

*Annex to the Resolution of the Management Board of Polimex-Mostostal S.A.
no. 4/2010 dated 18 January 2010.*

**REPORT OF THE MANAGEMENT BOARD OF POLIMEX-
MOSTOSTAL S.A. JUSTIFYING THE MERGER OF**

POLIMEX-MOSTOSTAL S.A.

and

THE FOLLOWING COMPANIES:

ENERGOMONTAŻ-PÓŁNOC S.A.

NAFTOBUDOWA S.A.

NAFTOREMONT S.P. Z O.O.

ZAKŁADY REMONTOWE ENERGETYKI KRAKÓW SP. Z O.O.

ZAKŁADY REMONTOWE ENERGETYKI LUBLIN S.A.

EPE-RYBNIK SP. Z O.O.

ECEREMONT SP. Z O.O.

Introduction

This Report of the Management Board of Polimex-Mostostal S.A. has been developed pursuant to Article 501 of the Act dated 15 September 2000 – Code of Commercial Companies in relation to the planned merger of Polimex-Mostostal S.A. and Energomontaż-Północ S.A., Naftobudowa S.A., Naftoremont sp. z o.o., Zakłady Remontowe Energetyki Kraków Sp. z o.o., Zakłady Remontowe Energetyki Lublin S.A., EPE-Rybnik sp. z o.o. and ECeRemont sp. z o.o.

1. DEFINITIONS USED IN THE REPORT OF THE MANAGEMENT BOARD

For the purpose of the Report of the Management Board, the following definitions of concepts have been adopted:

‘Merger Shares’ shall mean 57,387,518 (fifty seven million, three hundred and eighty seven thousand, five hundred and eighteen) bearer shares of Polimex-Mostostal S.A., series K, of the nominal value of PLN 0.04 (zero point zero four) each, to be issued in relation to the Merger.

‘Additional payment’ or **‘Cash payment’** shall mean payment due to stockholders or partners of the Acquired Companies on terms provided for in 5.2 hereinunder.

‘Merger Day’ shall mean the day whereon the Merger shall be recorded in the National Court Register by the registration court locally competent for the seat of Polimex.

‘Reference Day’ shall mean the day whereon the Merger Shares shall be awarded on terms provided for in 5.1 hereinunder.

‘ECeRemont’ shall mean ECeRemont spółka z ograniczoną odpowiedzialnością with the registered office in Zielona Góra at ul. Zjednoczenia 103, 65-120 Zielona Góra, Poland, registered in the register of entrepreneurs of the National Court Register maintained by the District Court for the capital city of Warsaw in Warsaw, XII Commercial Division of the National Court Register, under no. KRS 0000135239.

‘Energomontaż’ shall mean Energomontaż-Północ Spółka Akcyjna with the registered office in Warsaw at ul. Przemysłowa 30, 00-450 Warsaw, Poland, registered in the register of entrepreneurs of the National Court Register maintained by the District Court for the capital city of Warsaw in Warsaw, XII Commercial Division of the National Court Register under no. KRS 0000008564.

‘EPE Rybnik’ shall mean EPE-Rybnik spółka z ograniczoną odpowiedzialnością with the registered office in Rybnik at ul. Podmiejska 87D, 44-207 Rybnik, Poland, registered in the register of entrepreneurs of the National Court Register maintained by the District Court in Gliwice, X Commercial Division of the National Court Register under no. KRS 0000117914.

‘GPW’ shall mean the Giełda Papierów Wartościowych w Warszawie S.A.

‘Group’ or **‘Capital Group’** shall mean the Polimex capital group comprising the Acquiring Company and the Acquired Companies.

‘CCC’ shall mean the Act dated 15 September 2000 – Code of Commercial Companies (Journal of Laws no. 94, item 1037 as amended).

‘Naftobudowa’ shall mean Naftobudowa Spółka Akcyjna with the registered office in Krakow at ul. Powstańców 66, 31-670 Krakow, Poland, registered in the register of entrepreneurs of the National

Court Register maintained by the District Court for Krakow-Sródmieście, XI Commercial Division of the National Court Register under KRS no. 0000002864.

'Naftoremont' shall mean Naftoremont spółka z ograniczoną odpowiedzialnością with the registered office in Płock at ul. Zglenickiego 46, 09-411 Płock, Poland, registered in the register of entrepreneurs of the National Court Register maintained by the District Court for the capital city of Warsaw in Warsaw, XIV Commercial Division of the National Court Register, under no. KRS 0000044067.

'Merger Plan' shall mean the Plan of Merger of Polimex and the Acquired Companies pursuant to the requirements of Article 499 of the CCC, coordinated and authorised by the Management Board of Polimex and the Management Boards of the Acquired Companies.

'Polimex' shall mean Polimex-Mostostal Spółka Akcyjna with the registered office in Warsaw at ul. Czackiego 15/17, 00-950 Warsaw, Poland, registered in the register of entrepreneurs of the National Court Register maintained by the District Court for the capital city of Warsaw in Warsaw, XII Commercial Division of the National Court Register, under no. KRS 0000022460.

