



## CURRENT REPORT 46 / 2013

3 December 2013

*Legal basis: Art. 56.1.2 of the Public Offering Act – Current and Periodic Reports.*

Subject: Management Board's Standpoint on Intended Merger of ZUE S.A. and Przedsiębiorstwo Robót Komunikacyjnych w Krakowie S.A.

Content:

Pursuant to § 19.3 of the Ordinance by the Minister of Finance of 19 February 2009 on current and periodic information published by issuers of securities and the conditions for recognizing information required under the law of a non-member state as equivalent (Dz.U. of 2009, no. 33, item 259, as amended), the Management Board of ZUE Spółka Akcyjna with registered office in Cracow ("ZUE," the "Company") hereby express their standpoint on the intended merger of ZUE (the "Acquiring Company") and Przedsiębiorstwo Robót Komunikacyjnych w Krakowie Spółka Akcyjna with registered office in Cracow (the "Acquired Company," the "Merger").

The Acquired Company is ZUE's subsidiary responsible for the design, construction and upgrade of railway lines and sidings, tracks, civil structures and buildings (such as railway buildings, depots and switch towers) and associated works.

The Company holds 842,138 shares in the Acquired Company; i.e. 88.65% of the Acquired Company's share capital, which confer 88.65% of votes at the Acquired Company's General Meeting.

The Merger has been favourably assessed by the Company's Management Board. The Companies merge as part of the consolidation of the ZUE group (the "ZUE Group"). The main purpose of the consolidation is to achieve a strong market and financial position to enable, *inter alia*, further growth of the ZUE Group. The Merger will strengthen the market position of the Company through the emergence of one strong business entity able to compete more efficiently on the transport infrastructure market.

All rights and obligations of the Acquired Company will transfer as a result of the Merger to the Acquiring Company. Thus, the assets of the merging Companies, including but not limited to fixed assets, inventories, materials and know-how, will consolidate. The intended Merger will enable a more efficient management of these assets by the Acquiring Company – the parent of the ZUE Group.

The Merger is also aimed at the simplification of the corporate structure, including the creation of one corporate centre whose task will be to manage the entire ZUE Group. This will streamline the decision-making process and make it more transparent and coherent.

The consolidation will involve the reorganisation of capital structure, the implementation of optimum management structure with the centralization of functions in individual areas of activity and the achievement of synergies at the ZUE Group. Consequently, operating expenses will be reduced.

Another aim of the Merger is to simplify the organisational structure of the ZUE Group and to adjust it to the market conditions, and to apply a uniform strategy to the ZUE Group's counterparties. In particular, the Merger will unify and standardize the Company's procedures, eliminate overlapping procedures, shorten the decision-making processes and eliminate unnecessary levels of the organisational hierarchy. It will build up a uniform culture of the organisation and simplify the operational processes and procedures related to the Company's operation.

All these changes will lead to the significant reduction of costs of the entire ZUE Group's operation through, *inter alia*, the cutting of administrative and organisational costs (by reducing the number of governing and supervisory bodies of the ZUE Group) and the achievement of synergies.

The intended Merger takes place pursuant to Art. 492 § 1.1 of the Polish Companies Act of 15 September 2000 (Dz.U. of 2000, no. 94, item 1037, as amended – the “Act”); i.e. by a transfer of all the assets of the Acquired Company to the Acquiring Company in exchange for the shares in the Acquiring Company to be given to the shareholders of the Acquired Company taking account of Art. 514 of the Act whereby the Acquiring Company, a shareholder of the Acquired Company, shall not acquire own shares in exchange for the shares in the Acquired Company. The Acquiring Company will acquire all the rights and obligations of the Acquired Company on the Merger registration date.

The Companies merge on the terms and conditions set out in the plan of merger agreed upon by the Companies on 14 August 2013. According to Art. 500 § 2<sup>1</sup> of the Act, the plan of merger was published free of charge on 14 August 2013 on the Company's website ([www.grupazue.pl](http://www.grupazue.pl)) and made available to the general public in the current report 25/2013 of 14 August 2013 (the “Plan of Merger”).

The Plan of Merger contains the information required under Art. 499 § 1 of the Act and the appendices referred to in Art. 499 § 2 of the Act, except for the Company's accounting statement referred to in Art. 499 § 2.4 of the Act. Since the Company is a public company and as such it publishes interim financial reports and makes them available to shareholders in line with the laws on public offering and terms of introducing financial instruments to organised training and on public companies, such information has not been provided according to Art. 499 § 4 of the Act.

According to the Plan of Merger, the merger shares will be received by entities that are the shareholders of the Acquired Company on the Merger registration date (taking account of Art. 514 of the Act) according to the following exchange ratio: 1:9.55. The exchange ratio has been determined on the basis of the valuation of the merging Companies' assets prepared on 12 August 2013 by BRE Corporate Finance S.A.

The Management Board Report prepared pursuant to Art. 501 of the Act and justifying the Merger was approved of on 28 August 2013. The information on the approval was provided in the current report 27/2013 of 28 August 2013.

The Plan of Merger was audited by an expert appointed by the Registry Court. On 13 September 2013, the Company's Management Board was provided with a written opinion on the accuracy and reliability of the audit prepared according to Art. 503 § 1 of the Act (the “Opinion”). The Opinion read that: (i) the Plan of Merger contained all the information specified in Art. 499 § 1 and 2 of the Act; (ii) the Plan of Merger properly defined the exchange ratio; (iii) the method used to determine the exchange ratio proposed in the Plan of Merger was appropriate; and (iv) no

difficulties were found in connection with the valuation of the merging Companies' shares contained in the Plan of Merger and the applied method helped reflect in a reliable manner the present market value of the Companies. Thus, the Opinion indicated the Plan of Merger had been prepared in a correct and reliable manner. The Opinion was published in the current report 30/2013 of 13 September 2013.

Pursuant to Art. 505 § 3(1) of the Act, the documents referred to in 505 § 1 and 2 of the Act will be available free of charge on the Company's website between 24 September 2013 and the end of the Extraordinary General Meeting passing the resolution on the Merger.

On 30 October 2013, the Polish Financial Supervision Authority approved of the Information Memorandum of ZUE prepared in connection with the public offering and the intention to apply for the admission of ZUE Class C shares issued in connection with the intended Merger to trading on the Warsaw Stock Exchange. The Memorandum was published on the Company's website.

The Company's Management Board believe the intended Merger will have a positive impact on the Company's activity and sustain their standpoint that the Merger effected on the terms and conditions set out in the Plan of Merger is in the best interest of the Company and its shareholders. Thus, the Company's Management Board request the Company's Extraordinary General Meeting held on 6 December 2013 to pass the resolution on the Merger in line with the draft thereof attached to the Plan of Merger as the Appendix no. 1.

The agenda of the Extraordinary General Meeting held on 6 December 2013 including, in particular, the adoption of the resolution on the Merger, approval of the Plan of Merger and approval of the amendments to the Company's Articles of Association was published in the current report 38/2013 of 8 November 2013 and put on the Company's website.

*Legal basis: § 19.3 of the Ordinance by the Minister of Finance of 19 February 2009 on current and periodic information published by issuers of securities and the conditions for recognizing information required under the law of a non-member state as equivalent (Dz.U. of 2009, no. 33, item 259, as amended).*