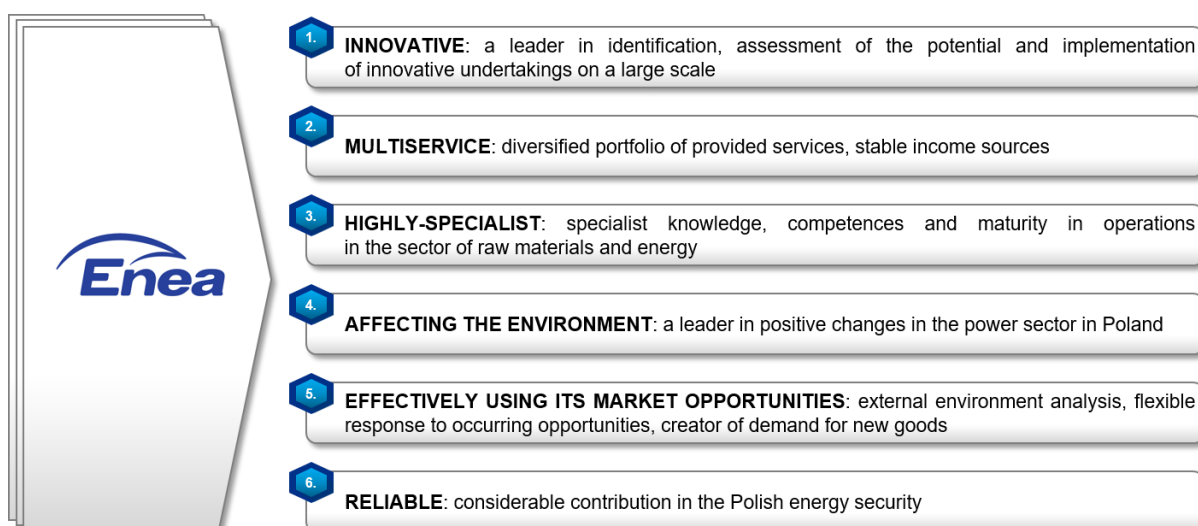


## Justification by the Management Board of Enea S.A. of the proposed distribution of the net profit for the financial year covering the period from 01.01.2016 to 31.12.2016

Justifying the motion on the distribution of the net profit of Enea S.A. for the period from 01.01.2016 to 31.12.2016 the Management Board of Enea S.A. informs that the net financial result in the amount of PLN 620,243 thou. generated in 2016 financial year was affected e.g. by the profit generated on core operations of the Company which is trade in electricity. The operating result amounted to PLN 108,285 thou. Additionally, dividend income was generated in the amount of PLN 548,874 thou. and other financial revenue in the amount of PLN 190,159 thou. (generated mainly from interest on fixed time deposits, commercial papers and bonds of the State Treasury and intergroup bond interest).

The justification for the proposed distribution of the net profit is presented below:

1. Taking into account the presented below in item 2 core directions of Enea Capital Group's investments it is proposed to allocate the amount of PLN 110,360,644.50, which constitutes ca. 17.8% of the net profit, to distribution of dividend to shareholders, and the remaining part of the profit in the amount of PLN 509,882,355.50 to allocate to investment financing.
2. The essential driver for Enea Capital Group's development (Group) is the "Enea Capital Group's Development Strategy until 2030" approved in September 2016. The new development directions defined in the document foresee that Enea CG will be:

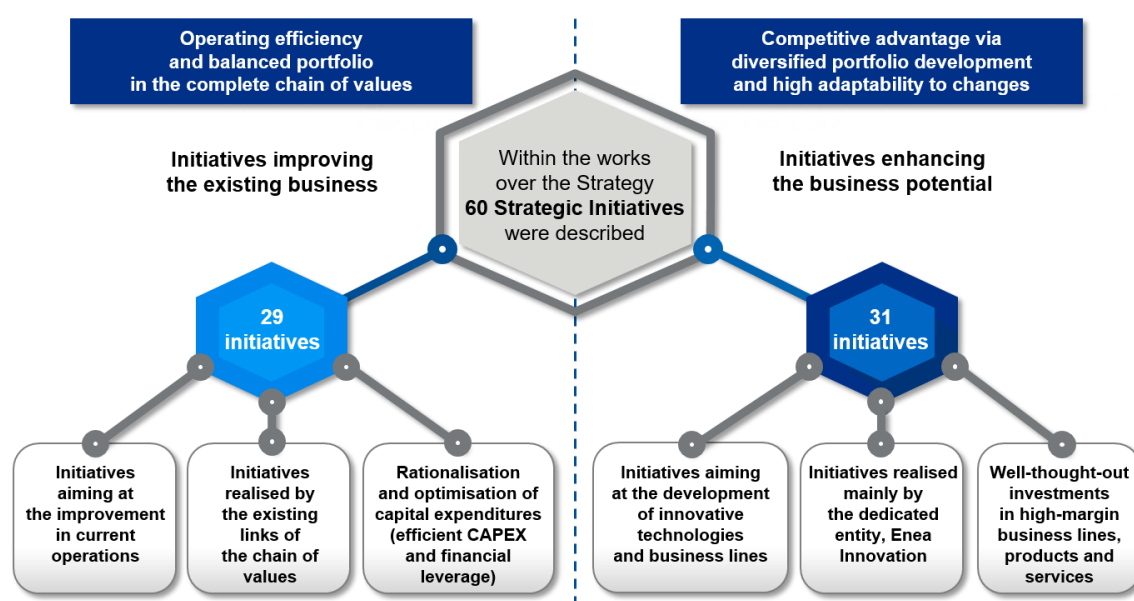


Compliant with the Strategy, the superior strategic goal is a regularly growing value of Enea Capital Group. The Strategy foresees the implementation of 15 strategic goals supporting the general objective, within the following four perspectives:

- a. owner's:
  - large, controlled share in selected market segments;
  - durable relations with Customers, regularly decreasing costs of Customer reaching and keeping;
  - maintenance of Enea CG's financial security;
  - high mark-ups on package services and products;
  - innovativeness in all the aspects of Enea CG's operations;
- b. customer's:
  - ability to satisfy comprehensive needs - expressed or not;
  - delivery of what is needed (not only that which was ordered) in due time;
  - attractive price-quality relation of offered packages of products and services;
  - low total purchase cost, support in financing purchases from Enea CG's offer;
  - sense of being "well cared for" by an ethical, reliable and innovative supplier;

- c. processes':
  - generation of an optimum product and services mix for well-identified Customers in cooperation with business partners;
  - reaching Customers efficiently and providing promised values on time, at adequate price and quality;
  - efficient, integrated management of flexible, open competence groups in clearly defined business lines, in the preferred role of Business Operators on entrusted assets;
- d. development's:
  - designing and implementation of the process of shaping a modern Organisational Governance on all the levels in the whole Enea CG;
  - balanced investments in intangible and tangible assets.

In the Strategy Enea defined above 50% of innovative initiatives increasing the business potential, whose implementation will support e.g. the development of innovative products, services and business lines of Enea CG.



The Strategy foresees increasing electricity sales to end Customers to the level of 20.1 TWh in 2025 (growth by 24.4 per cent in relation to 2015). The growth will relate to the extension of own, conventional generating capacities. Notwithstanding the start-up of 1,075 MW unit in Kozyenice Power Plant, Enea plans its engagement in the construction of new sources or acquisitions of the already existing ones on the level of additional 1,500 - 2,000 MW until 2025. Some of these activities will be implemented via partnerships with other energy groups. At the same time, the Group foresees the modernisation of the existing 200 MW and 500 MW units in Kozyenice Power Plant within the scope necessary for guaranteeing the efficiency of their operation and satisfaction of environmental standards, and as a consequence the possibilities of assets functioning on the market until 2030. The implementation of the Strategy will mean a significant growth in Enea's importance in electricity generation for the needs of the Public Power System. The total installed capacity of conventional sources is to increase from the current level of 3.2 GW to 5.8 - 6.3 GW in 2025. It will allow the Group to generate 20.7 - 22.8 TWh electricity from own sources, which will mean electricity generation and sales balance.

A considerable element of the foreseen growth in electricity generation is to be the investment in the modern unit in the clean coal technology, the so-called IGCC (Integrated Gasification Combined Cycle) with the capacity totalling to 300 – 500 MW. The project business model is being analysed. The Company assumes that it will be located near fuel sources, which will allow for increasing the economic efficiency of the investment. From the beginning of 2016, Enea foresees also a future transformation of the market towards the development of distributed generation sources and island energy markets (local balance areas). In relation to that the Group will focus

on a strong development of distributed generation, investing in local poly-generation sources (electricity, heat, cold and other products). Enea also accents the further development of the segment of heat which guarantees a safe return on investment via development of cogeneration sources and combined production of electricity. Within the renewable energy sources the Group will focus mainly on a growth in the operating efficiency of already held assets perceiving its chance in the development of hybrid RES.