'Merger' shall mean the process of merging Polimex and the Acquired Companies in the course of Article 492 (1) (1) of the CCC.

'Merged Company' shall mean Polimex following the Merger with the Acquired Companies.

'Acquiring Company' shall mean Polimex.

'Companies' shall mean Polimex and the Acquired Companies.

'Acquired Companies' shall mean Energomontaż, Naftobudowa, Naftoremont, ZRE Kraków, ZRE Lublin, EPE Rybnik and ECeRemont.

'Report of the Management Board' shall mean this document.

'Exchange Parity' shall mean the exchange rate for stock or shares of the Acquired Companies against the Merger Shares provided for in 4.2 hereinunder.

'Act on public offering' shall mean the Act dated 29 July 2005 on public offering and conditions of organised trade in financial instruments, and on public companies (Journal of Laws no. 184, item 1539 as amended).

'Act on competition and consumer protection' shall mean the Act dated 15 December 2000 on competition and consumer protection (uniform text, Journal of Laws of 2005, no. 244, item 2080).

'Management Boards' shall mean the Management Board of Polimex and the Management Boards of the Acquired Companies.

'ZRE Kraków' shall mean Zakłady Remontowe Energetyki Kraków spółka z ograniczoną odpowiedzialnością with the registered office in Krakow at ul. Wadowicka 14, 30-415 Krakow, registered in the register of entrepreneurs of the National Court Register maintained by the District Court for Krakow-Sródmieście, XI Commercial Division of the National Court Register under no. KRS 0000043063.

'ZRE Lublin' shall mean Zakłady Remontowe Energetyki Lublin Spółka Akcyjna with the registered office in Lublin at ul. Garbarska 20, 20-340 Lublin, Poland, registered in the Register of

Entrepreneurs of the National Court Register maintained by the District Court in Lublin, XI Commercial Division of the National Court Register, under no. KRS 0000002023.

2. LEGAL GROUNDS AND MANNER OF MERGER

2.1 Parties to the Merger

Acquiring Company:

Polimex-Mostostal Spółka Akcyjna with the registered office in Warsaw at ul. Czackiego 15/17, 00-950 Warsaw, Poland, registered in the register of entrepreneurs maintained by the District Court for the capital city of Warsaw in Warsaw, XII Commercial Division of the National Court Register, under no. KRS 0000022460, with the business capital of PLN 15,268,491.

Acquired Companies:

Energomontaż-Północ Spółka Akcyjna with the registered office in Warsaw at ul. Przemysłowa 30, 00-450 Warsaw, Poland, registered in the register of entrepreneurs of the National Court Register maintained by the District Court for the capital city of Warsaw in Warsaw, XII Commercial Division of the National Court Register, under no. KRS 0000008564, with the business capital of PLN 83,394,654 and the Management Board comprising of: (i) Włodzimierz Dyrka (President of the Management Board); (ii) Przemysław Milczarek (Vice-President of the Management Board); (iii) Andrzej Orliński (Vice-President of the Management Board); (iv) Mirosław Białogłowski (Member of the Management Board). Energomontaż is a public company quoted at the WSE (Warsaw Stock Exchange).

Naftobudowa Spółka Akcyjna with the registered office in Krakow at ul. Powstańców 66, 31-670 Krakow, registered in the register of entrepreneurs of the National Court Register maintained by the District Court for Krakow-Sródmiście, XI Commercial Division under no. KRS 0000002864, with the business capital of PLN 11,806,406 and the Management Board comprising of: (i) Kazimierz Andrzej Wronkowski (President of the Management Board); (ii) Paweł Dyląg (Vice-President of the Management Board). Naftobudowa is a public company quoted at the WSE.

Naftoremont spółka z ograniczoną odpowiedzialnością with the registered office in Płock at ul. Zglenickiego 46, 09-411 Płock, Poland, registered in the register of entrepreneurs of the National Court Register maintained by the District Court for the capital city of Warsaw in Warsaw, XIV Commercial Division of the National Court Register, under no. KRS 0000044067, with the business capital of PLN 1,426,000 and the Management Board comprising of: (i) Jerzy Janiak (President of the Management Board); (ii) Henryk Miros (Member of the Management Board).

Zakłady Remontowe Energetyki Kraków spółka z ograniczoną odpowiedzialnością with the registered office in Krakow at ul. Wadowicka 14, 30-415 Krakow, registered in the register of entrepreneurs of the National Court Register maintained by the District Court for Krakow-Sródmiście, XI Commercial Division under no. KRS 0000043063, with the business capital of PLN 930,100 and the Management Board comprising of: (i) Zbigniew Jan Sapiński (President of the Management Board); (ii) Jerzy Adam Wrona (Vice-President of the Management Board); (iii) Jerzy Żurek (Vice-President of the Management Board).

