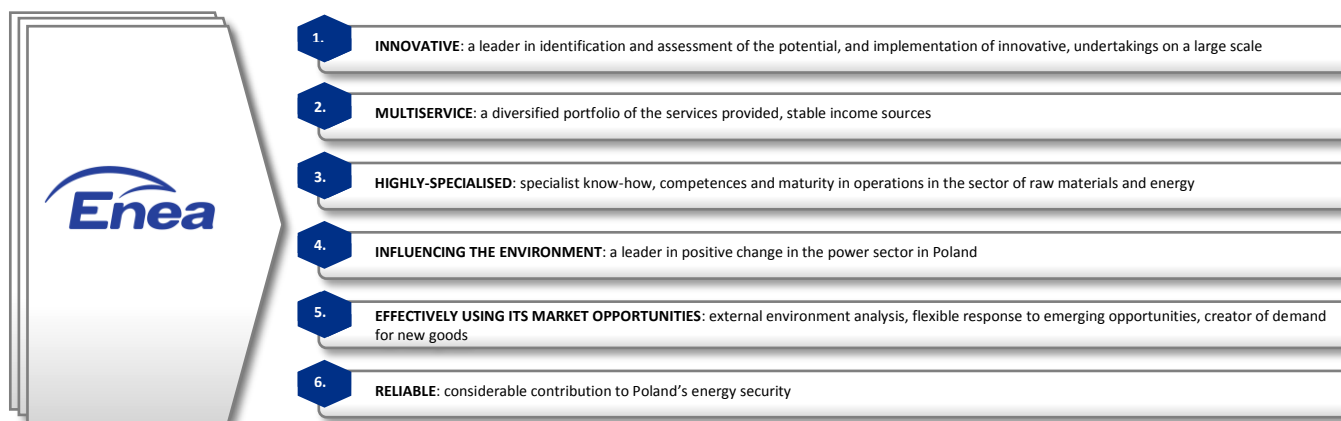


Justification by the Management Board of ENEA S.A. of the proposed distribution of the net profit for the financial year covering the period from 1 January 2017 to 31 December 2017

Justifying the motion on the distribution of the net profit of ENEA S.A. for the period from 1 January 2017 to 31 December 2017, the Management Board of ENEA S.A. informs that the net profit in the amount of PLN 1,813,324 thou. generated in the 2017 financial year was affected i.a. by the profit generated on core operations of the Company which is trade in electricity. The operating result amounted to PLN 121,880 thou. Additionally, dividend income was generated in the amount of PLN 810,534 thou. and other financial revenue in the amount of PLN 1,097,427 thou. (generated mainly from reversal of the impairment loss on the ENEA Wytwarzanie Sp. z o.o. shares, as well as interest earned on fixed time deposits and on intergroup bonds).

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

1. Taking into account the core directions of ENEA Capital Group's investments as presented below in item 2, it is proposed to allocate 100% of the net profit in the amount of PLN 1,813,324 thou. to increase the reserve capitals for purposes of investment financing.
2. The essential driver for ENEA Capital Group's development ("Group") is the "ENEA Capital Group's Development Strategy until 2030". The new development directions defined in the document foresee that ENEA Group will be:



In line 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. the owner's:

- large, controlled share in selected market segments;
- durable relations with Customers, regularly decreasing costs of Customer outreach and retention;
- maintenance of ENEA Group's financial security;
- high mark-ups on package services and products;
- innovativeness in all the aspects of ENEA Group's operations;

b. the customer's:

- ability to satisfy comprehensive needs – whether expressed or not;
- delivery of what is needed (not only that which was ordered) in due time;
- attractive price-quality relation of the packages of products and services offered;

- low total purchase cost, support in financing purchases from ENEA Group's offer;
- sense of being "well cared for" by an ethical, reliable and innovative supplier;

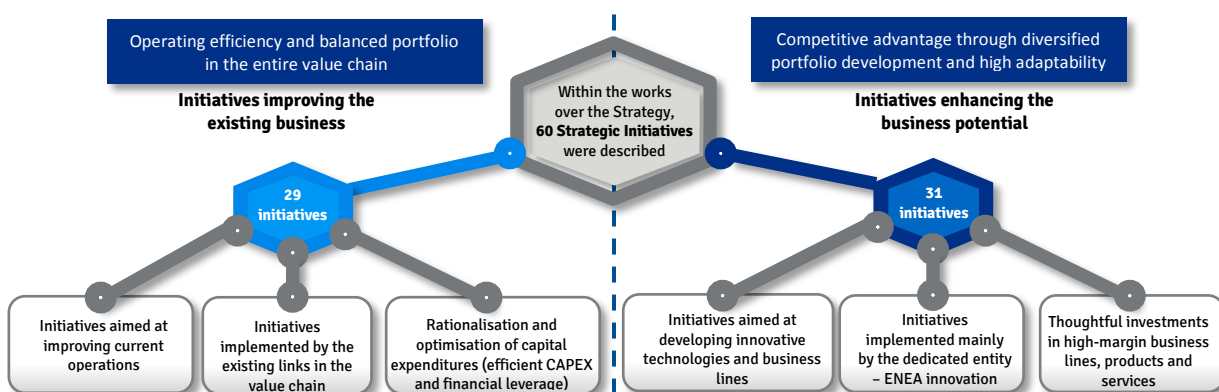
c. the processes':

- 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 across the entire ENEA Group;
- balanced investments in intangible and tangible assets.

