
MERGER PLAN

POLCOM MODULAR SPÓŁKA Z OGRANICZONĄ ODPOWIEDZIALNOŚCIĄ
(PREVIOUSLY: PELANE
SPÓŁKA Z OGRANICZONĄ ODPOWIEDZIALNOŚCIĄ)
WITH ITS REGISTERED OFFICE IN TOPOLE
AS THE ACQUIRING COMPANY

AND

POLCOM STEEL
SPÓŁKA Z OGRANICZONĄ ODPOWIEDZIALNOŚCIĄ
WITH ITS REGISTERED OFFICE IN TOPOLE
AS THE ACQUIRED COMPANY

TOPOLE, 1st October 2019

h h

M h h

The Merger Plan (final version) was prepared on 1st October 2019 under Article 498 *et seq.* of the Act of 15 September 2000 – Code of Companies and Partnerships (consolidated text, Journal of Laws [Dz. U.] of 2019, item 505, hereinafter referred to as the “CCP”), following joint arrangements made by the bodies acting for the merging companies, *i.e.* by

- 1) the Management Board of the company **Polcom Modular spółka z ograniczoną odpowiedzialnością** with its registered office in Topole, address: Topole 68, 89-600 Chojnice, REGON [National Business Entity Number]: 381223093, NIP [Tax Identification Number]: 7010850809, entered into the register of business entities of the National Court Register kept by the District Court for Gdańsk-Północ in Gdańsk, 8th Commercial Division of the National Court Register [KRS] with KRS number 0000747253, share capital of PLN 5,050.00, fully paid-up, and
- 2) the Management Board of the company **Polcom Steel spółka z ograniczoną odpowiedzialnością** with its registered office in Topole, address: Topole 68, 89-600 Chojnice, REGON: 222142521, NIP: 5552108086, entered into the register of business entities of the National Court Register kept by the District Court for Gdańsk-Północ in Gdańsk, 8th Commercial Division of the National Court Register with KRS number 0000522070, share capital of PLN 5,000.00, fully paid-up,

and subsequently the Merger Plan has been adopted in the following wording by the Management Boards of both merging entities.

GENERAL REMARKS

Taking into account the current ownership structure of the merging companies, their Management Boards are of the opinion that the merger described in this Merger Plan will contribute to the reorganisation of the asset and ownership structure of both entities and will lead to implementing the original assumption of the Shareholder of both merging entities, *i.e.* operating on the Polish market through one entity (*i.e.* one company instead of the existing two companies).

I. DESIGNATION OF THE MERGING COMPANIES

The following companies are to merge:

1. **Polcom Modular spółka z ograniczoną odpowiedzialnością** with its registered office in Topole, address: Topole 68, 89-600 Chojnice, REGON: 381223093, NIP: 7010850809, entered into the register of business entities of the National Court Register kept by the District Court for Gdańsk-Północ in Gdańsk, 8th Commercial Division of the National Court Register with KRS number 0000747253, share capital of PLN 5,050.00, fully paid-up (hereinafter: the “**ACQUIRING COMPANY**”),
2. **Polcom Steel spółka z ograniczoną odpowiedzialnością** with its registered office in Topole, address: Topole 68, 89-600 Chojnice, REGON: 222142521, NIP: 5552108086, entered into the register of business entities of the National Court Register kept by the District Court for Gdańsk-Północ in Gdańsk, 8th Commercial Division of the National Court Register with KRS number 0000522070, share capital of PLN 5,000.00, fully paid-up (hereinafter: the “**ACQUIRED COMPANY**”),

hereinafter jointly: the “**Companies**”.

II. METHOD OF MERGER

kl

kl

The merger shall take place in accordance with the procedure provided for in Article 492 § 1 (1) of the CCP, *i.e.* by transferring all the assets of the Acquired Company to the Acquiring Company in exchange for the shares of the Acquiring Company (merger by acquisition).

The merger of the Companies will require adopting resolutions of the Shareholders Meetings of each of the merging Companies, containing consent to the merger plan and to the proposed amendments to the Articles of Association of the Acquiring Company – Polcom Modular sp. z o.o.

The merger will be based on:

- Resolution of the General Meeting of Shareholders of Polcom Modular sp. z o.o. (Acquiring Company),
- Resolution of the General Meeting of Shareholders of Polcom Steel sp. z o.o. (Acquired Company).