Zakłady Remontowe Energetyki Lublin Spółka Akcyjna with the registered office in Lublin at ul. Garbarska 20, 20-340 Lublin, Poland, registered in the register of entrepreneurs of the National Court Register maintained by the District Court in Lublin, XI Commercial Division of the National Court Register under no. KRS 0000002023, with the business capital of PLN 6,757,500 and the Management Board comprising of: (i) Marek Witold Borkowski (President of the Management Board).

EPE-Rybnik spółka z ograniczoną odpowiedzialnością with the registered office in Rybnik at ul. Podmiejska 87D, 44-207 Rybnik, Poland, registered in the register of entrepreneurs of the National Court Register maintained by the District Court in Gliwice, X Commercial Division of the National Court Register under no. KRS 0000117914, with the business capital of PLN 50,400 and the Management Board comprising of: (i) Bernard Franciszek Ruczka (President of the Management Board); (ii) Daniel Szczepan Painta (Vice-President of the Management Board); (iii) Dariusz Franciszek Badeja (Member of the Management Board).

ECeRemont spółka z ograniczoną odpowiedzialnością with the registered office in Zielona Góra at ul. Zjednoczenia 103, 65-120 Zielona Góra, Poland, registered in the Register of Entrepreneurs of the National Court Register maintained by the District Court for the capital city of Warsaw in Warsaw, XII Commercial Division of the National Court Register, under no. KRS 0000135239, with the business capital of PLN 5,510,000 and the Management Board comprising of: (i) Sławomir Wojciech Ronowicz (President of the Management Board).

2.2 Legal grounds and manner of merger

The merger shall take place in the course of Article 492 (1) (1) of the CCC, i.e. by means of transfer of all assets of the Acquired Companies onto Polimex, with concurrent increase of the business capital of Polimex with the Merger Shares which Polimex shall grant to the stockholders or partners of the Acquired Companies other than the Acquiring Company, subject to the conditions provided for hereinunder, in accordance with the Exchange Parity and the principles of granting the Merger Shares provided for in (4.2) and (5.1) hereinunder.

As a result of the Merger, the stockholders or partners of the Acquired Companies (save for one-person companies belonging to the Acquiring Company, i.e. save for EPE Rybnik and ECeRemont) shall become Polimex stockholders.

Presently, the share of Polimex in the business capitals of the Acquired Companies is as follows:

Acquired Companies	Polimex share in the business capital of the Acquired Companies	
	directly	indirectly
Energomontaż	65.55%	-----
Naftobudowa	48.70%	1.29% (through Naftoremont)
Naftoremont	67.05%	-----
ZRE Kraków	98.17%	-----
ZRE Lublin	21.64%	73,72% (through Energomontaż)
EPE Rybnik	100%	-----
ECeRemont	100%	-----

Acquisition of EPE Rybnik and ECeRemont, i.e. the one-person companies belonging to Polimex

Due to the fact that Polimex holds all the shares in EPE Rybnik and ECeRemont, the Merger with respect thereto shall be conducted pursuant to Article 515 (1) (1) of the CCC, i.e. without increasing the business capital of the Acquiring Company by the amount corresponding with the value of the shares in EPE Rybnik and ECeRemont and, due thereto, without delivering the Merger Shares to the shareholder of EPE Rybnik and ECeRemont, i.e. the Acquiring Company.

Acquisition of Energomontaż, Naftoremont and ZRE Kraków, i.e. Group companies wherein Polimex holds shares solely directly

In return for the assets of the Acquired Companies wherein Polimex holds stock or shares solely directly (save for the aforementioned one-person companies), i.e. for the assets of Energomontaż, Naftoremont and ZRE Kraków, the Acquiring Company shall issue the Merger Shares to all the stockholders/shareholders of the companies except for the very Acquiring Company, i.e. it shall not issue its own shares to itself in return for the stock/shares due thereto in Energomontaż, Naftoremont and ZRE Kraków, pursuant to Article 514 (1) of the CCC.

Acquisition of ZRE Lublin and Naftobudowa, i.e. Group companies wherein Polimex holds shares indirectly

Due to the indirect shareholding of Polimex in ZRE Lublin and Naftobudowa through other Group companies, the Merger with respect thereto will be conducted pursuant to the following principles.

In ZRE Lublin, the Acquiring Company holds directly 21.64% of stock, whereas Energomontaż holds directly 73.72% of stock.

Due to the planned Merger, both companies, i.e. ZRE Lublin and Energomontaż, will at the same time be incorporated into Polimex.

On the Merger Day Polimex shall acquire the assets of both ZRE Lublin and Energomontaż.

Bearing in mind the fact that the planned Merger covers concurrent incorporation of all the Acquired Companies, the Acquiring Company will issue the Merger Shares to all stockholders of ZRE Lublin, save for Energomontaż and the very Acquiring Company, in return for the assets of ZRE Lublin. The Merger Shares shall not be issued to Energomontaż in return for the stock of ZRE Lublin, as issuing such shares would mean delivering own stock to the Acquiring Company since, Polimex shall also acquire the entire assets of Energomontaż under the Merger, which would also include Polimex stock if issued in favour of Energomontaż in return for the said stock of ZRE Lublin.

