

## **Justification of the Management Board of ENEA S.A. for the proposed distribution of net profit for the financial year covering the period from 01.01.2013 to 31.12.2013**

Justifying the motion on the distribution of net profit of ENEA S.A. for the period from 01.01.2013 to 31.12.2013 the Board of ENEA S.A. informs that the net financial result in the amount of PLN 833,465 thou. generated in the financial year of 2013 was affected e.g. by the profit generated from the core operations of the Company which is electric energy trading. The operating result amounted to PLN 210,356 thou. Additionally, dividend income was generated in the amount of PLN 605,676 thou. and other financial revenues in the amount of PLN 92,720 thou. (generated mainly from interests on fixed time deposits, commercial papers and bonds of the State Treasury and bond interest).

Below the justification of the proposed distribution of net profit is presented:

1. Taking into account the plans presented below in item 2 concerning the realisation of the long-term strategy of ENEA Capital Group within generation (including RES) and distribution it is proposed to designate the amount of PLN 251,622,269.46, which constitutes 30% of net profit, for payment of dividends for shareholders and the remaining part of the profit in the amount of PLN 581,842,730.54 designate for investment financing.
2. One of the basic factors significant for the perspectives of ENEA Capital Group's (Group) development is the realisation of the strategy within which the following goals were defined for achieving during the coming years:
  - higher value for shareholders,
  - building long-lasting relations with customers,
  - growth in profitable areas,
  - better efficiency,
  - optimal use of the organisation's potential.

What is indispensable for the realisation of the strategy of the Group is cash, ensuring of which is the key element of the implementation of the investment plans and increasing the Group's values for shareholders. Realisation of the investments planned by the Group during 2014-2020 requires incurring total capital expenditures in the amount of PLN 20 bln., including:

- a) in the area of conventional generation ca. PLN 5.9 bln,
- b) in the area of RES ca. PLN 4.5 bln,
- c) in the area of cogeneration and heating networks ca. PLN 3.2 bln,
- d) in the area of distribution ca. PLN 5.9 bln.

In the area of generation the Group will pursue to develop generating capacities to the level of additional 1,075 MWe in the segment of system power plants in 2017. Additionally, in 2020 it is planned to additionally achieve ca. 500 MWe power from RES and ca. 300 MWe and 1,500 MWt in cogeneration sources and heating networks.

One of the most important investments in the Group is the construction of a supercritical bituminous coal fired power unit with the electric capacity of 1,075 MWe gross and the efficiency of 45.6% net. The investment is one of the key undertakings in order to increase generating capacities of the Group for a long-term satisfaction of the demand for electricity of all the Group's customers. The new power unit in Koźienice will be the most modern unit fired with coal in Poland and Europe. A successful completion of the investment will allow for increasing generating capacities of the power plant in Koźienice by ca. 30%.

Other important investments implemented by ENEA Wytwarzanie S.A. are environmental investments covering the installations of flue gases denitrification and desulphurisation in the power plant in Koźienice and Białystok Heat and Power Plant. These investments will allow to comply with legal requirements within the level of emissions to the atmosphere, in particular after 2015, with no necessity of reducing electricity generation.

There will be also parallel investments implemented within the modernisation of the existing 200 and 500 MWe units operating in ENEA Wytwarzanie which will allow e.g. for the prolongation of the service time of the generating devices, diminishing the failure rate and growth in the sales of electricity resulting from higher unit availability.

Within distribution in the period covered with the strategy what is planned is investment and modernisation works of the grid infrastructure and necessary equipment in relation to the growth in demand for electric energy and necessity of connecting renewable sources of energy. Investment and modernisation activities should be reflected in the effectiveness of our network and limitation of network losses. They will also involve replacing those sections of distribution lines that have been in service the longest. These activities should substantially impact the increase in reliability of deliveries of electricity to customers.

In 2013 ENEA Operator Sp. z o.o. spent almost PLN 895 mln on investments of which a significant part of capital expenditures was designated for the modernisation and reinstatement of the assets connected with the enhancement of the quality of services and/or growth in demand for power. This tendency will continue through 2014.

An application for write-off from part of the profit to the remaining reserve capitals is a consequence of substantial investment needs of the Group for which, according to the "Corporate Strategy of the ENEA Capital Group for 2014-2020" it was anticipated to spend the funds in the amount of ca. PLN 20 bln. Therefore in ENEA Capital Group's opinion it is important to ensure long-term construction of a portfolio of the equity, so that in the future it is possible to manage the investment implementation. Obviously, any profits will be allocated as a supplementary source of financing capital expenditures, particularly with regard to the Group development, primarily investments in additional capacity.

3. The Board of ENEA S.A. indicates that there are no grounds justifying increasing the contribution to the Company Social Benefits Fund from the profit generated for 2013.