In the Strategy a balanced extension of assets in all the links of the value chain is foreseen, aiming at securing fuels for the needs of its own generating activity. The Group estimates that increasing its own conventional capacities to the level of 5.8 GW will increase the demand for bituminous coal from the current level of ca. 5.5 million tonnes annually to ca. 10.9 million tonnes annually.

In the area of mining Enea also plans to retain the role of the efficiency leader e.g. via "Smart solutions mine" programme aiming at the implementation of technological and IT innovations leading to the further growth in the efficiency of mining and automation of underground works. Enea intends also to apply the best practices in mine management to develop a new business line - mining plants operator's services in the whole region of the Central and Eastern Europe.

Enea assumes maintenance of a strong market position and financial standing in the Strategy due to further strengthening of the area of distribution which already today constitutes ca. 47 per cent of the Group's EBITDA. Enea will maximise the grid reliability improving SAIDI index to the level of 144 min. and SAIFI to the level of 1.69 until 2025, including via the application of modern IT tools allowing for a quick detection of grid failures and separation of damaged sections (FDIR) and modernisation of overhead lines.

Additionally, Enea will pursue the achievement of grid loss index in 2025 on the level of 5.9 per cent. Enea will also invest in a smart distribution network initiating the transformation from the electricity supplier towards a multi-service enterprise.

The Group declares a considerable growth in the innovativeness of its actions and concentration on the Customer in its Strategy. From the total number of 60 strategic initiatives described in the document as many as 31 are innovative in nature and relate to the development of new business lines. Thanks to them the Group plans to diversify the revenue structure in the future, including via offering package products with added value for Customers. Enea will create professional mechanisms of implementation project management and build a team capable of transforming initiatives into real products offered by the Group.

Enea will be active in such segments as the development of energy micro- and macroclusters, electromobility, prosumer installations or solutions from the field of the Internet of Things, such as a smart house or smart company.

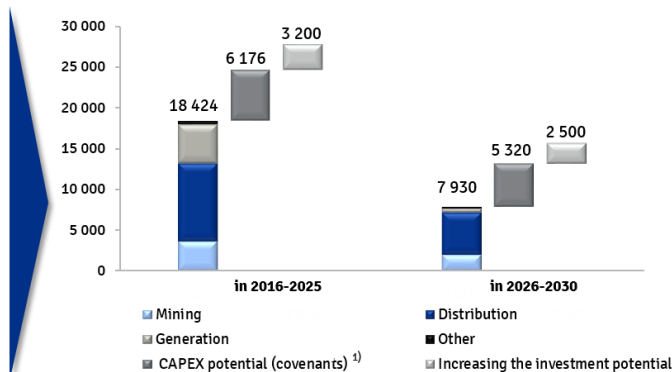
In order to realise the ambitious objectives set for the Group it is necessary to build the cash portfolio in the long run, in particular for the needs of capital-intensive investments.

Enea estimates that the basic capital expenditures on maintaining the continuity of the Group's operation in 2016 - 2030 will total to ca. PLN 26.4 billion. Enea plans to implement the capital expenditures efficiency growth programme as well. As a result of conducted analyses, the Group optimised the capital expenditures on RES, cogeneration sources and heating networks planned in the previous strategy until 2020. CAPEX potential generated this way and the Group's financial situation will enable Enea to designate additional PLN 6.2 billion until 2025 and PLN 5.3 billion in 2026 - 2030 on development investments. The expenditures constitute the maximum investment budget the Group may allocate to economically attractive investments, including acquisitions.

Additionally, Enea's goal is generating additional EBITDA from the development of new, innovative business lines.

Estimated capital expenditures of Enea CG during 2016-2030 [PLN mln, current prices] are as follows:

Area	2016-2025	2026-2030
Mining	3 712	2 080
Distribution	9 501	5 193
Generation	4 808	504
Other	403	153
CAPEX potential <sup>1)</sup>	6 176	5 320
Increasing the investment potential <sup>2)</sup>	3 200	2 500
<b>Enea CG TOTAL</b>	<b>27 800</b>	<b>15 750</b>



1) CAPEX potential maintaining the net/EBITDA ratio on a safe level

2) Increasing the investment potential by PLN 5.7 billion as a result of the implementation of innovative strategic initiatives (growth in EBITDA)

The motion for a deduction of a part of the profit to the other reserve capitals is a consequence of considerable investment needs of the Group resulting e.g. from the plans included in "Enea Capital Group's Development Strategy until 2030". In Enea Capital Group's assessment it is important to ensure a long-term building of the equity portfolio, so that in the future it is possible to manage the investment implementation efficiently. The funds from the profit will complement the sources of financing the investment expenses, particularly within investments connected with the growth of the Group.