In Naftobudowa, the Acquiring Company holds directly 48.70% of stock, whereas Naftoremont holds directly 1.29% of stock.

Due to the planned Merger, both companies, i.e. Naftobudowa and Naftoremont, will at the same time be incorporated into Polimex.

On the Merger Day Polimex shall acquire the assets of both Naftobudowa and Naftoremont.

Bearing in mind the fact that the planned Merger covers concurrent incorporation of all the Acquired Companies, the Acquiring Company will issue the Merger Shares to all stockholders of Naftobudowa, save for Naftoremont and the Acquiring Company, in return for the assets of Naftobudowa. The Merger Shares shall not be delivered in favour of Naftoremont in return for the stock of Naftobudowa as issuing such shares would mean delivering own stock to the Acquiring Company since Polimex shall also acquire the entire assets of Naftoremont under the Merger, which would also include Polimex stock if issued in favour of Naftoremont in return for the said stock of Naftobudowa.

The aforementioned solutions result from this draft providing for one Merger, as a result whereof a concurrent incorporation of the assets of all Acquired Companies into Polimex shall take place.

Details pertaining to the principles of awarding the Merger Shares to the stockholders or partners of the Acquired Companies have been provided for in clause 5 hereinunder.

2.3 Stock issue

In return for the transfer of assets of the Acquired Companies onto Polimex, Polimex shall issue the Merger Shares to the stockholders or partners of the Acquired Companies pursuant to the terms provided for in (2.2), (4) and (5) of the Report of the Management Board.

The Merger Shares shall be floated on the regulated market pursuant to the provisions of the Act on public offering.

3. ECONOMIC ASPECTS OF THE MERGER

Polimex-Mostostal S.A., supported by the Capital Group Companies, is the leader of the Polish engineering and construction market, offering a unique and complementary scope of construction and installation services provided on the general contractorship basis to the following sectors: crude oil and gas, chemical and petrochemical, environmental protection, power engineering, industrial, road, railway and general construction sectors. The Capital Group specialises in the production of power equipment and technological furnaces, large industrial steel structures and platform grates.

In response to the changing market environment, there have been numerous investment and reorganisation activities undertaken that aim at reinforcing the market position of the Capital Group within the most perspective areas of activity. Throughout the last two years, there were spectacular investments of the value of approx. 300 million PLN realised that significantly increased the manufacturing capacities with respect to manufacturing of steel structures, technological furnaces and anti-corrosion protection. Currently, there are reorganisation works conducted which aim at further reinforcement of the market position of the Capital Group with respect to engineering and construction services for sectors of significant growth potential, i.e. power engineering, chemical and petrochemical industries. The fundamental element of the undertaken activities is the incorporation of the following companies into Polimex-Mostostal S.A.: Energomontaż S.A., Naftobudowa S.A., Naftoremont sp. z o.o., ZRE Kraków sp. z o.o., ZRE Lublin S.A., EPE Rybnik sp. z o.o. and ECeRemont sp. z o.o.

In the opinion of the Management Boards of the merged companies, correct realisation of the imposed tasks will provide conditions for the growth of the market value of Polimex-Mostostal S.A. within a medium- and long-term perspective.

3.1 Fundamental premises justifying the Merger

The Merger covers companies operating in the same sectors, i.e. in the power engineering and the chemical industry. Polimex-Mostostal realises contracts on the general contractorship basis, cooperating with large foreign companies of European and global range. The Acquired Companies, while focusing on smaller orders, hold a leading position on local markets, conduct manufacturing activities and offer services complementary to the activity of Polimex-Mostostal. As a result of the Merger, the offer of Polimex-Mostostal will be extended with the competences of the Acquired Companies.

The situation of the power engineering industry on the domestic and foreign markets is characterised by the growth of demand for electric energy, the need to replace the worn and torn power units, the need to develop new manufacturing units of greater performance, and the need to adjust the utilised technologies to the strict requirements with respect to environmental protection. Even despite the economic slowdown one ought to assume that numerous large investments at professional power plants will be realised in the coming years.

The situation in the chemical sector, including manufacturing and production of liquefied fuels, is characterised by the current decrease of the value of investments in the manufacturing equipment.

This is related to the economic crisis which resulted in the decreasing demand for crude oil, which in turn has resulted in the decrease of prices of the raw material and, consequently, has decreased the margins applied by manufacturers of liquefied fuels and petrochemical products. In the opinion of analysts, the recession does not seem to be permanent. The economy is beginning to send positive signals and it ought to be assumed that in the coming years the economic revival will positively affect the financial situation of the sector and will make refineries and chemical plants incur significant expenditures on investments with respect to rebuilding the assets and launching new production lines.

