

**Rationale presented by the ENEA S.A. Management Board for the proposed distribution of the Company's net profit generated in the financial year ended 31 December 2022**

In previous years, the Company, in pursuit of its ambitious capital expenditure plan, in most cases moved its earnings to reserve capital with a view to spending it on anticipated capital expenditures. Detailed data are presented in the table below (in PLN 000s):

Year	Amount	Purpose
2021	442,110,040.96	Increase in reserve capital designated for the financing of capital expenditures
2020	(3,356,750)	Coverage of losses from retained earnings and supplementary capital
2019	283,331	Increase in reserve capital designated for the financing of capital expenditures
2018	727,136	Increase in reserve capital designated for the financing of capital expenditures
2017	1,813,324	Increase in reserve capital designated for the financing of capital expenditures
2016	620,234	Increase in reserve capital by 509,882 and distribution of 110,361 in dividends

**Increase in reserve capital – key investments**

The allocation of earnings of PLN 2,448,024,226.61 to increase reserve capital is aimed at the continued pursuit of the Company's ambitious capital expenditure plan. In December 2021, the "ENEA Group Development Strategy until 2030 with an outlook to 2040" (Strategy) was updated. In the Strategy, the ENEA Group's key development directions are defined, forming the foundation for articulating the Group's strategic goals until 2030 with an outlook to 2040, including:

- a) development of energy storage projects and provision of services to third parties;
- b) involvement in offshore wind energy generation;
- c) intensification of activities aimed at gaining access to green energy through the execution of projects included in the ENEA Group's RES portfolio;
- d) development of hybrid installations;
- e) conventional energy generation based on low-carbon sources (gas – as a transition fuel; biomass; RDF);
- f) development of a smart power grid;
- g) changed operation of the DSO in the new power market model;
- h) development of the ENEA Group's wholesale trade area (prop-trading, origination);

- i) construction of multi-energy products, including supply chain management;
- j) expansion of sales and enhancing customer loyalty;
- k) development of new lines of business;
- l) development of micro and macro energy clusters;
- m) development of a modern offering for prosumers, including cooperation with local governments and urban development NGOs, and participation in the creation and management of energy islands (energy clusters).

The ENEA Group's overriding objective is the pursuit of sustainable transition with a view to increasing the Group's shareholder value. From the owner's perspective, the map of goals includes:

- a) development of renewable energy sources based on state-of-the-art technologies;
- b) reliability and continuity of electricity supply;
- c) implementation of innovative solutions and new technologies in all areas of the ENEA Group's business.

It is assumed that the ENEA Group's achievements from the pursuit of the Strategy will include:

- a) increase in (gross) installed capacity from renewable energy sources by 1,510 MW in 2030 and by 3,580 MW in 2040, calculated in relation to 2020 (without taking into account the capacity of the already existing "Green Unit" owned by ENEA Elektrownia Połaniec S.A.);
- b) decrease in the value of the CO<sub>2</sub> emission unit factor to 254 kg CO<sub>2</sub> per MWh in 2030, with the aim of achieving a value of 201 kg CO<sub>2</sub> per MWh by 2040 and achieving climate neutrality by 2050;
- c) SAIDI at 74.59 minutes in 2030 and 70 minutes in 2040;
- d) SAIFI at 2.02 in 2030 and 1.93 in 2040;
- e) network losses in distribution at 5.14% in 2030 and 5.0% in 2040.

The estimated measures of strategic objectives to be achieved by 2040 as mentioned above have been calculated based on the assumption of the spin-off of coal-fired assets outside the ENEA Group.

**According to its estimates, the ENEA Group will incur capital expenditures of more than PLN 68 billion in 2023-2042, including:**

- a) distribution area: **PLN 42.5 billion;**
- b) construction and further modernization of integrated gasification combined cycle units: **PLN 5.8 billion;**
- c) investments in renewable energy sources and energy storage: **PLN 13.8 billion;**
- d) other activities of the ENEA Group (including, without limitation, in the heat segment): **PLN 6.2 billion.**

## **Summary**

The proposed method of allocation of ENEA S.A.'s net profit generated in the financial year ended 31 December 2022, providing for no dividend payments in the current year, will enable ENEA and the ENEA Group to stabilize their cash position, which in turn will translate into the Company maintaining its ability to finance its planned capital expenditures and reduce the risk of deterioration of its net debt/EBITDA ratio and or the Fitch net leverage ratio, and to surpass the thresholds following from the covenants contained in the financing agreements and indicated by rating agencies for the purposes of assessment of the ENEA Group's creditworthiness.