The merger of the Acquiring Company with the Acquired Company shall be executed by increasing the share capital of the Acquiring Company from the existing amount of PLN 5,050.00 (*say: five thousand fifty zlotys*) to the amount of PLN 5,100.00 (*say: five thousand one hundred zlotys*), *i.e.* by PLN 50.00 through the creation of 1 (*say: one*) new share in the Acquiring Company, with a nominal value of PLN 50.00 (*say: fifty zlotys*), whereby the newly created share shall be acquired at a price higher than its nominal value, *i.e.* at the price of *PLN 10,357,112.51* (*say: ten millions three hundred fifty seven thousand hundred and twelve zlotys*), and the surplus between the price and the nominal value of the share in the amount of *PLN 10,357,062.51* (*say: ten millions three hundred fifty seven thousand sixty two zlotys*) shall be included in the reserve capital.

The Acquired Company will be dissolved, without liquidation proceedings, on the day of its removal from the register of business entities of the National Court Register (Article 493 § 1 of the CCP).

Under Article 493 § 2 of the CCP, the merger of the Acquiring Company and the Acquired Company shall take place on the day the merger is entered into the register of business entities of the National Court Register competent for the registered office of the Acquiring Company (hereinafter: the “**MERGER DATE**”). At the same time, the Acquired Company will be deleted from the register of business entities of the National Court Register.

Following the merger:

- i. on the Merger Date the Acquiring Company will assume all rights and obligations of the Acquired Company, including taking over its assets and liabilities, in accordance with Article 494 § 1 of the CCP (universal succession),
- ii. on the Merger Date in particular (but not exclusively) the permits, concessions and reliefs granted to the Acquired Company will be transferred to the Acquiring Company, unless the act or decision granting the permit, concession or relief states otherwise (Article 494 § 2 of the CCP).

III. RATIO OF EXCHANGE OF THE ACQUIRED COMPANY'S SHARES FOR THE ACQUIRING COMPANY'S SHARES

The merging Companies are entities of the same capital group (Polcom) and are wholly controlled by their sole shareholder – a Luxembourg-based company: Kickstart S.à r.l. (registered with the RCS in Luxembourg with number B230069 and at the following address: 2763 Luxembourg, rue Sainte Zithe 33; share capital: PLN 65,000). Kickstart S.à r.l. owns all of the shares in the Companies participating in the merger, *i.e.* is the sole Shareholder in both the Acquired Company and the Acquiring Company

A h

M3 Ad

(hereinafter: "Shareholder" / "Member"— in respect of both the Acquired Company and the Acquiring Company).

The ratio of exchange of shares in the Acquired Company for shares in the Acquiring Company shall be determined based on the accounting valuation of both these Companies. The essence of the accounting valuation method is to assume that the value of the company is equal to the value of its net assets.

The application of this method to determine the number and value of shares in the Acquiring Company granted to the Shareholder of the Acquired Company is optimal given the following:

- 1) the balance sheets of the merging Companies, providing the basis for the valuation, reflect their standing properly,
- 2) the balance sheets of the merging companies, providing the basis for the valuation, were prepared as of the same date, using the same methods and in the same layout.

The share exchange ratio is calculated as the relation between the number of shares to be cancelled in the Acquired Company and the number of new shares in the Acquiring Company to be held by the Shareholder of the Acquired Company.

The ratio of the number of shares to be cancelled in the Acquired Company to the new shares in the Acquiring Company to be held by the Shareholder of the Acquired Company is 20:1 (*say: twenty to one*).

Therefore, in exchange for 20 (*say: twenty*) shares in the Acquired Company, the Shareholder of the Acquired Company will receive 1 (*say: one*) shares in the Acquiring Company.

In connection with the merger, no additional payments are expected to be made to the Shareholders of the Acquired Company.

IV. RULES OF ALLOCATION OF SHARES IN THE ACQUIRING COMPANY

In connection with the merger, the Shareholder of the Acquired Company shall be entitled to one new share in the increased share capital of the Acquiring Company, created on the day of registration of the increase in the share capital of the Acquiring Company, and in total the Shareholder shall be entitled to 102 shares in the share capital of the Acquiring Company with the total nominal value of PLN 5,100 (*say: five thousand one hundred zlotys*).