The aim of the Management Board of Polimex-Mostostal is to achieve and maintain a significant competitive advantage in the aforementioned areas. Successful realisation of such a task requires:

- achievement of the ability to comprehensively realise large investments (lower competition pressure on the margins),
- increase of the share of own resources in the works realisation (positive impact on the effectiveness of the bidding action),
- decrease of the negative impact of seasonality and cyclicity by enabling free movement of human resources and equipment between individual business units of the Capital Group (improvement of economic effectiveness of services),
- extension of the scope of own supplies with new products, in particular of a significant importance to the realisation of entire orders (lower risk value),
- reduction of the costs incurred.

Accomplishment of tasks so defined requires resource concentration which shall be the result of the incorporation of the selected subsidiary companies.

3.2 Benefits from the Merger

a) Reinforcement of the competitive advantage

As a result of the Merger, the competitive advantage of the Merged Company shall be reinforced in the area of engineering and construction services in industries of significant growth potential, first of all in the power engineering industry, through the provision of comprehensive realisation of large structures and maintenance of them, but also in the fuel and chemical industries, waste utilisation systems, environmental protection and new technology orientation, inclusive of biotechnologies.

In consequence, resource concentration will enable extension of the scope of services provided and increase of the scope of works realised with own resources, and will limit the impact of seasonality by means of shifting the potential between the business units of Polimex-Mostostal. An increase of operational effectiveness will also take place, resulting in the reinforcement of competitive advantage of the Company.

b) Rationalisation of management and more effective cost control

The Merger will enable cost-related savings within the administrative, organisational and financial areas.

(i) Administrative area

- (A) reduction of fixed costs due to the liquidation of supervisory bodies, change of the structure of remuneration of the managing personnel, centralisation of the accounting, HR and administrative services, reduction of the scope and review of the books and a significant reduction of corporate costs (a lower number of report publications in the Monitor B and, with respect to quoted companies, reduction of costs related to Warsaw Stock Exchange, the National Deposit for Securities and Brokerage Offices).
- (B) reduction of variable costs by means of introducing and unifying the HR management system allowing for shifting the potential between individual business units, in accordance with the current needs,
- (C) introduction of a common, integrated management system will make it possible to obtain additional cost savings arising from the introduction of a unified system for the Merged Company instead of an independent system for each of the Acquired Companies.

(ii) **Organisational area**

- (A) increase of the bidding power

An increase of the bidding power of the Merged Company will constitute a positive result of the Merger as compared to entities supplying Polimex-Mostostal and the Acquired Companies, in particular suppliers and subcontractors.

- (B) reasonable resource utilisation

In view of the current decrease of orders from companies operating in the chemical and petrochemical industries, part of resources of the Acquired Companies will be used in other segments of activity of Polimex-Mostostal, above all in the power engineering industry.

- (C) exchange of knowledge, experience, references, skills, certificates and specialist licences.

The Merger will also allow for the achievement of improved effectiveness of management of the Acquired Companies and Polimex. Both the Acquiring Company and the Acquired Companies have their specific resources and 'know-how' which, when used in the scale of the Merged Company, will bring about results reduced costs and accelerated rate of realisation of basic processes and increased profitability. Moreover, the specialist licences and certificates held by Polimex or individual Acquired Company might be used by the Merged Company without the need to conduct the certification processes.

Analogical situation applies in the event of reference utilisation. References obtained in a given segment by one of the Acquired Companies might be used during tender procedures by the Merged Company.

- (D) flattening of the organisational structure will result in more effective management and faster flow of information within the organisation

(iii) **Financial area**

(A) increase of profit of Polimex-Mostostal by means of consolidation of the entire result of the Acquired Companies

(B) increase of financial potential

Due to the Merger, concentration of finance management shall take place, which will result in increased financial capacity of the Company and make it possible to acquire better conditions of crediting as well as guarantees and warranties.

(C) reducing project-related operating risk

Realisation of the Merger transaction will allow for better control of the margin level on each stage of investments realised on the general contractorship basis, and the extension of the scope of works executed with own resources will reduce the general level of risks during order realisation.

(D) optimisation of the VAT settlement

Elimination of invoices issued so far within the Group by the merging companies on projects realised together. In consequence, this will reduce the time of the Acquiring Company receiving a VAT refund.

c) **Increased attractiveness to investors**

The Management Board of Polimex-Mostostal expect that the Merger will be attractive to stockholders and partners of both the Acquired Companies and the Acquiring Company.

As a result of thorough consolidation of financial results achieved by the Acquired Companies and the planned economic growth of the Acquiring Company, increase of profit attributed to the stockholders of Polimex-Mostostal shall take place. The stock of Polimex-Mostostal, following the Merger, will also be held by the stockholders and partners of the Acquired Companies.

Simplification of the structure and unification of the management systems will increase the transparency of the Capital Group to owners and investors, thus facilitating their analysis and assessment of the current standing and business development potential.

In addition, the current stockholders and shareholders of the Acquired Companies, the assets whereof are not quoted at the WSE, will obtain stock quoted on the public market. Greater liquidity of the stock held will be an advantage to the current stockholders of public companies quoted at the WSE.