More than 50% of innovative initiatives defined by ENEA in the Strategy are aimed to increase the business potential, and their implementation will support e.g. the development of innovative products, services and business lines of ENEA Group.



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 launch of the 1,075 MW power unit at Koziencie 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 at Koziencie 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 National 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 300-500 MW. The project's 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. The development of conventional generation capacity is also to be supported by ENEA's involvement in the initiative to prepare, implement and operate a modern coal unit of 1,000 MW class in Ostrołęka ("Project", "Ostrołęka C"). The project is carried out in cooperation with Energa S.A. and assumes the construction of a power unit with a net generation efficiency of at least 45%, working on supercritical parameters of steam and meeting the highest environmental standards. The unit is to provide a stable, highly efficient and low-carbon source of energy in the National Power System, enabling ENEA to achieve the assumed electricity generation volumes for the balancing of the sales portfolio.

ENEA also foresees 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 polygeneration sources (electricity, heat, cold and other products). ENEA also emphasises the further development of the heat segment, 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 and offshore wind energy to optimize the Group's energy mix (increasing the share of RES in the volume of electricity generated by the ENEA Group).

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.

In the mining area, ENEA also plans to retain the role of the efficiency leader e.g. via "Repository of smart solutions" 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.

In the Strategy, ENEA assumes maintenance of a strong market position and financial standing due to further strengthening of the distribution area, which today constitutes ca. 40 per cent of the Group's EBITDA. ENEA will maximise the grid reliability improving SAIDI 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 (Fault Detection, Isolation and Recovery – FDIR) and modernisation of overhead lines.

Additionally, ENEA will pursue the minimisation of the grid distribution losses index. ENEA will also invest in a smart distribution network initiating the transformation from the electricity supplier towards a multi-service enterprise.

The Group assumes a considerable growth in the innovativeness of its actions and concentration on the Customer in the 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.

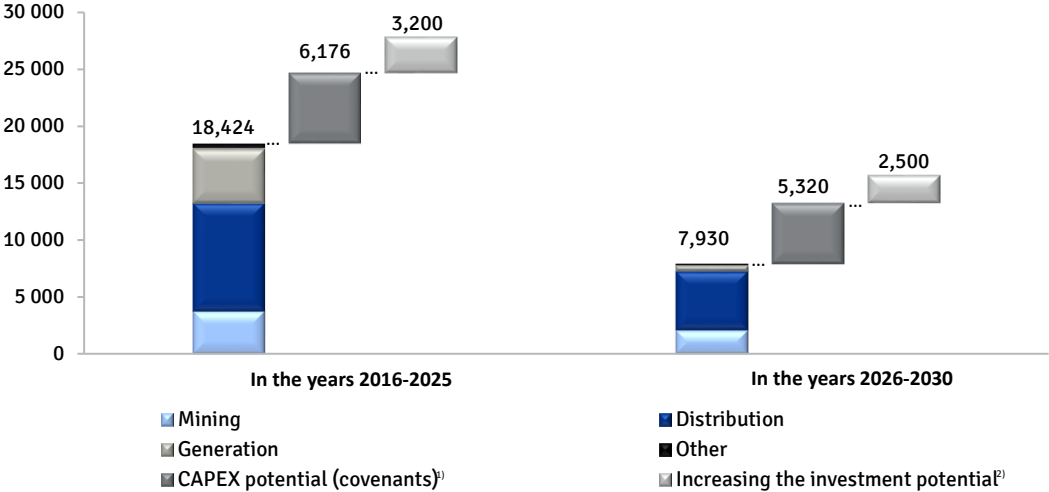
ENEA will be active in such segments as the development of energy micro- and macroclusters, electromobility, prosumer installations or solutions from the field of the Internet of Things, such as a smart house or smart company.

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. In line with the Development Strategy, the CAPEX potential generated and the Group's financial standing will enable ENEA to designate additional PLN 6.2 billion until 2025 and PLN 5.3 billion in 2026-2030 for development investments. The expenditures constitute the maximum investment budget which the Group may allocate to economically attractive investments, including acquisitions.

Moreover, ENEA's goal is to generate additional EBITDA from the development of new, innovative business lines.

Estimated capital expenditures of ENEA Group during 2016-2030 [PLN m, current prices] are as follows:



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

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

The motion for allocation of 100% of the profit to the other reserve capitals is a consequence of considerable investment needs of the Group resulting i.a. from the plans included in "ENEA Capital Group's Development Strategy until 2030". In ENEA 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.