

# **MERGER RATIONALE**

including legal grounds and economic justification

**TAURON Polska Energia  
Spółka Akcyjna**

with its registered office in Katowice (Acquiring Company)

and

**Górnośląski Zakład Elektroenergetyczny  
Spółka Akcyjna**

with its registered office in Gliwice (Acquired Company)

prepared by the Management Board of

**TAURON Polska Energia  
Spółka Akcyjna**

## INTRODUCTION

This rationale justifying the merger, its legal grounds and economic justification (hereinafter referred to as "Rationale") referring to the merger of TAURON Polska Energia S.A. and Górnośląski Zakład Elektroenergetyczny S.A. has been prepared by the Management Board of TAURON Polska Energia S.A., pursuant to Article 501 of the act Commercial Companies Code of 15 September 2000 (Journal of Laws No. 94, item 1037 as amended), hereinafter referred to as "CCC".

## I. LEGAL GROUNDS FOR THE MERGER

### 1. Type, name and registered office of the merging Companies, method of merger

#### A. Type, name and registered office of the merging Companies

##### Acquiring Company:

Type: joint stock company  
Name: TAURON Polska Energia Spółka Akcyjna  
Registered office: Katowice  
Address: ul. Ks. Piotra Ściegiennego 3, 40-114 Katowice  
Equity: PLN 8,762,746,970.00 (paid in full)  
Entered in the Register of Entrepreneurs of the National Court Register under No. 0000271562, maintained by the District Court Katowice-Wschód in Katowice, 8<sup>th</sup> Commercial Division of the National Court Register

##### Acquired Company:

Type: joint stock company  
Name: Górnośląski Zakład Elektroenergetyczny Spółka Akcyjna  
Registered office: Gliwice  
Address: ul. Barlickiego 2, 44-100 Gliwice  
Equity: PLN 125,000,000.00 (paid in full)  
Entered in the Register of Entrepreneurs of the National Court Register under No. 0000013196, maintained by the District Court in Gliwice, 10<sup>th</sup> Commercial Division of the National Court Register

#### B. Method of merger

The merger will be executed by acquisition of Górnośląski Zakład Elektroenergetyczny S.A. by TAURON Polska Energia S.A. in the mode defined in Article 492 § 1 item 1) of CCC, i.e.

by transfer of all assets of Górnośląski Zakład Elektroenergetyczny S.A. to TAURON Polska Energia S.A.

As a result of the merger, the equity of TAURON Polska Energia S.A. will not be increased, pursuant to Article 515 § 1 of CCC.

As of the day of registration of the merger of TAURON Polska Energia S.A. and Górnośląski Zakład Elektroenergetyczny S.A., the Acquired Company will be deleted from the Register of Entrepreneurs of the National Court register in line with Article 493 § 1 of CCC.

### **C. Permits and approvals**

Pursuant to Article 14 item 5 of the Act on Competition and Consumer Protection of 16 February (Journal of Laws of 2007, No. 50, item. 331 as amended) merger through acquisition of Górnośląski Zakład Elektroenergetyczny S.A. by TAURON Polska Energia S.A. is not subject to notification of intention to concentrate to the President of the Polish Antitrust Office because merging companies are members of the same Capital Group.

## **II. MERGER RATIONALE**

### **A. Purpose of the merger**

The overall purpose of the Merger is to streamline organizational structure of TAURON Polska Energia S.A. Capital Group (hereinafter referred to also as "TAURON Group") in line with the provisions of "Corporate Strategy for the TAURON Group for 2011-2015, with estimates up to the year 2020".

On 13 December 2011 the Management Board of TAURON Polska Energia S.A. and Vattenfall AB signed Agreement for sale of shares of Górnośląski Zakład Elektroenergetyczny S.A. As a result of this transaction TAURON Polska Energia S.A. became the owner of 99.98 % shares in equity of Górnośląski Zakład Elektroenergetyczny S.A. and 1,249,693 shares entitling to participate in General Meeting of the Company's Shareholders.