The aforementioned organisational changes allowing the reduction of the costs of activity, reinforcement of the competitive advantage in developing sectors and greater transparency of the Company with increased stock liquidity imply that realisation of the Merger ought to positively affect the perception of the Company by investors.

4. STOCK EXCHANGE PARITY

4.1 Methodology applied to determine the Exchange Parity

The appraisal of the market value of one equity of the Acquiring Company and the appraisal of the market value of one equity/share of the Acquired Company provided a basis for the determination of each Exchange Parity.

The market value is defined as the estimated price of shares or equities of an enterprise in the case that both the seller and the buyer want to conclude the transaction, the buyer and the seller want to benefit and have the same knowledge concerning the enterprise and the market on which it operates.

In order to determine the Exchange Parity in relation to the Merger it has been assumed that the Acquiring Company and the Acquired Companies will function as to date and the value of possible synergies resulting from the Merger will spread proportionally to the market value of the Companies prior to the Merger.

In view of the above the market value of one equity of the Acquiring Company and each time of one equity/share of the Acquired Companies have been appraised with the application of the discounted cash flow method under the income approach. The results obtained by means of application of the discounted cash flow method were then adjusted with relevant discounts due to absence of liquidity (in the case of stock/shares of Companies not quoted at the WSE) and discounts due to the absence of control (in the case of stock/shares of all the Companies) for the purpose of estimating the market value of the Companies per one equity/share, allowing for the liquidity thereof and the lack of control.

All the appraisals were developed pursuant to semi-annual financial statements of the Companies developed as of 30 June 2009.

Justification of adoption of the aforementioned appraisal method

The discounted cash flow method under the income approach has been adopted as the method of appraisal of the stock/shares of the Companies. The method is one of the most commonly applied methods of company appraisal in the world. The main advantage of the method is its being oriented at future cash flows generated by the enterprise, which provides the possibility of reflecting the potential of the enterprise and the market on which it operates, and allowing for specific features of the appraised Company, namely factors considered by investors when taking decisions on purchasing stock/shares and on the price offered for the stock-shares.

Exchange Parity determination principles

The exchange parity was determined each time by means of dividing the estimated market value of one equity/share of the Acquired Company by the market value of one equity of the Acquiring Company estimated with the application of the aforementioned methodology,. The value obtained was rounded to two decimal places.

One-person companies belonging to Polimex

Pursuant to Article 516 (6) of the CCC, in the event the Acquiring Company taking over its one-person company, Article 499 (1) (2 – 4) of the CCC shall not apply. In view of the foregoing, the Merger Plan does not provide for:

- (a) the exchange parity for stock of EPE Rybnik and ECeRemont against stock of the Acquiring Company and the amount of possible Cash Payments,
- (b) the principles pertaining to awarding stock of the Acquiring Company to stockholders of EPE Rybnik and ECeRemont,
- (c) the day as of which the stock provided for in (b) hereinabove would permit participating in the profit generated by the Acquiring Company.

4.2 Stock exchange parity

(a) Exchange Parity for stock of Energomontaž against the Merger Shares

Based on the adopted assumptions and method of appraisal, provided for in (4.1) hereinabove, it has been determined that the comparison of the market value of one Polimex equity and one Energomontaž equity implies that in return for one Energomontaž equity, as a result of the Merger, stockholders of Energomontaž, other than the Acquiring Company, shall be awarded 3.62 of the Merger Shares.

Therefore, the Exchange Parity shall be as follows:

Exchange Parity	
Energomontaž shares	Merger Shares
1	3.62
Total number of Energomontaž shares exchanged against Merger Shares	
Energomontaž shares	Merger Shares
8,207,351	29,710,610

This means that for 8,207,351 (eight million two hundred seven thousand three hundred fifty-one) shares of Energomontaž, Energomontaž stockholders, other than the Acquiring Company, shall receive up to 29,710,610 (twenty-nine million seven hundred ten thousand six hundred ten) Merger Shares.

The number of Merger Shares to be awarded to individual Energomontaž stockholders shall be calculated as the product of the number of equities held by a specific Energomontaž stockholder, other than the Acquiring Company, on the Reference Day and the Exchange Parity. If required, the product shall be rounded down to the closest whole number.

(b) **Exchange Parity for stock of Naftobudowa against Merger Shares**

Based on the adopted assumptions and method of appraisal, provided for in (4.1) hereinabove, it has been determined that the comparison of the market value of one Polimex equity and one Naftobudowa equity implies that in return for one Naftobudowa equity, as a result of the Merger, stockholders of Naftobudowa, other than the Acquiring Company and Naftoremont (the assets whereof shall be incorporated as a result of the Merger into the Acquiring Company), shall be awarded 6.04 of the Merger Shares.