V. DATE FROM WHICH THE SHARES IN THE ACQUIRING COMPANY GRANTED TO THE SHAREHOLDER OF THE ACQUIRED COMPANY ENTITLE THE SHAREHOLDER TO PARTICIPATE IN THE ACQUIRING COMPANY'S PROFIT

The share in the share capital of the Acquiring Company granted to the Shareholder of the Acquired Company will entitle the Shareholder to participate in the profit of the Acquiring Company from the date of the merger, *i.e.* in accordance with Article 493 § 2 of the CCP, the date of entering the merger in the register of business entities of the National Court Register competent for the registered office of the Acquiring Company.

VI. RIGHTS GRANTED TO THE SHAREHOLDER OF THE ACQUIRED COMPANY

In connection with the merger of the Companies, neither the Acquired Company's Shareholder nor any other persons shall be granted any special rights by the Acquiring Company.

ah

ah

VII. SPECIAL BENEFITS FOR MEMBERS OF THE BODIES OF THE MERGING COMPANIES AND OTHER PERSONS PARTICIPATING IN THE MERGER

In connection with the merger of the Companies, no special benefits are expected to be granted to the members of the governing bodies of the merging Companies or any other persons participating in the merger.

VIII. ANNOUNCEMENT OF THE MERGER

The Merger Plan shall be made available to the public free of charge on the website of the Acquiring Company not later than one month before the commencement of the general meeting of Shareholders of the Acquiring Company on which the resolution on the merger is to be adopted, and shall be displayed until the end of the General Meeting of Shareholders adopting the resolution on the merger (article 500 § 2¹ of the CCP). The Acquiring Company shall announce the Merger Plan on its website at www.pelane-polcom.com

The Merger Plan shall be made available to the public free of charge on the website of the Acquired Company not later than one month before the commencement of the General Meeting of Shareholders of the Acquired Company on which the resolution on the merger is to be adopted, and shall be displayed until the end of the General Meeting of Shareholders of the Acquired Company adopting the resolution on the merger (article 500 § 2¹ of the CCP). The Acquired Company shall announce the Merger Plan on its website at www.polcom-steel.com

IX. MERGER NOTIFICATIONS

The Management Boards of the Acquiring Company and the Acquired Company shall notify the Shareholder of the Acquiring Company and of the Acquired Company twice of the intention to merge pursuant to article 504 of the CCP in the notifications, the management boards of the companies will designate the place and date when the shareholders will be able to consult the merger-related documents, in accordance with article 505 of the CCP, *i.e.* by making the documents available to the shareholder (based on article 500 § 2¹ of the CCP) on the websites of the companies, *i.e.*:

www.polcom-steel.com

www.pelane-polcom.com

The Companies will make all notifications or reports, as well as take other action they are obliged to take under the laws, administrative acts, contracts or other legal relations, to which any of the Companies is a party, by the deadlines and in the manner specified therein.

In view of the above, the Merger Plan will not be announced in the official gazette *Monitor Sądowy i Gospodarczy*.

X. NOTIFICATION OF THE INTENTION TO MERGE TO THE PRESIDENT OF THE OFFICE OF COMPETITION AND CONSUMER PROTECTION

The intention of concentration is not subject to notification to the President of the Office of Competition and Consumer Protection, pursuant to Article 14(5) in conjunction with Article 4(14) of the Act on Competition and Consumer Protection of 16 February 2007 (consolidated text: Journal of Laws [Dz. U.] of 2017, item 229), *i.e.* due to the fact that the planned merger involves business entities belonging to the same capital group.

XI. ECONOMIC RATIONALE FOR THE MERGER

ah

ah

A. OBJECTIVES OF THE MERGER

In connection with the acquisition by the Acquiring Company of the business run under the name of Polcom Gabriela Słominska and the acquisition of shares in the Acquired Company by the Shareholder as part of the Purchase Transaction of December 2018, it is necessary to simplify, in accordance with the original intention of the Shareholder, the scope of business activities carried out by the Polcom Group in Poland.

The main objective of the merger is to simplify the organisational structure of the Polcom Group, to which the merging companies belong, which will result in the following (among other results):

- reduction of operating costs (in particular management costs, inter-group financing and expenditure on material supplies and services),
- concentration of capital,
- rationalisation of the business activity and the 'synergy' effect,
- full integration of the production chain within a single entity.

Therefore, in the opinion of the Management Boards of the Acquired Company and of the Acquiring Company, the merger will contribute to significant economic benefits for the sole Shareholder of both entities.

B. BENEFITS OF THE MERGER

The planned merger is expected to result in organisational, financial and strategic benefits.

The table below presents a summary of the benefits described.

