

LETTER FROM THE PRESIDENT OF ZUE S.A.

Ladies and Gentlemen,

I am pleased to present the report of the ZUE Group for 2022.

I am delighted to state that we are a company built on strong foundations with secure financing structure and bright prospects. We can present robust financial results for 2022 despite many challenges like economic downturn in Poland or unstable geopolitical situation in Europe.

First of all, our revenue grew to more than PLN 921 million (+8.2% y/y) and the net profit was almost PLN 17.3 million (+46.2% y/y). In addition, we reported an improved gross margin of 4.6%. Our backlog is kept on a safe level and currently exceeds PLN 1.8 billion. In 2022, we entered into the construction contracts with the total value of PLN 899 million. This year we are expecting the conclusion of the contracts that we have won, for instance our tender with the net value of PLN 785 million has been selected as the most economically advantageous tender in the tender procedure organized by PKP PLK for the works on the Będzin-Katowice railway line. Following the conclusion of this contract, the backlog will amount to approximately PLN 2.6 billion.

The strong results have been achieved through our consistent efforts undertaken in the financial and operating areas.

Like in previous years, the tram and railway markets were the main areas of our operations in 2022. We have expanded our offer to include other works. We have acquired and executed the handling terminals for PKP Cargo and Wałbrzych Special Economic Zone – the Mercedes factory. Last year saw a meaningful change in our activities, namely we began to operate in Romania. The consortium including ZUE and our Romanian partner won the first construction contracts for the upgrade of the Romanian railway lines. The total amount of the signed contracts is approximately PLN 966 million, out of which 50% is attributable to ZUE. In addition, ZUE's branch was established in Romania to enable better coordination of the Company's operations. It should be stressed that prospects look bright for us in Romania. In terms of the length of railway lines, Romania ranks eight in Europe. In addition, the European Commission approved the Romanian National Recovery Plan for about EUR 29 billion and a portion of the amount will be allocated to railways. Our goal is to be a major player on this market.

As regards the national market in 2022, our focus was mainly on the tram market. There were a great number of tenders as a result of which ZUE won the contracts worth the combined amount of approximately PLN 270 million. We are also preparing new tenders for infrastructure projects in our attempt to play a major role in the upgrade of urban rail transport. The future belongs to this transport because it is both ecological and effective. What is more, virtually all urban centres are planning to

develop light rail systems by modernizing lines and building new ones. Our positive approach to the tram market is also influenced by the draft *FENIKS* (the EU Funds on Climate, Infrastructure and Environment) programme for 2021-2027 published in 2022. Under the programme, EUR 2 billion will be spent on the development of urban transport in Polish cities, out of which EUR 1.44 billion will be spent on the expansion and upgrade of infrastructure, especially tram infrastructure. We are also analysing foreign markets.

Following a slowdown in the economy in 2022 and on the basis of declarations made by PKP PLK and the Ministry of Infrastructure, the future looks good for the Polish railway market. The factors influencing this situation include plentiful information about important railway tender procedures planned for 2023. PKP PLK are planning to announce new tenders in 2023 for a total amount of PLN 15-20 billion. The National Railway Programme until 2023 (the NRP) worth in total about PLN 77 billion has been extended until 2024. The new NRP has been announced recently and the amount under the programme is comparable. In addition, the Central Communication Port (the CCP) is preparing technical, economic and environmental studies for about 1,300 km of new railway lines.

Our main strategic goal remains to take a maximum advantage of the current and future EU perspective, to continue to strengthen the position of ZUE on the urban and railway infrastructure market and to expand the offer of repair and maintenance services.

It should also be emphasized that we acquired Energopol at the end of 2022. The skills and experience of the company complement the operations of ZUE in the area of road works, bridge and road structures and many other specialist works. Including Energopol in the Group will help us strengthen our position on the infrastructure construction market and, what is important to us in the context of a long-term diversification of the Group's operations, enter the street and road maintenance market. Energopol is being integrated into the Capital Group and the process should end in the first half of 2023.

To sum up, it has been a successful year and prospects for the future look good. We are pleased with the quality of the contracts that we have signed and we can see growth potential for our business and performance. We are facing the months of hard work so that we can submit the best possible information to our Shareholders next year.

Yours sincerely,

Wiesław Nowak
Management Board President
ZUE S.A.