Therefore, the Exchange Parity shall be as follows:

Exchange Parity	
Naftobudowa shares	Merger Shares
1	6.04
Total number of Naftobudowa shares exchanged against Merger Shares	
Naftobudowa shares	Merger Shares
2,951,902	17,829,488

This means that for 2,951,902 (two million nine hundred fifty-one thousand nine hundred two) shares of Naftobudowa, Naftobudowa stockholders, other than the Acquiring Company and Naftoremont, shall receive up to 17,829,488 (seventeen million eight hundred twenty-nine thousand four hundred eighty-eight) Merger Shares.

The number of the Merger Shares to be awarded to individual Naftobudowa stockholders shall be calculated as the product of the number of equities held by a specific Naftobudowa stockholder, other than the Acquiring Company and Naftoremont, on the Reference Day and the Exchange Parity. If required, the product shall be rounded down to the closest whole number.

(c) **Exchange Parity for stock of Naftoremont against Merger Shares**

Based on the adopted assumptions and method of appraisal, provided for in (4.1) hereinabove, it has been determined that the comparison of the market value of one Polimex equity and one Naftoremont equity implies that in return for one Naftoremont equity, as a result of the Merger, stockholders of Naftoremont, other than the Acquiring Company, shall be awarded 2,081.29 of the Merger Shares.

Therefore, the Exchange Parity shall be as follows:

Exchange Parity	
Naftoremont shares	Merger Shares
1	2,081.29
Total number of Naftoremont shares exchanged against Merger Shares	
Naftoremont shares	Merger Shares
4,540	9,449,056

This means that for 4,540 (four thousand five hundred forty) shares in Naftoremont, Naftoremont stockholders, other than the Acquiring Company, shall receive up to 9,449,056 (nine million four hundred forty-nine thousand fifty-six) Merger Shares.

The number of the Merger Shares to be awarded to individual Naftoremont stockholders shall be calculated as the product of the number of equities held by a specific Naftoremont stockholder, other than the Acquiring Company, on the Reference Day and the Exchange Parity. If required, the product shall be rounded down to the closest whole number.

(d) **Exchange Parity for stock of ZRE Kraków against Merger Shares**

Based on the adopted assumptions and method of appraisal, provided for in (4.1) hereinabove, it has been determined that the comparison of the market value of one Polimex equity and one ZRE Kraków equity implies that in return for one ZRE Kraków equity, as a result of the Merger, stockholders of ZRE Kraków, other than the Acquiring Company, shall be awarded 123.65 of the Merger Shares.

Therefore, the Exchange Parity shall be as follows:

Exchange Parity	
ZRE Kraków shares	Merger Shares
1	123.65
Total number of ZRE Kraków shares exchanged against Merger Shares	
ZRE Kraków shares	Merger Shares
340 ¹	42,041

This means that in return for 340 (three hundred forty) shares of ZRE Kraków, ZRE Kraków stockholders, other than the Acquiring Company, shall receive up to 42,041 (forty-two thousand forty-one) Merger Shares.

The number of the Merger Shares to be awarded to individual ZRE Kraków stockholders shall be calculated as the product of the number of equities held by a specific ZRE Kraków stockholder, other than the Acquiring Company, on the Reference Day and the Exchange Parity. If required, the product shall be rounded down to the closest whole number.

¹ The number of shares of ZRE Kraków exchanged against Merger Shares allows for sale transactions of ZRE Kraków shares by Polimex, which on the day of signature of the Merger Plan were yet to be reflected in the register of entrepreneurs of the National Court Register.

(e) **Exchange Parity for stock of ZRE Lublin against Merger Shares**

Based on the adopted assumptions and method of appraisal, provided for in (4.1) hereinabove, it has been determined that the comparison of the market value of one Polimex equity and one ZRE Lublin equity implies that in return for one ZRE Lublin equity, as a result of the Merger, stockholders of ZRE Lublin, other than the Acquiring Company and Energomontaż (which shall be incorporated into the Acquiring Company as a result of the Merger), shall be awarded 8.52 of the Merger Shares.

Therefore, the Exchange Parity shall be as follows:

Exchange Parity	
ZRE Lublin shares	Merger Shares
1	8,52
Total number of ZRE Lublin shares exchanged against Merger Shares	
ZRE Lublin shares	Merger Shares
41,822	356,323

This means that for 41,822 (forty-one thousand eight hundred twenty-two) shares of ZRE Lublin, ZRE Lublin stockholders, other than the Acquiring Company and Energomontaż, shall receive up to 356,323 (three hundred fifty-six thousand three hundred twenty-three) Merger Shares.

The number of the Merger Shares to be awarded to individual ZRE Lublin stockholders shall be calculated as the product of the number of equities held by a specific ZRE Lublin stockholder, other than the Acquiring Company and Energomontaż, on the Reference Day and the Exchange Parity. If required, the product shall be rounded down to the closest whole number.

(f) **Exchange Parity for stock of EPE Rybnik against Merger Shares**

Due to the fact that the Acquiring Company holds 100% of the shares of EPE Rybnik, the Merger shall take place pursuant to Article 515 (1) (1) of the CCC, i.e. without increasing the business capital of the Acquiring Company by the amount corresponding with the value of the held shares of EPE Rybnik and, due thereto, without awarding the Merger Shares to the sole partner of EPE Rybnik, i.e. without issuing its own stock to the Acquiring Company.

