincerely,

Wiesław Nowak

Management Board President
ZUE S.A.