Organisational benefits	The merger will: a) simplify the structure and reduce the duplication of competences between both companies (increase in transparency, including simplification of the organisational structure by abolishing certain posts), b) limit the scope of external reporting – each time two documents will be replaced by one document of the Acquiring Company (financial statements, tax returns, transfer pricing documentation, etc.), c) minimize the process of intra-group reporting (shortening of decision-making processes and elimination of unnecessary levels in the organisational hierarchy), d) enable easier planning of production and conducting a comprehensive modular business in the situation when one entity (instead of two separate entities) has two branches of production and consequently one product / service instead of two, e) facilitate the simplification and improvement of business and production processes, including the elimination of duplicate processes, f) simplify intra-group settlements and liquidity management for both entities, g) enable joint settlements (reduction of tax returns, TP documentation, etc.) – possibility of joint settlement of costs and revenues.
Financial savings	a) reduction of posts and decreasing the double service costs in administrative and organizational areas (reduction of unit administrative costs due to fuller use of resources - reduction in the number of management and control bodies and minimizing the number of material supplies and services to one entity); it is important that as part of the restructuring process and further development plans, the Shareholder intends to implement a comprehensive management system (production, organization, finances, etc.) - the cost of implementation in one entity will be significantly lower than in two separate entities operating in the territory of one country,

RH

6 h

	<p>b) simplification of IC settlements (instead of settlements between Polcom Steel sp. z o.o. and Polcom Modular sp. z o.o. - internal planning and implementation of processes - better for production/transparency/ timeliness/ saving of expenses) - exclusion of additional cash flows due to support activities being performed by Polcom Modular sp. z o.o. for the benefit of Polcom Steel sp. z o.o.,</p> <p>c) easier management of financial liquidity in the Polcom Group within one country in the case of one entity instead of two,</p> <p>d) reduction of costs of implementing IT tools by reducing the number of entities affected by their implementation.</p>
Strategic benefits	<p>a) achievement of the original objective - the merger was planned from the very moment of execution of the 2018 Purchase Transaction: - the merger was planned by the Shareholder already at the time of the 2018 Purchase Transaction and is one of its final stages,</p> <p>b) Group plans for a new investment in Tri-City (one assembly line for the whole module including the cage and its subsequent fit-out),</p> <p>c) increase in the value of the Acquiring Company resulting from simplification of the current structure and use of integration synergies, resulting in an increase in the value of the Acquiring Company's shares.</p>

In conclusion, the merger will simplify the organisational structure and eliminate unnecessary processes. Additionally, the merger of the Companies will bring financial savings in administrative, accounting, and tax and organisational areas (including as a result of limiting the number of governing bodies). Concurrently, one-time costs related to the merger process are not significant and they are related mainly to advising the contracting parties of any changes that have occurred as well as to court costs related to the merger. The merger will also enable reducing future costs related to the development of both Companies in Poland by implementing improvements and new systems (including a comprehensive management system) in just one domestic entity instead of two.

XII. EXAMINATION OF THE MERGER PLAN BY AN AUDITOR; NOTIFICATION OF THE MERGER PLAN TO THE REGISTRY COURT

This Merger Plan will not be examined by an auditor pursuant to Article 503¹ § 1 (3) of the CCP, *i.e.* as a result of the unanimous will of the Acquiring Company's Shareholder and the Acquired Company's Shareholder (the statements are attached as Appendices No. 5A and 5B).

Immediately after the date of signing the Merger Plan, the Management Boards of both Companies shall submit the Merger Plan to the registry courts competent for each of them (*i.e.* the District Court for Gdańsk-Północ in Gdańsk, 8th Commercial Division of the National Court Register).

XIII. ACCOUNTING METHOD OF THE MERGER

The merger of the Acquiring Company with the Acquired Company will be settled using the pooling of interests method, pursuant to article 44a (2) and article 44c of the Accounting Act (consolidated text, journal of laws of 2019, item 351), *i.e.* by aggregating individual asset and liability items of the Acquiring Company with relevant asset and liability items of the Acquired Company as of the merger date, after adjusting their value to uniform valuation methods and making exclusions (in accordance with their book value recognised as market value).

Pursuant to Article 12 (3) (2) of the Accounting Act, the accounting books of neither of the entities participating in the merger will be closed.

ah

mf 7 d

Statements of the Companies containing information on the accounting situation, prepared for the purposes of the merger, have been enclosed as Appendices No. 4A to 4B to the Merger Plan.