(g) **Exchange Parity for stock of ECeRemont against Merger Shares**

Due to the fact that the Acquiring Company holds 100% of the shares of ECeRemont, the Merger shall take place pursuant to Article 515 (1) (1) of the CCC, i.e. without increasing the business capital of the Acquiring Company by the amount corresponding with the value of the held shares of ECeRemont and, due thereto, without awarding the Merger Shares to the sole partner of ECeRemont, i.e. without issuing its own stock to the Acquiring Company.

4.3 Opinion on the Exchange Parity

The Management Boards of the Companies based the appraisal of the Merging Companies and the determination of the Exchange Parity on the recommendation pertaining to the Exchange Parity, developed by an independent expert – PricewaterhouseCoopers.

5. STOCK AWARD PRINCIPLES, ADDITIONAL PAYMENTS

5.1 Stock award principles

On the Merger Day, pursuant to the law, the stockholders/partners of the Acquired Companies, other than the Acquiring Company, shall become Polimex stockholders without the need to take and pay for the Merger Shares.

Should a specific stockholder/partner of a Acquired Company be entitled to additional payment, it shall be calculated based on the principles provided for in (5.2) hereinunder.

The Merger Shares shall be awarded to stockholders or partners of the Acquired Companies pursuant to the adopted Exchange Parity and pursuant to the terms provided for in (4) hereinabove.

The Merger Shares shall be awarded in proportion to the number of stock or shares held by a specific stockholder or partner of the Acquired Company as of the day falling not earlier than on the third business day and not later than on the seventh business day following the registration of the Merger in the register of entrepreneurs by the court of registration, locally competent for the Acquiring Company – the day shall constitute the Reference Day. The Reference Day shall be indicated by the Management Board of the Acquiring Company.

All Merger Shares shall be dematerialised pursuant to the provisions of the Act dated 29 July 2005 on trade in financial instruments.

5.2 Additional payments

Should such stockholder/partner, following the application of the Exchange Parity with respect to all stock/shares of the Acquired Companies that are held by a specific stockholder/partner of the Acquired Company, be entitled to the right to receive a fractional number of the Merger Shares, the number of the Merger Shares issued thereto shall be rounded down to the closest whole number and the stockholder/partner of the Acquired Company shall receive a Cash Payment amounting to the product of the fractional excess over the said whole number of the Merger Shares and the price of a Merger Share determined for the purpose of Cash Payments. The Merger Share price determined for the purpose of Cash Payments shall amount to the arithmetic mean of the price of one Polimex equity of 30 (thirty) consecutive quotation days on the WSE primary market preceding the Reference Day, in accordance with the closing price in the continuous trading system,.

The amount of Additional Payments due to individual stockholders or partners of the Acquired Companies shall be calculated pursuant to following formula:

$$D = A \times W$$

where D means the amount of Additional Payment; A means the fractional, undelivered part of the Merger Shares, and W means the arithmetic mean of one Polimex equity from 30 (thirty) consecutive quotation days of the WSE primary market preceding the Reference Day, in accordance with the closing price in the continuous trading system.

Should the amount of Additional Payments for all stockholders or partners of the Acquired Companies exceed 10% of the total value of the awarded Merger Shares determined pursuant to the statements provided for in Article 499 (2) (4) of the CCC, the value of Additional Payments for individual stockholders or partners shall be decreased proportionally.

Detailed principles pertaining to Cash Payments in favour of stockholders and/or of the Acquired Companies within the scope that was not provided for in the Merger Plan or the resolutions of the Companies on the Merger shall be determined by the Management Board of Polimex.

6. SUMMARY

Economic premises indicate the legitimacy of the Merger of Polimex and the Acquired Companies. The Merger is advisable in respects of strategy, operations, investment and costs.

The aim of the Polimex-Mostostal Capital Group is to achieve and maintain a significant competitive advantage in the power engineering and chemical industries. In order to accomplish that objective, resource concentration by means of incorporating selected subsidiary companies is required. In addition, the process ought to increase the economic effectiveness of the activity conducted by means of reducing the costs incurred.

In particular, the Merger will make it possible to:

- (a) reinforce the competitive advantage,
- (b) rationalise management and more effective cost control,
- (c) increase attractiveness to investors.

The increased effectiveness of operation of the Merged Company, which shall translate into an increase of the market value, will constitute a long-term result of the Merger.

7. RECOMMENDATION OF THE MANAGEMENT BOARD

Bearing the aforementioned in mind, the Management Board of Polimex recommends the presented concept of Merger of Polimex and the Acquired Companies to Polimex stockholders and suggests adopting a resolution on the Merger of the Companies.

This report has been adopted with the resolution no. 4/2010 of the Management Board of Polimex dated 18.01.2010.