It should be indicated that GZE S.A. runs operations only in the scope resulting from being the holder and supervisor and from exercising corporate rights towards Companies, whose shares it owns. Similar operation is run by TAURON Polska Energia S.A. so it would not be rational from the business point of view to maintain two entities performing the same functions.

Under the buyout of shares of Górnośląski Zakład Elektroenergetyczny S.A. by TAURON Polska Energia S.A., from 16 April 2012 TAURON Polska Energia S.A. holds 100.00% shares in the equity of Górnośląski Zakład Elektroenergetyczny S.A. and therefore, pursuant to Article 516 of CCC the merger of Companies may be executed in a simplified manner.

At the same time, in addition to the planned merger of Górnośląski Zakład Elektroenergetyczny S.A. and TAURON Polska Energia S.A. further mergers are planned in the TAURON Group consisting in taking over direct control over current subsidiaries of Górnośląski Zakład Elektroenergetyczny S.A., including in particular companies that will be integrated with respective companies in the TAURON Group (i.e. TAURON Dystrybucja GZE S.A., TAURON Sprzedaż GZE sp. z o.o., TAURON Ekoenergia GZE sp. z o.o. and TAURON Obsługa Klienta GZE sp. z o.o.).

The abovementioned projects are in line with the Corporate Strategy as it has been indicated that the target organizational structure of the TAURON group assumes establishment of one company in each line of business.

## **B. Advantages arising from the Merger**

The following advantages are expected as a result of the Merger:

1. Simplified structure and increased transparency of the TAURON Group.
2. Increased efficiency of operations of the TAURON Group, including shorter decision taking processes and elimination of redundant elements in organizational hierarchy.
3. Reduced costs of operation of the TAURON Group.
4. Financial savings in administrative and organizational divisions, resulting from reduced number of corporate and controlling bodies in the TAURON Group.
5. Integration-related synergies, simplified and improved business processes achieved through, among others, elimination of overlapping processes.
6. Improved efficiency through reduction of overlapping costs within the merged Companies, in particular administrative and organizational costs.
7. Increased value of the TAURON Group resulting from simplified structure and application of integration-related synergies, which has positive impact on the Acquiring Company's share value increase.
8. The merger will result in TAURON Polska Energia S.A. taking over direct control of material assets of the TAURON Group. Thus, execution of the planned Merger will enable more efficient management of those assets which will be carried out at the level of the Acquiring Company, i.e. the mother company in the Group.

To sum it up, it can be said that the merger is yet another stage of the pursued strategy which assumes consolidation of TAURON Group companies and it will lead to simplification of organizational structure and elimination of redundant processes. As a result, the merger will increase transparency of the Group to investors. Thanks to the merger the supervisory and management structures will be simplified, which will improve the management of the Group.

The merger of companies will result in financial savings in the areas of administration and organization, through reduction in the number of management and controlling bodies within the Group. One-off costs connected with the execution of the merger of the companies are

immaterial and refer mainly to informing the business partners and state authorities about the changes, and legal charges connected with the merger. Due to the type of operations run by GZE S.A. the merger will not require material expenditures for integration of the merged Companies.

As a result of the Merger the operations of the Acquired Company will be incorporated in the structures of TAURON Polska Energia S.A.

### **III. RECOMMENDATION OF THE MANAGEMENT BOARD OF TAURON POLSKA ENERGIA S.A.**

Economic and organizational rationale for the merging Companies indicate that the merger through acquisition of Górnośląski Zakład Elektroenergetyczny S.A. by TAURON Polska Energia S.A. is justified. The merger is justified from strategic, operational, cost-related and business points of view.

Considering the above, the Management Board of TAURON Polska Energia S.A. recommends the merger of TAURON Polska Energia S.A. and Górnośląski Zakład Elektroenergetyczny S.A. to shareholders of TAURON Polska Energia S.A. by adopting a relevant resolution on the merger of the above mentioned Companies.

This rationale has been adopted and signed by the Management Board of TAURON Polska Energia S.A. on 17 April 2012.

Management Board of TAURON Polska Energia S.A.

Vice-President of the Management Board Krzysztof Zawadzki	Vice-President of the Management Board Krzysztof Zamasz
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