XIV. REDUCTION OF CODE REQUIREMENTS AS A RESULT OF THE COMPANIES' CONSENSUAL WILL

Considering that the sole Shareholder of the Acquiring Company agreed to this, the Management Board of the Acquiring Company withdrew from:

- (a) the preparation of a written report justifying the merger, its legal basis and its economic rationale,
- (b) the provision of information to the Management Board of the Acquired Company so that it could advise the General Meeting of Shareholders of the Acquired Company of any material changes in assets and liabilities that occurred between the date of preparation of the Merger Plan and the date of adoption of the resolution on the merger,
- (c) having the merger plan examined and an opinion issued by an auditor, which is in accordance with Article 503¹ § 1 of the CCP.

A statement by the Shareholder of the Acquiring Company on withdrawal from the preparation of the Management Board's report, the provision of information by the Management Board and the examination of the merger plan and an opinion being issued by an auditor has been enclosed as Appendix No. 5A to the Merger Plan.

Considering that the sole Shareholder of the Acquired Company agreed to this, the Management Board of the Acquired Company withdrew from:

- (a) the preparation of a written report justifying the merger, its legal basis and its economic rationale,
- (b) the provision of information to the Management Board of the Acquiring Company so that it could advise the General Meeting of Shareholders of the Acquiring Company of any material changes in assets and liabilities that occurred between the date of preparation of the Merger Plan and the date of adoption of the resolution on the merger, and
- (c) having the merger plan examined and an opinion issued by an auditor, which is in accordance with Article 503¹ § 1 of the CCP.

A statement by the Shareholder of the Acquired Company on withdrawal from the preparation of the Management Board's report, the provision of information by the Management Board and the examination of the merger plan and an opinion being issued by an auditor has been enclosed as Appendix No. 5B to the Merger Plan.

At the same time, both Companies provide the information on the merger and its effects as required by law in the most effective manner by publishing the relevant documentation on the websites of both Companies.

XV. OTHER ISSUES

As the Acquired Company does not own any real estate, including agricultural real estate, it is not required to submit notifications to the competent public authorities or obtain any permits related thereto.

The cost of the merger will be charged to the Acquiring Company.

If any provision of the Merger Plan is found to be invalid or unenforceable, this shall not affect the validity or enforceability of the remaining provisions of the Merger Plan. The invalid or unenforceable

ek

mkd

provision shall be replaced by a valid and enforceable provision that reflects as closely as possible the purpose of the invalid or unenforceable provision. The same applies equally to issues unintentionally not covered by the Merger Plan.

XVI. APPENDICES TO THE MERGER PLAN

1. Draft resolutions on the merger:

1A. Draft resolution of the Meeting of Shareholders of the Acquiring Company on the merger of the companies,

1B. Draft resolution of the Meeting of Shareholders of the Acquired Company on the merger of the companies,

2. Draft amendments to the Articles of Association of the Acquiring Company,

3. Determination of the value of assets of the Acquired Company as of 31 August 2019:

4. Statement of the Companies containing information on the accounting situation as of 31 August 2019:

4A. Statement of the Acquiring Company containing information on the accounting situation, prepared for the purposes of the merger,

4B. Statement of the Acquired Company containing information on the accounting situation, prepared for the purposes of the merger,

5. Statements of the Companies' Shareholder, *i.e.*:

5A. the Acquiring Company's Shareholder, on the decision on withdrawal from the preparation of the Management Board's report, the provision of information and the examination of the merger plan by an auditor,

5B. the Acquired Company's Shareholder, on the decision on withdrawal from the preparation of the Management Board's report, the provision of information and the examination of the merger plan by an auditor.

All appendices to the Merger Plan are an integral part thereof.

The Merger Plan has been prepared in four copies, two for each of the Participating Companies.

The plan was agreed in writing and approved by the Management Board of the Acquiring Company and the Management Board of the Acquired Company on 1ST October 2019 in Topole, which was confirmed by signatures:

h h

9 h

<p align="center">For the Management Board of the Acquiring Company - Polcom Modular sp. z o.o.</p>	<p align="center">For the Management Board of the Acquired Company - Polcom Steel sp. z o.o.</p>
<p align="center">  _____ President of the Management Board - Lukasz Stominski </p> <p align="center">  Member of the Management Board - Marcin Stominski </p> <p align="center">  _____ Member of the Management Board - Michał Wosik </p>	<p align="center">  _____ President of the Management Board Marcin Stominski </p> <p align="center">  _____ Member of the Management Board - Lukasz Stominski </p>